ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA, S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

APPLICATION RECORD (Returnable November 13, 2015)

GOODMANS LLP

Barristers & Solicitors Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7

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INDEX

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

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AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

INDEX

Гab	Document
1.	Notice of Application
2.	Affidavit of Kevin Drover sworn October 30, 2015
A.	Exhibit "A" – Support Agreement (including Term Sheet)
В.	Exhibit "B" – News Release dated October 16, 2015
C.	Exhibit "C" – Letter to Shareholders dated October 19, 2015
D.	Exhibit "D" – News Release dated October 19, 2015
E.	Exhibit "E" – News Release dated October 30, 2015
F.	Exhibit "F" - Corporate Organizational Chart
G.	Exhibit "G" - Credit Agreement
Н.	Exhibit "H" – Second Amendment to the Credit Agreement

- I. Exhibit "I" Arrangement Agreement
- J. Exhibit "J" Financial Statements of Aurcana Corporation
- K. Exhibit "K" Fairness Opinion of Primary Capital
- L. Exhibit "L" Additional Opinion of Primary Capital
- M. Exhibit "M" Qualifications of Primary Capital
- 3. Draft Final Order
- 4. Blackline of Draft Final Order to Model Final Order

TAB 1

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

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AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on November 13, 2015, at 10:00 a.m., or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date

October 30, 2015

Issued by

Bruna Gagliardi Registrar

Local registrar

Address of court office

330 University Avenue

Toronto, Ontario M5G 1E7

TO:

ORION MINE FINANCE (MASTER) FUND I L.P., BY ITS GENERAL

PARTNER, ORION MINE FINANCE GP I LIMITED (the "Lender")

TO:

NORTON ROSE FULBRIGHT CANADA LLP, Counsel to the Lender

Royal Bank Plaza, South Tower, Suite 3800

200 Bay Street, P.O. Box 84 Toronto, ON M5J 2Z4

Attn: Geoff Gilbert & Evan Cobb

TO:

DELOITTE LLP, Auditors of Aureana Corporation

Chartered Accountants

2800 – 1055 Dunsmuir Street

P.O. Box 49279

Vancouver, BC V7X 1P4

TO:

THE DIRECTOR UNDER THE CANADA BUSINESS

CORPORATIONS ACT

Compliance & Policy Directorate Corporations Canada, Industry Canada 9th Floor, Jean Edmonds Tower South 365 Laurier Avenue West Ottawa, ON K1A 0C8 - 3 -

APPLICATION

1. THE APPLICANTS MAKE APPLICATION FOR:¹

- a) an Order in substantially the form attached as Tab "3" to the within Application Record (the "Final Order"), pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"), approving the proposed arrangement (the "Arrangement") pursuant to a plan of arrangement substantially in the form attached to the draft Final Order (the "Plan of Arrangement"); and
- b) such further and other relief as this Honourable Court may deem just.

2. THE GROUNDS FOR THE APPLICATION ARE:

- a) the Applicants are corporations governed by the CBCA;
- b) the Applicants wish to effect fundamental changes in the nature of an arrangement under the provisions of the CBCA;
- c) all statutory requirements under the CBCA have been, or will have been, satisfied by the hearing of the within Application;
- d) all pre-conditions to the approval of the Plan of Arrangement by the Court have been, or will have been, satisfied prior to the hearing of the within Application;
- e) the Restructuring Transaction to be implemented under the Plan of Arrangement is fair and reasonable, and has been determined by the Board of Directors and the Special Independent Committee of the Board of Directors of Aurcana to be in the best interests of the Aurcana Companies and their stakeholders;
- f) the Application has been put forward in good faith;

¹ Capitalized terms not defined herein shall have the meanings given to such terms in the Affidavit of Kevin Drover sworn October 30, 2015 (the "**Drover Affidavit**"), attached at Tab "2" of the within Application Record.

4

g) the Applicants are not insolvent within the meaning of section 192(2) of the CBCA;

- 4 -

- h) it is not practicable for the Aurcana Companies to effect the Restructuring Transaction under any other provision of the CBCA;
- i) this Notice of Application will be sent to all of those listed in this Notice of Application;
- j) section 192 of the CBCA;
- k) rules 14.05(2), 14.05(3) and 38 of the Rules of Civil Procedure; and
- such further and other grounds as counsel may advise and this Honourable Court may permit.

3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:

- a) the Drover Affidavit and the exhibits attached thereto;
- b) the supplementary affidavit of Kevin Drover to be filed in connection with the Application; and
- c) such further and other material as counsel may advise and this Honourable Court may permit.

- 5 - 5

October 30, 2015

GOODMANS LLP

Barristers & Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7

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AURCANA CORPORATION AND 9490248 CANADA CORPORATION Applicants IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

Court File No: CV-15-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION (Returnable November 13, 2015)

GOODMANS LLP

Barristers & Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7

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TAB 2

Court File No. CV-15-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

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AURCANA CORPORATION AND 9490298 CANADA CORPORATION

Applicants

AFFIDAVIT OF KEVIN DROVER

(Sworn October 30, 2015)

TABLE OF CONTENTS

I.	OVERVIEW				
II.	BAC	BACKGROUND REGARDING AURCANA1			
	(a)	Overview of the Aurcana Business	11		
	(b)	Corporate Structure	13		
	(c)	Capital Structure - Common Shares and Credit Agreement	15		
III.	BAC TRA	BACKGROUND TO THE ARRANGEMENT AND THE RESTRUCTURING TRANSACTION			
	(a)	Decline in the Prices of Metals	18		
	(b)	Sales Process	19		
	(c)	Further Negotiations with the Lender	21		
	(d)	Term Sheet	22		
	(e)	Support Agreement	24		
IV.	DES	DESCRIPTION OF THE ARRANGEMENT2			
	(a)	Effect of the Arrangement	25		
	(b)	Steps of the Arrangement	26		
	(c)	Process for the Arrangement	27		
V.	RELIEF REQUESTED AND PROPOSED FINAL ORDER2				
	(a)	Arrangement within the Meaning of s. 192 of the CBCA	29		
	(b)	Solvency Requirement	30		
	(c)	Practicability Requirement	31		
	(d)	Notice to the Director	32		
	(e)	Support for the Restructuring Transaction	32		
VI	CO^{\dagger}	NCLUSION	38		

Court File No. CV-15-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

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AURCANA CORPORATION AND 9490298 CANADA CORPORATION

Applicants

AFFIDAVIT OF KEVIN DROVER

(Sworn October 30, 2015)

- I, Kevin Drover of the City of Vancouver, in the Province of British Columbia, MAKE OATH AND SAY:
- I am the President and CEO of Aurcana Corporation (the "Company" or "Aurcana", and together with all of its subsidiaries, the "Aurcana Companies"), a Canadian mining, exploration and mineral development company. I was appointed as President and CEO of Aurcana on July 10, 2014 and have served as a director of Aurcana since November 18, 2013. I am also a director and officer of 9490248 Canada Corporation ("Aurcana ArrangeCo"). Aurcana and Aurcana ArrangeCo are collectively referred to herein as the Applicants.

- 2. I have more than 40 years of domestic and international experience in mining industry operations, process re-engineering, project development and corporate management with both developing and producing companies in Peru, Nicaragua, Costa Rica, Russia, the USA and Canada. I have previously held positions of President and CEO, Chief Operating Officer, Vice-President of Operations, and General Manager of companies including Oracle Mining Corp., Glencairn Gold Corporation, Kinross Gold Corporation, Black Hawk Mining Inc., Lac Minerals Ltd. and BP Resources Canada Limited.
- 3. I swear this affidavit in support of an application by the Applicants pursuant to sections 192(3) and 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, C. c-44, as amended (the "CBCA"), for a final order in substantially the form attached as Tab 3 to the within Application Record (the "Final Order") approving the proposed arrangement (the "Arrangement") pursuant to the plan of arrangement of the Applicants (the "Plan of Arrangement"), a copy of which is attached as Schedule A to the proposed Final Order.
- 4. The application is scheduled to be heard on November 13, 2015 and, if approved, the Arrangement is expected to be completed on or before December 4, 2015, in accordance with the timeline established under a Support Agreement dated October 15, 2015 (the "Support Agreement") between the Aurcana Companies and their senior secured lender, Orion Mine Finance (Master) Fund I LP (the "Lender").
- 5. The purpose of the Arrangement is to give effect to a restructuring transaction that will eliminate all of the Company's senior secured debt obligations under the amended and restated credit facility agreement dated April 29, 2014 (as amended, the "Credit Agreement") between Aurcana, the Lender and each of the guarantors thereunder (the "Guarantors"), with no dilution

to shareholders. The Credit Agreement represents 100% of the Aurcana Companies' secured debt obligations. Trade and other unsecured obligations of the Aurcana Companies are not affected by the Arrangement.

6. I have been actively involved in the sales process that preceded the proposed restructuring transaction and in the discussions and negotiations with the Lender regarding the proposed restructuring transaction that is the subject of the Arrangement. Accordingly, I have knowledge of the matters deposed to herein. Where I have relied upon other sources of information, I have stated the source of that information and believe such information to be true.

I. OVERVIEW

- 7. As a result of the significant and prolonged decline in the prices of silver and base metals since 2013, Aurcana has experienced a significant reduction in earnings that is threatening its ability to continue as a going concern.
- 8. In particular, despite several extensions and waivers that have been granted by the Lender, the Company has not been able to produce sufficient cash flow at its key operating mine La Negra to meet its obligations under the Credit Agreement, which is now in default.
- 9. As of October 15, 2015, the principal amount outstanding under the Credit Agreement (including the Additional Advance discussed below) is \$38,741,516, and interest in the amount of \$588,924 for the months of August, September and October 2015 is also outstanding. The Lender holds a security interest over substantially all of the assets of the Company and its

¹ All dollar amounts expressed herein are in U.S. dollars unless otherwise indicated.

subsidiaries, including both of the Company's main assets, being the La Negra mine in Mexico and the Shafter mine in the United States. As a result of the Company's default under the Credit Agreement, the Lender is now in a position to enforce on all of its security.

On October 15, 2015, the Aurcana Companies entered into the Support Agreement with 10. the Lender for a restructuring of the Company's secured debt obligations under the Credit Agreement pursuant to the restructuring term sheet attached to the Support Agreement as Schedule "A" (the "Restructuring Transaction"). A copy of the Support Agreement is attached hereto as Exhibit "A". The Restructuring Transaction contemplates the cancellation of all indebtedness due and in default under the Credit Agreement in exchange for the transfer to the Lender of certain of the Company's Mexican subsidiaries, which indirectly hold the Company's interest in the La Negra mine (such specified subsidiaries being, collectively, the "Mexican Subsidiaries"). The Restructuring Transaction also involves the payment by a newly incorporated affiliate of the Lender ("Newco") of \$3.5 million to Aurcana ArrangeCo for certain non-core equipment of Aurcana and/or certain of its subsidiaries (the "Asset Sales"), as well as payments by Newco of \$40,000 per month to Aurcana ArrangeCo for a total period of 12 months following the completion of the Restructuring Transaction for consulting services to be provided by certain specified officers of Aurcana to Newco, in connection with the operation of the La Negra mine by Newco following implementation of the Arrangement (the "Service Arrangements").

11. As a result of the Restructuring Transaction:

(a) \$38.7 million of secured debt due and in default under the Credit Agreement will be eliminated and exchanged for the shares of the Mexican Subsidiaries;

- (b) Aurcana's annual interest expense will be reduced by approximately \$2.3 million;
- (c) Aurcana will retain all of its other assets, including the Shafter mine;
- (d) Aurcana's shareholders will retain their existing common shares with no dilution; and
- (e) Aurcana will continue as a going concern without disruption.
- 12. The Restructuring Transaction will allow the Company to retire all of its secured debt due under the Credit Agreement and to emerge with sufficient working capital (including on account of the approximately \$4 million of new capital to be realized for Aurcana under the non-core Asset Sales and the Service Arrangements that form part of the Restructuring Transaction) so as to be in a position to meet its near-term obligations and continue as a going concern.
- 13. The Support Agreement with the Lender provides that the Restructuring Transaction is to be implemented by way of a plan of arrangement under the *Canada Business Corporations Act* (the "Plan of Arrangement"). Implementation of the Plan of Arrangement is subject to court approval and the receipt of all necessary regulatory and stock exchange approvals. Shareholders are not being asked to approve the Arrangement and it is proposed that no shareholder vote will be held in connection with the Arrangement.
- 14. Under the terms of the Support Agreement with the Lender, the Restructuring Transaction is to be approved and implemented in accordance with the following timeline:
 - (a) commencement of court proceedings to implement the Plan of Arrangement by October 30, 2015;

- (b) court approval of the Plan of Arrangement by November 13, 2015; and
- (c) implementation of the Plan of Arrangement by December 4, 2015.
- 15. In the event that any of these deadlines is not met by the Company, the Lender will have the right to terminate the Support Agreement and pursue its rights as the secured creditor under the Credit Agreement, which is in default and is secured by substantially all of the Aurcana Companies' assets, including the Shafter project. Aurcana does not have the capital to repay the Lender or the ability or liquidity to further extend out the Lender and an extensive sales process run by the Company, and its financial advisor BMO Capital Markets, has produced no buyer for the Company or its assets, no transaction that will allow the Company to repay the Lender and no refinancing of the Credit Facility.
- 16. As discussed in greater detail below, the Restructuring Transaction is the result of an extensive exploration of strategic and remedial alternatives undertaken by Aurcana with the assistance of its advisors and overseen by its Board of Directors since early 2014. This process included:
 - (a) the successful negotiation of an amendment to the Original Credit Agreement (as defined below) in April 2014 that reduced the principal amount then owing under the Credit Agreement by over \$10 million;
 - (b) the successful negotiation of offtake agreements with the Lender in April 2014 in respect of 100% of the copper, zinc and lead concentrates (which also have silver content) produced at La Negra for the period from January 1, 2017 to December

- 31, 2020 (which was extended on December 1, 2014 by one year to December 31, 2021);
- (c) the successful negotiation of waivers of certain prior defaults under the Credit

 Agreement with the Lender;
- (d) the successful negotiation of extensions for the payment of principal and interest due under the Credit Agreement with the Lender, all of which have now expired;
- (e) extensive operational initiatives to reduce costs and increase production in an effort to produce sufficient cash flow to meet the Company's obligations under the Credit Agreement, which have not been sufficient; and
- (f) an extensive search for strategic alternatives through a sales process run by BMOCapital Markets, which did not result in any executable transactions.
- 17. Aurcana's management, Board of Directors and a Special Independent Committee of the Board of Directors (the "Special Independent Committee")² have considered all available alternatives, the results of the strategic review and sales process run by BMO Capital Markets, fairness opinions that have been delivered by Primary Capital Inc., and have concluded that the Restructuring Transaction is the best available transaction for the Aurcana Companies, and the only executable transaction available under the circumstances.

² The members of the Special Independent Committee are Mr. Jerry Blackwell and Mr. Adrian Aguirre. As disclosed in the Management Information Circular of the Company dated April 14, 2015 (as filed on SEDAR), Mr. Blackwell and Mr. Aguirre are both considered to be "independent" within the meaning of National Instrument 52-110, which provides at section 1.4(1) that a director is independent if he or she has no direct or indirect material relationship with the reporting issuer.

- 18. Unlike other potential outcomes, the Restructuring Transaction will preserve assets and value for the Company and its shareholders and allow for the continued operation of the business as a going concern. Aurcana's management, Board of Directors and the Special Independent Committee believe that the Restructuring Transaction is the optimal value-maximizing transaction in the circumstances and that it is in the best interests of the Aurcana Companies and their stakeholders to proceed as expeditiously as possible with court approval and implementation of the Arrangement.
- 19. If the Restructuring Transaction is not implemented pursuant to the Arrangement and in accordance with the timeline set forth in the Support Agreement, the Lender will likely enforce on its security and/or the Company will commence proceedings under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act* to protect its assets. In either case, the Company expects that the Restructuring Transaction will not be available and, therefore, it is unlikely that value will be preserved for shareholders.
- 20. As discussed in greater detail below, the Company has put in place an extensive information and notice program to ensure that shareholders have had sufficient time and information to consider the proposed Restructuring Transaction in connection with this application for court approval of the Arrangement pursuant to section 192(3) and 192(4) of the CBCA. This process has included the following measures:
 - (a) Following the execution of the Support Agreement on October 15, 2015, the Company issued a news release on the morning of October 16, 2015, a copy of which is attached hereto as Exhibit "B", that set out the key elements of the Restructuring Transaction and informed stakeholders of the Company's intent to

implement the Restructuring Transaction pursuant to a CBCA Plan of Arrangement. The news release also announced that Aurcana's shareholders would retain their existing shareholdings in the Company following completion of the Restructuring Transaction, and that as part of the Plan of Arrangement to be submitted to the court, there would be no shareholder vote. The news release stated that the Company's intention was to proceed with an application before the court in respect of the proposed Plan of Arrangement by the second week of November 2015.

- (b) On October 19, 2015, Aurcana issued a letter to its shareholders, a copy of which is attached hereto as Exhibit "C", providing further details concerning the Restructuring Transaction and the Arrangement, and again advising shareholders that the Arrangement will be submitted for court approval pursuant to the CBCA, without a shareholder vote. A copy of the letter to shareholders was posted on the Company's website.
- (c) On October 19, 2015, the Company also issued a news release, a copy of which is attached hereto as Exhibit "D", announcing that it would hold an investor conference call on October 21, 2015 to provide additional detail to shareholders concerning the Restructuring Transaction.
- (d) The investor conference call was held on October 21, 2015, the purpose of which was for management of Aurcana to provide further detail to shareholders concerning the Restructuring Transaction and address questions received to date from shareholders regarding the Restructuring Transaction. As discussed below, I

chaired the investor call and provided additional information to over 20 participants concerning:

- (i) the events that led up to the Restructuring Transaction;
- (ii) the details of the Restructuring Transaction;
- (iii) the process that the Company followed in developing the Restructuring Transaction;
- (iv) the process that the Company will follow in the coming weeks for court approval of the Restructuring Transaction; and
- (v) the Company's search for alternative transactions, all as also described in this my Affidavit.
- (e) Today, the Company issued a further news release, a copy of which is attached hereto as Exhibit "E", advising shareholders that the Company will be commencing the CBCA proceedings today and providing shareholders with details of the time and location for the court hearing to consider approval of the Arrangement. Copies of the Company's application materials will also be posted promptly on the Company's website.
- (f) The Company chose this timeline in order to provide its shareholders with a further period of time during which to consider the Arrangement and determine whether any such shareholder wishes to appear at the within hearing.
- 21. The Applicants believe that they have duly given shareholders appropriate time, notice and information regarding the Arrangement and the process for court approval of the

Arrangement, within with the deadlines established under the Support Agreement, which were negotiated.

II. BACKGROUND REGARDING AURCANA

(a) Overview of the Aurcana Business

- 22. Aurcana is a Canadian company engaged in the business of mining, exploration and development of mineral properties (the "Aurcana Business"). The principal focus of Aurcana is the operation and development of mineral properties, primarily silver operations, located in Mexico and the United States.
- 23. The Aurcana Companies currently have two mine sites: the La Negra mine located in the state of Querétaro, Mexico ("La Negra") and the Shafter Silver property in Presidio County, Texas ("Shafter").

(i) La Negra Overview

- 24. La Negra is a silver, lead, zinc and copper mine owned by Aurcana's subsidiary, Real de Maconi, S.A. de C.V. ("Real de Maconi"). La Negra is located 180 kilometers north of Mexico City in an established mining district that has the support of the local community and solid infrastructure, including year-round paved road access, power, housing and water supply.
- 25. Aurcana acquired a 92% interest in Real de Maconi in 2007 and increased its interest to 99.86% in 2012. La Negra is the sole revenue-producing asset of the Aurcana Companies and approximately 39% of the revenue generated by La Negra is attributable to silver contained in lead concentrate, with the remainder coming from base metals.

26. Since 2014, in response to declining metals prices, Aurcana and Real de Maconi have been focusing on reducing costs, improving productivity and efficiency, and improving grade estimation practices and control at La Negra.

(ii) Shafter Project Overview

- 27. Shafter is a pure-silver project owned by Aurcana's wholly-owned subsidiary, Silver Assets, Inc. ("Silver Assets"), and is located in a historic mining district in southwest Texas. The site has excellent infrastructure, with year-round access via paved highway and recently upgraded utility power.
- 28. Aurcana acquired Shafter from Silver Standard Resources in 2008 and commenced redevelopment of the underground access to the mine as well as the construction of mill and mine facilities.
- 29. Shafter was put on care and maintenance in December 2013 in part due to declining silver prices and uncertainty surrounding the mineral resources. The site is therefore not currently revenue-producing.
- 30. Aurcana's active mining of the Shafter mine from November 2011 to December 2013 took place in and around the Presidio Mine, which was previously mined from 1883 to 1942. Due to historical mining, the remaining ore body had lower than anticipated silver grades. This lower-grade material was economical to mine at the higher silver prices at the time, but is not economical to mine at current silver prices. Exploration drilling has also identified a previously unmined extension of the ore body, known as the Gold Fields extension, which, based on preliminary exploration drilling, appears to be of a higher grade than the previously-mined areas

around the Presidio Mine. The Company's management is of the view that there are two potential avenues to return Shafter to a stable production rate. Under the first avenue, an increase in silver prices could result in mining activities around the Presidio Mine becoming economical once again. Under the second avenue, further exploration drilling of the Gold Fields extension may indicate that the Gold Fields extension can be economically mined at current silver prices.

(b) Corporate Structure

31. A corporate organizational chart showing the corporate structure of the Aurcana Companies is attached hereto as Exhibit "F".

(i) Aurcana

- 32. Aurcana is the corporate parent of the Aurcana Companies. The Company is an established Canadian mineral resource company with its history dating back to 1917, when it was incorporated under the laws of Ontario under the name "Cane Silver Mines Limited".
- 33. In 1998, Aurcana was continued under the CBCA with the name "Aurcana Corporation".
- 34. Aurcana is a reporting issuer in Ontario, Alberta and British Columbia and is registered to do business in Ontario and British Columbia.
- 35. The common shares of Aurcana (the "Common Shares") are publicly listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "AUN".

36. Aurcana is headquartered in Vancouver, British Columbia and the legal and registered office of Aurcana is located at Suite 250 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

(ii) Aurcana ArrangeCo

37. Aurcana ArrangeCo is a holding company incorporated under the CBCA that has no liabilities and carries on no business, except in connection with the Arrangement. The legal and registered office of Aurcana ArrangeCo is located at Goodmans LLP's offices at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7. Aurcana ArrangeCo (or its designee) will receive all proceeds payable by the Lender under the terms of the proposed Arrangement in connection with the Asset Sales and the Services Arrangements.

(iii) Aurcana's Subsidiaries

- 38. As illustrated in the corporate organizational chart attached hereto as Exhibit "F", Aurcana owns 100% of the shares in Silver Assets, which owns and operates Shafter, as well as Cane Silver Inc. ("Cane Silver") and Cane Insurance Company Limited, both incorporated under the laws of Barbados.
- 39. As discussed, Aurcana also owns 99.86% of Real de Maconi, the other 0.14% of which is owned by Reyna Mining and Engineering S.A. de C.V. ("Reyna") and an individual named José Antonio Berlanga Balderas. Aurcana and Real de Maconi hold and share interests in Minera La Negra S.A. de C.V. ("Minera La Negra") with Reyna and Mr. Balderas, and Aurcana and Minera La Negra hold interests in Minera Aurcana S.A. de C.V. ("Minera Aurcana") and Perforadora Aurcana S. de R.L. de C.V. ("Perforadora Aurcana").

40. Aurcana also owns 100% of the shares in Aurcana ArrangeCo.

(c) Capital Structure - Common Shares and Credit Agreement

41. Aurcana's capital structure consists of the Common Shares, discussed above, and the Credit Agreement.

(i) The Credit Agreement

- 42. On September 19, 2013, MF2 Investment Holding Company 1 (Cayman) Limited (the "Former Lender"), an affiliate of the Lender, entered into a credit facility agreement (the "Original Credit Agreement") with Aurcana as the borrower, and each of Silver Assets, Cane Silver, Perforadora Aurcana, Minera Aurcana, Rio Grande Mining Company ("Rio Grande"), Shafter Properties Inc. ("Shafter Properties"), Minera La Negra and Real de Maconi as the Guarantors thereunder (collectively with Aurcana, the "Aurcana Loan Parties"), for a loan in the principal amount of \$50,000,000, payable in 48 equal monthly installments as of May 31, 2014.
- 43. Following the assignment by the Former Lender of all of the Former Lender's rights and obligations pursuant to the Original Credit Agreement to the Lender, Aurcana and the Lender entered into the Credit Agreement on April 29, 2014 to, among other things, reduce the principal amount under the loan to \$40,000,000. At that time, in consideration for an aggregate debt settlement of \$10,333,333, Aurcana issued 16,499,501 Common Shares to the Lender, which owns approximately 19% of the Common Shares. A copy of the Credit Agreement is attached hereto as Exhibit "G".

- 44. Concurrently with the execution of the Credit Agreement, Aurcana entered into offtake agreements with the Lender in respect of 100% of the copper, zinc and lead concentrates (which also have silver content) produced at La Negra for the period from January 1, 2017 to December 31, 2020 (extended on December 1, 2014 by one year to December 31, 2021).
- 45. Each of the Guarantors guaranteed the obligations of Aureana under the Credit Agreement.
- 46. The repayment of the amounts owed under the Credit Agreement is secured by:
 - (a) a general security interest granted by Aurcana over all or substantially all of its assets, including a pledge of all of the shares of Silver Assets by Aurcana;
 - (b) a first lien security interest granted by Silver Assets over all or substantially all of its assets, including a pledge of all of the shares of Rio Grande by Silver Assets;
 - a first lien security interest granted by Rio Grande over all or substantially all of its assets, including a pledge of all of the shares of Shafter Properties by Rio Grande;
 - (d) a first lien security interest granted by Shafter Properties over all or substantially all of its assets; and
 - (e) a security interest granted by each of the Mexican subsidiaries over all or substantially all of their assets, including a pledge of all of the shares and bank accounts of each Mexican Subsidiary.

- 47. In July 2014, the Lender agreed to defer Aurcana's payment of principal and interest for July 31, August 31 and September 30 of that year and amortize these amounts over the remainder of the loan commencing in October 2014. Since that time, the Aurcana Loan Parties and the Lender have entered into three waivers in connection with the Credit Agreement (collectively, the "Waivers") that afforded the Company further liquidity relief by making interest only payments and further deferring payments of principal amounts:
 - (a) on March 31, 2015, the Aurcana Loan Parties and the Lender entered into a Waiver agreement, pursuant to which the Lender waived certain defaults under the Credit Agreement, and agreed that the principal payments due in the months of January 2015, February 2015 and March 2015 (the "First Waiver Amounts") would be deferred to May 29, 2015, whereupon such amounts would be due and payable with the scheduled principal payment;
 - (b) on June 1, 2015, the Lender confirmed that the First Waiver Amounts and the principal amounts for April 2015 and May 2015 (together with the First Waiver Amounts, the "Second Waiver Amounts") would be due and payable on June 30, 2015; and
 - on July 30, 2015, the Lender confirmed that the Second Waiver Amounts and the principal amounts due for June 2015 and July 2015 (together with the Second Waiver Amounts, the "Third Waiver Amounts") would be due and payable on August 31, 2015.

(ii) Current Status of the Credit Agreement

- The Company was not able to pay, and did not pay, the Third Waiver Amounts due and payable on August 31, 2015, and is in default under the Credit Agreement. As of October 15, 2015, the principal amount outstanding under the Credit Agreement (including the Additional Advance) is \$38,741,516. Interest in the amount of \$588,924 for the months of August, September and October 2015 is also outstanding.
- As discussed, the Lender holds a security interest over substantially all of the assets of the Company and its subsidiaries, including both the La Negra and Shafter mines. Accordingly, as a result of Aurcana's default under the Credit Agreement, the Lender would be in a position to enforce on its security over the assets of the Aurcana Companies, absent the Restructuring Transaction.
- 50. The indebtedness under the Credit Agreement represents 100% of the Company's secured debt obligations, and the Company does not have any other term or revolver debt, secured or unsecured.

III. BACKGROUND TO THE ARRANGEMENT AND THE RESTRUCTURING TRANSACTION

(a) Decline in the Prices of Metals

Aurcana operates in a cyclical industry, such that its cash flow levels correlate to market prices for the commodities that it mines. The significant decreases in the prices of silver and copper since 2013 have been the root cause of the Company's financial challenges. The chart below provides the average prices for 2013 and 2014 and the change in the prices of silver,

copper, zinc and lead, the metals mined at La Negra, before metals' payable and treatment, refining and smelting charges:

	Year ended December 31, 2014	Year ended December 31, 2013	Change
Silver (CAD\$/oz.)	\$18.70	\$22.92	- 18.41%
Copper (CAD\$/lb.)	\$3.06	\$3.29	- 6.99%
Zinc (CAD\$/lb.)	\$0.99	\$0.86	+ 15.12%
Lead (CAD\$/lb.)	\$0.94	\$0.97	- 3.09%

- 52. As a result of the weakening in metal prices, Aurcana has experienced significant reductions in earnings since the year ending December 31, 2012. The Company anticipates that the metals prices will remain under pressure through the remainder of 2015.
- Aurcana adapted to the difficult metals markets by focusing on reducing operating costs and increasing efficiencies at La Negra. Aurcana reported on August 14, 2015 that it had reduced production costs by 26% per ounce on a silver equivalent basis over the past year. Despite these operational improvements, Aurcana was still not able to produce sufficient cash flow to meet its obligations under the Credit Agreement.

(b) Sales Process

54. In response to the financial challenges experienced by the Company as a result of the decline in metals prices, Aurcana engaged BMO Capital Markets in March 2013 to assist in reviewing and considering potential strategic alternatives. This exploration of available alternatives by BMO Capital Markets was extensive and spanned several months, including a broad canvassing of the market in the comprehensive sales process launched by Aurcana and

BMO Capital Markets in July 2014 and a re-solicitation process carried out in September 2015 (collectively, the "Sales Process").

- 55. The Sales Process began with BMO Capital Markets and management of Aurcana assessing strategic alternatives and preparing for the Sales Process. BMO Capital Markets then initiated the process of contacting parties on behalf of Aurcana to gauge interest in participating in a sale or investment in the Aurcana Companies. The goal of the process was to secure a transaction that would reduce debt through the sale of or investment in the Company, and/or permit Aurcana to repay or refinance the indebtedness under the Credit Agreement.
- BMO Capital Markets contacted 48 parties on behalf of Aurcana, communicating Aurcana's investment opportunity and providing interested parties with a teaser document regarding the possible sale or investment transaction. Of the parties contacted, 12 parties executed non-disclosure agreements and were provided with access to non-public information regarding the Aurcana Companies. Ultimately, following discussions between Aurcana, BMO Capital Markets and the interested parties, 6 parties submitted non-binding proposals by the Phase I Bid deadline of September 8, 2014.
- 57. Aurcana invited 5 parties to Phase II of the Sales Process. The second phase involved more extensive due diligence, management presentations and detailed discussions between Aurcana, the interested parties and their respective advisors. The second phase also involved 4 of the interested parties conducting site visits to the La Negra mine with members of Arcana's management team.
- 58. In November 2014, metals traded down to the lowest level in five years.

- 59. In December 2014, the Company released a new technical report that lowered prior estimates of metal resources at La Negra.
- 60. Thereafter, no binding offers were submitted at the completion of the second phase of the Sales Process in mid-December 2014.
- 61. In September 2015, BMO Capital Markets carried out a re-solicitation process in respect of the four interested parties who had progressed to the second phase of the Sales Process and conducted site visits at La Negra. Two of the parties were not considered to be interested parties any longer as they were in the process of doing a deal with one another and no longer in a position to do a transaction with Aurcana, and the other two interested parties expressed no further interest in the Company given market conditions and other factors. Accordingly, this resolicitation process also did not produce any transactions that would allow the Company to repay the Lender or any refinancing of the debt under the Credit Agreement.

(c) Further Negotiations with the Lender

62. In addition to the Sales Process, Aurcana continued negotiations with the Lender in respect of a potential restructuring of the indebtedness owing under the Credit Agreement. These negotiations led to the execution of the Waivers, which have now expired, and have ultimately culminated in the Term Sheet and Support Agreement, the details of which are set out below.

(d) Term Sheet

- As discussed above, the numerous waivers and extensions granted by the Lender have now expired, and the Company is again in default under the Credit Agreement, and the Lender is in a position to enforce its security over all of the assets of the Aurcana Companies, including its interests in La Negra and Shafter.
- 64. However, following further negotiations with the Lender, each of the Aurcana Loan Parties and the Lender entered into a term sheet on October 15, 2015 setting out the terms for the proposed Restructuring Transaction (the "Term Sheet").
- 65. The Term Sheet, a copy of which is attached hereto as Exhibit "A", and is appended to the Support Agreement as Schedule "A", provides, subject to the terms and conditions set out therein, for, *inter alia*:
 - (a) the extinguishment of the indebtedness under the Credit Agreement (including in respect of the Additional Advance) in exchange for the transfer of the Mexican Subsidiary Shares to Newco;
 - (b) all intercompany claims and indebtedness existing between (i) any of the Aurcana Loan Parties other than the Mexican Subsidiaries, and (ii) any of the Mexican Subsidiaries, or between any of the Mexican Subsidiaries amongst themselves, shall either be transferred (as directed by the Lender) or considered satisfied in full, in either case as agreed to by the Lender and Aurcana;

- (c) Newco shall purchase certain additional equipment from Aurcana and certain of the Guarantors for the purchase price of \$3,500,000, payable in two installments with an upfront payment of \$2,500,000 on the date the Transaction is implemented and \$1,000,000 on the earlier of (A) April 30, 2016 or (B) in the event the equipment is sold by Newco prior to April 30, 2016 for consideration greater than \$3,500,000, the date the equipment is transferred and conveyed by Newco; and
- (d) payments by Newco of USD\$40,000 per month for a total period of 12 months following the completion of the Transaction, in connection with the provision of certain consulting services by certain specified officers of Aurcana to Newco in connection with the operation of the La Negra mine.
- 66. Aurcana retains the right under the Term Sheet and the Support Agreement to pay all amounts outstanding under the Credit Agreement at any time prior to the implementation of the Restructuring Transaction, should it become able to do so.
- 67. On October 15, 2015, the Aurcana Loan Parties and the Lender also entered into a Second Amendment to the Amended and Restated Loan Agreement (the "Second Amendment"), pursuant to which the Lender agreed to provide an additional \$2,500,000 to Aurcana (the "Additional Advance"). A copy of the Second Amendment is attached hereto as Exhibit "H". The Additional Advance is subject to the existing terms of the Credit Agreement, provided that it can only be used to support operations at the La Negra mine in accordance with a specified budget and will mature and be repayable on December 31, 2015, subject to the implementation of the Restructuring Transaction and the Arrangement, in which case the

Additional Advance will also be cancelled in exchange for the transfer of the Mexican Subsidiary Shares.

(e) Support Agreement

- 68. On October 15, 2015, in connection with the Term Sheet, each of the Aurcana Loan Parties and the Lender also entered into the Support Agreement.
- 69. The Support Agreement, a copy of which is attached hereto as Exhibit "A", requires that the Restructuring Transaction be implemented by way of a CBCA plan of arrangement in accordance with the following timeline:
 - (a) <u>Initiation of Proceedings</u> the initiation of these proceedings by no later than October 30, 2015;
 - (b) <u>Approval of the Plan of Arrangement</u> the approval of the Plan of Arrangement by the court by no later than November 13, 2015; and
 - (c) <u>Transaction Implementation</u> the implementation of the Plan of Arrangement by no later than December 4, 2015.
- 70. Pursuant to the Support Agreement, the Lender has agreed to support the completion of the Restructuring Transaction, the Arrangement, the Plan of Arrangement and any other action that could reasonably be expected to facilitate the Restructuring Transaction or the Arrangement in accordance with the timeline set forth above. The Lender has also agreed under the Support Agreement to (i) not accelerate, enforce, take any action or initiate any proceeding to accelerate or enforce the payment or repayment of any debt of the Aurcana Loan Parties; (ii) forbear from

exercising any default-related rights, remedies, powers or privileges, or instituting any enforcement or collection actions; and (iii) consent to a stay of any existing or potential defaults under the Credit Agreement, pending implementation of the Arrangement on the timeline set forth above. Pursuant to the Support Agreement, the Applicants and the other Aurcana Companies and the Lender have also entered into an Arrangement Agreement in respect of the Arrangement and the Restructuring Transaction. A copy of the Arrangement Agreement is attached hereto as Exhibit "I".

IV. DESCRIPTION OF THE ARRANGEMENT

(a) Effect of the Arrangement

- (i) Effect of the Arrangement on the Lender
- 71. Pursuant to the Arrangement, all of the debt obligations under the Credit Agreement (including the Additional Advance) and the Guarantees will be fully and finally settled and extinguished by the transfer to Newco of the shares held by Aurcana in the Mexican Subsidiaries (the "Mexican Subsidiary Shares"). In addition, on closing, (i) Newco will assume contractual obligations that the Aurcana Companies have in connection with the operation of the La Negra mine that will be set out in a schedule to be agreed upon among the Aurcana Companies and the Lender and (ii) the Arrangement will also provide for the assignment or release of intercompany claims and indebtedness owing between the Aurcana Companies, as they relate to the Mexican Subsidiaries (collectively, the "La Negra Obligations").

(ii) Unaffected Obligations

- 72. Other than the outstanding indebtedness under the Credit Agreement, and the La Negra Obligations, any other obligations and indebtedness of the Aurcana Companies are not affected by or involved in the Arrangement. Trade debt and obligations to employees generally will all continue to be paid or satisfied in the ordinary course.
- 73. In addition, the Arrangement does not affect the Common Shares of the Company, which will continue to be held by the existing shareholders of Aurcana, and does not result in any dilution to the shareholders.

(b) Steps of the Arrangement

- 74. The specific steps of the Arrangement (which forms part of the overall Transaction) are set out in section 4.2 of the Plan of Arrangement. If approved, the Plan of Arrangement will become effective and be binding on the Aurcana Companies, the Lender and Newco at the Effective Time.
- Pursuant to the Plan of Arrangement, on the Effective Date, all of the outstanding obligations under the Credit Agreement and the Guarantees will be irrevocably and finally settled and extinguished. As of the Effective Date, the capital structure of Aurcana will consist of only the Common Shares. The Mexican Subsidiary Shares shall be held, as of the Effective Date, by Newco. All other assets of the Company, including Shafter, will be retained by the Company and its existing shareholders.

76. On the Effective Date, Aurcana and Aurcana ArrangeCo will be amalgamated into Aurcana.

(c) Process for the Arrangement

- 77. Prior to entering into the Restructuring Transaction, the Company obtained numerous extensions and waivers from the Lender. In addition, the Company carried out the extensive Sales Process to determine if any other transactions were available for the Company and its stakeholders. In the view of the Board of Directors and the Special Independent Committee, the Restructuring Transaction represents the optimal and only executable transaction available to the Company under the circumstances.
- 78. Accordingly, the Company entered into the Support Agreement with the Lender on October 15, 2015, which it announced in a news release issued on the morning of October 16, 2015. A copy of the Company's news release dated October 16, 2015 is attached hereto as Exhibit "B". The October 16, 2015 news release:
 - set out the key elements of the Restructuring Transaction and informed stakeholders of the Company's intention to implement the Restructuring Transaction pursuant to a Plan of Arrangement to be approved by the court pursuant to the CBCA;
 - (b) announced that Aurcana's shareholders would retain their existing shareholdings in the Company following completion of the Restructuring Transaction, and that as part of the Plan of Arrangement to be submitted to the court, there would be no shareholder vote; and

- (c) announced that the Company intended to proceed with the application for court approval of the proposed Plan of Arrangement in the second week of November 2015.
- 79. On October 19, 2015, the Company issued a letter to its shareholders providing additional detail concerning the Restructuring Transaction, a copy of which posted on the Company's website. A copy of the Company's letter to shareholders dated October 19, 2015 is attached hereto as Exhibit "C".
- 80. On October 19, 2015, the Company also issued a news release announcing that it would hold an investor conference call on October 21, 2015 to provide additional detail to shareholders concerning the Restructuring Transaction. A copy of the Company's news release dated October 19, 2015 is attached hereto as Exhibit "D".
- 81. The investor conference call (the "Investor Call") was held on October 21, 2015 with over 20 participants. I chaired the Investor Call and provided additional information to the participants concerning:
 - (a) the events that led up to the Restructuring Transaction;
 - (b) the details of the Restructuring Transaction;
 - (c) the process that the Company followed in developing the transaction;
 - (d) the process that the Company will follow in the coming weeks for court approval of the transaction; and

(e) the Company's search for alternative transactions,

all as described in this my Affidavit. An audio play-back of the investor call is available for two weeks, until November 4, 2015, pursuant to play-back instructions set out in the Company's October 19, 2015 news release.

- 82. On October 23, 2015, a redacted copy of the Support Agreement, which appends the Term Sheet, was filed on SEDAR. A copy of the redacted version of the Support Agreement filed on SEDAR is attached hereto as Exhibit "A".
- 83. This morning, the Company issued a news release announcing that it would be commencing the CBCA proceedings today and providing further details concerning the court process for approval of the Arrangement, including the details of the time and location of the court hearing to consider the Arrangement. A copy of the Company's news release dated October 30, 2015 is attached hereto as Exhibit "E".

V. RELIEF REQUESTED AND PROPOSED FINAL ORDER

84. Aurcana respectfully requests that this Court grant the Final Order, a draft of which is attached at Tab "3" to the within Application Record.

(a) Arrangement within the Meaning of s. 192 of the CBCA

85. The purpose of the Arrangement is to effect the Restructuring Transaction, which will exchange all of the Company's debt obligations owing to the Lender under the Credit Agreement for the Mexican Subsidiary Shares held by Aurcana, and result in Aurcana becoming free of senior secured debt and having sufficient working capital both to meet near-term obligations and

continue as a going-concern. The Arrangement is therefore the best alternative available to the Company in the circumstances and is critical to Aurcana's continued existence. Without the Restructuring Transaction, the Lender would be in a position to enforce on all of its security, and not just the Mexican Subsidiary Shares.

86. I am advised by counsel to Aurcana and verily believe that, as CBCA corporations, Aurcana and Aurcana ArrangeCo are permitted to avail themselves of the provisions of section 192 of the CBCA, and are therefore permitted to apply to the Court under section 192(3) of the CBCA for a court order approving an arrangement.

(b) Solvency Requirement

- 87. As discussed above, Aurcana has not paid certain amounts due and owing under the Credit Agreement. Although the current realizable value of Aurcana's assets appears not to exceed the aggregate of its liabilities and stated capital, upon completion of the Restructuring Transaction pursuant to the Arrangement:
 - (a) all of Aurcana's debt obligations under the Credit Agreement will be extinguished, resulting in Aurcana becoming a company free of senior secured debt;
 - (b) Aurcana will receive additional funding through the non-core Asset Sales and monthly payments on the Services Agreements that form part of the Restructuring Transaction; and

- (c) Aurcana will, as a result of the Restructuring Transaction and the Arrangement, have sufficient working capital to meet its near-term obligations.³
- 88. Accordingly, upon implementation of the Plan of Arrangement, Aurcana will be solvent because:
 - (a) Aurcana will not be unable to pay its liabilities as they become due; and
 - (b) the realizable value of the assets of Aurcana will not be less than the aggregate of its liabilities and stated capital.
- 89. In addition, Aurcana ArrangeCo has no liabilities and is solvent now, at the time of the hearing for the Final Order and following implementation of the Arrangement.

(c) Practicability Requirement

- 90. The Arrangement is to be effected in accordance with a number of steps that are to occur in the order set out in the Plan of Arrangement, and in a manner that is advantageous to Aurcana and its stakeholders.
- 91. Aurcana has elected to proceed by way of statutory plan of arrangement under section 192 of the CBCA as the most efficient, practicable and advantageous means of completing the Restructuring Transaction for Aurcana and its stakeholders.

³ A copy of Aurcana's most recent Financial Statements is appended hereto as Exhibit "J"

(d) Notice to the Director

- 92. I am informed by counsel to Aurcana that, in accordance with section 192(5) of the CBCA, the CBCA Director has been given notice of the within application and was provided with advance, draft copies of the Applicants' application materials.
- 93. The CBCA Director has advised Aurcana's counsel that the CBCA Director does not intend to appear at the hearing for the within application.

(e) Support for the Restructuring Transaction

- (i) CBCA Fairness Opinions from Primary Capital
- 94. Primary Capital Inc. ("Primary Capital") has provided the Special Independent Committee with an opinion that as of October 15, 2015, and based upon and subject to the various considerations set forth in the opinion, the Restructuring Transaction is fair, from a financial point of view, to the Company. A copy of this fairness opinion is attached hereto as Exhibit "K".
- 95. Primary Capital has also provided the Special Independent Committee with an opinion that as of October 15, 2015, and based upon and subject to the various considerations set forth in the opinion, the shareholders of the Company would be in a better financial position under the Arrangement than if the Company were liquidated. A copy of this additional opinion is attached hereto as Exhibit "L".
- 96. A statement of Primary Capital's qualifications is attached hereto as Exhibit "M".

- (ii) Approval of the Transaction and the Arrangement by the Board of Directors
- 97. The Board of Directors established the Special Independent Committee, which, following detailed discussions with legal and financial advisors, approved and recommended the Arrangement and the proposed Restructuring Transaction to the Board of Directors.
- 98. The Special Independent Committee and the Board of Directors unanimously approved the Arrangement. In coming to their decision, the Board of Directors and the Special Independent Committee considered the opinions provided by Primary Capital and various other factors, including:
 - (a) the challenges that the Company has faced for the past number of years, including liquidity challenges and the volatility of metals prices;
 - (b) the various alternatives that Aurcana has explored to address its financial situation over an extended period of time, including the Sales Process and extensive discussions and negotiations with the Lender;
 - (c) the Company's default under the Credit Agreement and the ability of the Lender to enforce on its security absent implementation of the Restructuring Transaction;
 - (d) the Company's lack of capital and funds to repay its obligations under the Credit Agreement;
 - (e) the fact that the Support Agreement and Term Sheet have been heavily negotiated by the Company, the Lender and their respective advisors;

- (f) the elimination of all of the debt obligations under the Credit Agreement and the Guarantees that will result from the successful implementation of the Arrangement;
- the ability of the Company to continue with the necessary working capital to meet its near-term obligations and continue as a going concern, following the implementation of the Arrangement; and
- (h) the consequences to the Company and its stakeholders, including particularly its shareholders, of a failure to implement the Restructuring Transaction and the Arrangement.
- 99. Following consideration of all of the foregoing factors, the Board of Directors and the Special Independent Committee unanimously determined that the Arrangement is the optimal alternative available in the circumstances, and voted to approve the Arrangement.

(iii) Stakeholder Support

100. The Lender is the Company's sole lender under the Credit Agreement. The Lender is fully supportive of the Restructuring Transaction and has executed the Support Agreement in connection therewith, pursuant to which it has also agreed not to enforce its security in connection with the Credit Agreement during the term of the Support Agreement. However, the Lender will be in a position to terminate the Support Agreement and to enforce on its security in respect of the Company's assets absent the implementation of the Arrangement in accordance with the timeline set forth in the Support Agreement.

- 101. The circumstances facing the Company and the timeline agreed to pursuant to the Support Agreement do not afford the Company the time to, among other things, call a meeting of its shareholders, prepare an information circular and conduct a shareholder vote. As discussed, absent the completion of the Restructuring Transaction pursuant to the Plan of Arrangement, the Lender will be in a position to enforce on its security in connection with the Credit Agreement, in which case the shareholders of Aurcana would not be entitled to any recovery or vote in respect thereof. The Restructuring Transaction provides a better alternative to enforcement steps by the Lender because, following completion of the Restructuring Transaction, Aurcana will be free of senior secured debt and will have sufficient working capital to meet its near-term obligations and continue as a going concern.
- 102. In my view, the Company has explored all potential strategic alternatives, including conducting the comprehensive Sales Process which did not ultimately result in any formal offers for purchase of or investment in the Company. The results of the Sales Process demonstrated that the Company could not be sold as a going concern for sufficient value to be distributed to shareholders following the repayment to the Lender of amounts outstanding and in default under the Credit Agreement.

(iv) Discussions with the TSXV

- 103. As discussed above, Aurcana is listed on the TSXV.
- 104. I am advised by counsel that the TSXV rules provide that where a company listed on the TSXV proposes to sell over 50% of its assets, a shareholder vote is generally required, unless a waiver is obtained from the TSXV.

- 105. On October 15, 2015, counsel and I spoke with representatives of the TSXV and informed them of the matters surrounding the Company and the proposed Restructuring Transaction and that, based on such matters and under the circumstances, the Company was not seeking a shareholder vote to approve the Restructuring Transaction, but rather court approval of the Arrangement pursuant to section 192 of the CBCA.
- 106. Following this discussion, the TSXV representatives advised the Company that, based on the circumstances and the proposal to obtain court approval of the Arrangement, the TSXV did not require a shareholder vote in respect of the Restructuring Transaction and/or the Arrangement.

(v) Notice to Shareholders

Amendment on October 15, 2015, the Company issued a news release announcing the Restructuring Transaction and Second Amendment. The news release, a copy of which is attached hereto as Exhibit "B", provided the key elements of the Restructuring Transaction, and informed stakeholders of the Company's intention to implement the Restructuring Transaction pursuant to the Plan of Arrangement. The news release additionally announced that Aurcana's shareholders will retain their existing shareholdings in the Company following completion of the Restructuring Transaction, and that as part of the Plan of Arrangement to be submitted to the court for approval, there would be no shareholder vote. The news release stated the Company's intention to proceed with an application before the Court in respect of the Plan of Arrangement by the second week of November 2015.

- 108. In addition, on October 19, 2015, Aurcana issued a letter to its shareholders, a copy of which is attached hereto as Exhibit "C", that was posted on the Company's website, further detailing the Restructuring Transaction and the Arrangement, and advising shareholders directly that the Arrangement will not affect the Common Shares of the Company and that, as part of the Plan of Arrangement to be submitted to the applicable court, there would be no shareholder vote.
- 109. On October 19, 2015, the Company also issued a news release, a copy of which is attached hereto as Exhibit "D", announcing that it would hold the Investor Call on October 21, 2015 to provide additional detail to shareholders concerning the Restructuring Transaction.
- 110. The Investor Call was held by teleconference on October 21, 2015, the purpose of which was for management of Aurcana to provide further detail to shareholders concerning the Restructuring Transaction and address questions received to date from shareholders regarding the Restructuring Transaction. As discussed above, I chaired the Investor Call and provided additional information to over 20 participants concerning:
 - (a) the events that led up to the Restructuring Transaction;
 - (b) the details of the Restructuring Transaction;
 - (c) the process that the Company followed in developing the transaction;
 - (d) the process that the Company will follow in the coming weeks for court approval of the transaction; and
 - (e) the Company's search for alternative transactions,

all as described in this my Affidavit.

- 111. As announced to shareholders on October 15, 2015, the Company is now filing this application for court approval of the Restructuring Transaction and the Arrangement, returnable to the court on November 13, 2015, which has also been communicated to shareholders in the news release issued by the Company this morning, a copy of which is attached hereto as Exhibit "E". This news release included details of the time and location of the hearing to consider approval of the Arrangement and the Company will also promptly post copies of its application materials on the Company's website.
- 112. The Company has chosen this timeline in order to provide its shareholders with a further period of time during which to consider the Arrangement and determine whether any such shareholder wishes to appear at the within hearing.
- 113. The Applicants believe that they have duly given shareholders appropriate time, notice and information regarding the Arrangement and the process for court approval of the Arrangement pursuant to section 192 of the CBCA, in accordance with the deadlines established under the Support Agreement, which were negotiated.

VI. CONCLUSION

114. The Applicants believe that the Arrangement and the Restructuring Transaction are the best alternatives available to the Aurcana Companies and their stakeholders in the circumstances, and the only executable alternative or transaction available to the Aurcana Companies and their stakeholders under the circumstances.

115. Absent implementation of the Arrangement, the Lender will be in a position to enforce on all of its security to the detriment of the Company's shareholders. The Board of Directors and the Special Independent Committee have therefore, with the assistance of their legal and financial advisors, concluded that the Arrangement and the Restructuring Transaction are in the best interests of the Company and its stakeholders, as the alternatives that will best preserve value and allow the Company to continue operating as a going concern.

116. Accordingly, I swear this affidavit in support of the Applicants' application for approval of the Arrangement.

SWORN before me at the City of Vancouver, on October 30, 2015

A Commissioner for taking affidavits

Kevin Drover

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Fax: 604-692-4900

TAB A

THIS IS EXHIBIT "A" TO THE AFFIDAVIT OF KEVIN DROVER SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Fax: 604-692-4900

Support Agreement

This support agreement (this "Agreement"), dated as of October 15, 2015 sets out the agreement among Aurcana Corporation (the "Company"), Silver Assets, Inc., Rio Grande Mining Company, Shafter Properties Inc., Cane Silver Inc., Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Minera La Negra, S.A. de C.V., Real de Maconi, S.A. de C.V. (collectively, the "Guarantors" and, together with the Company and the Applicant, the "Aurcana Group"), and Orion Mine Finance (Master) Fund I L.P., by its general partner Orion Mine Finance GP I Limited ("Orion"), regarding the principal aspects of the Transaction (as defined and more fully described in the term sheet attached as Schedule "A" hereto (the "Term Sheet")). Orion, Newco (as defined below) (following entry into a joinder in the form attached hereto as Schedule "B") and the Aurcana Group are collectively referred to as the "Parties" and each is a "Party".

1. Definitions

In this Agreement, unless otherwise stated or unless the subject matter or context otherwise requires:

"Business Day" means any day, other than a Saturday or Sunday or a statutory or civic holiday, that banks are open for business in Toronto, Ontario and New York, New York.

"CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended.

"Credit Agreement" means the amended and restated credit facility agreement dated April 29, 2014 entered into by Aurcana, Orion, and each of the Guarantors (as the same may have been and may further be amended, restated, modified or varied from time to time).

"Effective Time" means the time on the Implementation Date that the Transaction is implemented.

"Excepted Taxes" means any taxes that the Aurcana Group has not paid with the written consent of Orion.

"Final Order" means the order of the Court approving the Plan.

"Governmental Entity" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, crown corporation, court body, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"Implementation Date" means the date on which the Plan is implemented.

"Material Adverse Change" means any change, development, effect, event, circumstance, fact or occurrence that individually or in the aggregate with other such changes, developments, effects, events, circumstances facts or occurrences is or would reasonably be expected to be materially adverse to the assets, properties, business, operations or liabilities of the Mexican Subsidiaries (as defined in the Term Sheet) except, any change, development, effect, event, circumstance, fact or occurrence resulting from or relating to: (a) any change in generally accepted accounting principles as applied in the relevant jurisdiction; (b) any change in currency exchange rates or commodity prices; (c) any adoption, proposal, implementation or change in applicable laws or any interpretation thereof by any Governmental Entity (provided that in the case of (b) and (c) above, such conditions do not have a materially disproportionate effect on the Mexican Subsidiaries relative to other companies in their industry); (d) the execution, announcement or performance of this Agreement, the Term Sheet, the Plan or any other related

agreement and the completion of the transactions contemplated thereby; (e) the failure, in and of itself, of any entity in the Aurcana Group to meet any internal or public projections, forecasts or estimates of future revenues or future earnings; (f) any action taken by any entity in the Aurcana Group which is contemplated in this Agreement or is consented to by Orion; or (g) any change in the market price or trading volume of any securities of the Aurcana Group (it being understood that the causes underlying such change in market price or trading volume (other than those in items (a) to (f) above) may be taken into account in determining whether a Material Adverse Change has occurred).

"Newco" means a newly incorporated affiliate of Orion that has entered into a joinder in the form attached hereto as Schedule "B".

"Obligations" has the meaning ascribed thereto in the Credit Agreement.

"Other Transaction" means a transaction that is an alternative to the Transaction.

"Person" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.

2. Transaction

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The Transaction is to be effected pursuant to a Plan of Arrangement under the CBCA (the "Plan"). The principal aspects of the Plan are set out in the Term Sheet. The Term Sheet is incorporated herein and made a part of this Agreement. In the case of a conflict between the provisions contained in the text of this Agreement and the Term Sheet, the terms of this Agreement shall govern.

The Company may take all necessary steps to implement the Transaction through such other legislation or in such other manner as the Company and Orion may agree (the "Alternative Transaction"); provided that any such Alternative Transaction is completed on or prior to the Outside Date, and the provisions of this Agreement shall apply, *mutatis mutandis*, to the Alternative Transaction.

3. Orion's Representations and Warranties

Orion hereby represents to the Company and the Guarantors as follows, and acknowledges that each of the Company and Guarantors is relying upon such representations and warranties in entering into this Agreement and proposing the Transaction or any Plan of which the Transaction is a part:

- a) Orion is the sole legal and beneficial owner of the Obligations;
- b) Orion has been duly created, is validly existing and in good standing under the laws of its jurisdiction of creation; it has the requisite power, authority and capacity and has received all requisite approvals to execute and deliver this Agreement and to perform its obligations hereunder;
- this Agreement has been duly executed and delivered by Orion and constitutes a legal, valid and binding obligation of Orion, enforceable against Orion in accordance with its terms, subject to bankruptcy, insolvency and other similar laws affecting creditors' rights generally, and to general principles of equity;
- d) the execution and delivery by Orion of this Agreement and performance by Orion of its obligations under this Agreement:
 - i. are within its corporate, partnership, limited partnership or similar power, as applicable;

- ii. have been duly authorized by all necessary corporate, partnership, limited partnership or similar action, as applicable, including all necessary consents of the holders of its equity or other participating interests where required; and
- do not (A) contravene its certificate of incorporation, articles, by-laws, membership agreement, limited partnership agreement or other constating documents, as applicable, (B) violate or conflict with any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to it or any of its properties or assets, or (C) conflict with or result in the breach or violation of, or constitute a default under, or require a consent under, any contract material to Orion;
- e) Orion has the sole and exclusive right to enter into this Agreement and to transact in respect of the Obligations as contemplated herein. Except as expressly provided herein, none of the Obligations are subject to any proxy, power of attorney, attorney-in-fact, voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of securityholders or give consents or approvals of any kind. If not the beneficial owner of the Obligations, Orion has the power and authority to bind the beneficial owner of such Obligations;
- f) Orion is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement; it has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and it has not relied in such analysis or decision on any person other than its own independent advisors; and
- g) there is no proceeding, claim or investigation pending before any Governmental Entity, or, to the knowledge of Orion, threatened against Orion or any of its properties that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on Orion's ability to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement.

4. Orion's Covenants

Orion hereby covenants and irrevocably agrees that from the date hereof until the termination of this Agreement in accordance with its terms:

- a) Orion consents and agrees to the terms and conditions of, and the transactions contemplated by, this Agreement;
- b) Orion shall not sell, assign, lend, pledge, hypothecate or otherwise transfer any of the Obligations or any rights or interests therein (or permit any of the foregoing with respect to any of the Obligations) or enter into any agreement, arrangement or understanding in connection therewith except: (i) with respect to security generally applying to Orion's investments which does not adversely affect Orion's ability to perform its obligations under this Agreement, or (ii) a transfer to any affiliate of Orion provided such affiliate agrees to be bound by the terms of this Agreement with respect to the Obligations that are the subject of such transfer;
- c) except as contemplated by this Agreement, Orion shall not deposit any of the Obligations into a voting trust, or grant (or permit to be granted) any proxies or powers of attorney or attorney in fact, or enter into a voting agreement, understanding or arrangement, with respect to the voting of the Obligations if such trust, grant, agreement, understanding or arrangement would in any manner restrict the ability of Orion to comply with its obligations under this Agreement;
- d) in any circumstances upon which a vote, consent or other approval (including by written consent in lieu of a vote) with respect to the Transaction or the Plan is sought under the CBCA or otherwise, Orion shall cause the Obligations to be counted as present for purposes of

establishing quorum and shall vote all of the Obligations in favour of the approval, consent, ratification and/or adoption of the Transaction, the Plan, or any other matter that could reasonably be expected to facilitate the Transaction or the Plan;

- e) Orion shall not propose, take, solicit or direct, and shall vote (or cause to be voted) all of the Obligations against, and not otherwise support (and instruct its advisors not to support), any action that is intended or could reasonably be expected to impede, interfere with, delay, postpone or discourage the Transaction, including without limitation any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of or for the Company, including any proceeding under the Companies' Creditors Arrangement Act or otherwise, that is inconsistent with the Transaction;
- f) Orion shall support and use commercially reasonable efforts to complete the Transaction, the Plan, and any other action that could reasonably be expected to facilitate the Transaction or the Plan, including, without limitation, by negotiating in good faith and executing any and all documents and using commercially reasonable efforts to settle any conditions to the Transaction that are to be satisfied in order to consummate the Transaction;
- g) Orion shall not take or omit to take any action, directly or indirectly, inconsistent with this Agreement or that would frustrate or hinder the consummation of the Transaction;

h) Orion shall:

- i. not accelerate or enforce or take any action or initiate any proceeding to accelerate or enforce the payment or repayment of any debt of the Aurcana Group (including for greater certainty in respect of the Obligations), whether against the Aurcana Group or any property of the Aurcana Group;
- forbear from exercising any default-related rights, remedies, powers or privileges; or from instituting any enforcement actions or collection actions with respect to any obligations under the Credit Agreement whether against the Aurcana Group or any of the Aurcana Group's property; and
- iii. consent to a stay of any existing and potential defaults under the Credit Agreement;
- Orion agrees to the existence and factual details of this Agreement being set out in any public disclosure made by the Company, including press releases and Court materials, provided that such public disclosure is approved by Orion, acting reasonably;
- notwithstanding anything else contained herein, Orion agrees that, if the conditions precedent to the Transaction and the Plan are not satisfied or waived pursuant to this Agreement and the Plan, it shall support the Alternative Transaction and that its covenants in this Section 4 shall apply to the Alternative Transaction provided that any such Alternative Transaction is completed on or prior to the Outside Date; and
- k) notwithstanding anything else contained herein, Orion agrees that the Aurcana Group shall at all times have the right to take any steps and actions to repay in full, and/or to enter into a transaction that provides for the repayment in full of, all Obligations outstanding to Orion under the Credit Agreement.

4A. Service Arrangements

Conditional upon implementation of the Plan and in exchange for Aurcana making available and (the "Newco Consultants") pursuant to an agreement acceptable to Newco (the "Newco Consulting Agreements"), pursuant to which the Newco Consultants shall agree to provide

services to Newco as consultants in connection with the operations of the Mexican Subsidiaries for a total period of twelve (12) months following the Implementation Date, Newco will pay to the Company an amount of US\$40,000 on each monthly anniversary of the Implementation Date (or the first Business Day following the monthly anniversary of the Implementation Date) for a period of 12 months (the "Monthly Post-Closing Payment"); provided that: (i) if either or cease to be employed by the Company in their capacities as and respectively, and therefore are not made available by the Company to provide the consulting services under the Newco Consulting Agreements, the Monthly Post-Closing Payment shall decrease by \$10,000 per month for all payments following the cessation of such employment; and (ii) if both cease to be employed by the Company in their capacities as and , respectively, and therefore are not made available by the Company to provide the consulting services under the Newco Consulting Agreements, the Monthly Post-Closing Payment shall decrease by US\$20,000 per month for all payments following the cessation of such employment.

All rights and obligations under this Section 4A shall terminate upon:

- a) a Change of Control of Aurcana or any member of the Shafter Group (together, the "Impacted Parties"); or
- b) the filing by any party of proceedings in respect of an Impacted Party under any insolvency legislation, including, without limitation, the Companies' Creditors Arrangement Act,

For the purposes of this Agreement, "Change of Control" means the occurrence of any of the following: (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of an Impacted Party to any person; or (b) the adoption of a plan relating to the liquidation or dissolution of any Impacted Party; or (c) any person or group becomes the owner or has the right to become the owner, in each case directly or indirectly, of 50% or more of the voting power, voting securities or equity securities of any Impacted Party; or (d) any Impacted Party amalgamates or consolidates with, or merges with or into, any person (other than another Impacted Party), or any person consolidates with, or merges with or such Impacted Party, in any such event pursuant to a transaction in which any of the outstanding voting securities of such Impacted Party or such other person is converted into or exchanged for cash, securities or other property (other than securities of an Impacted Party); or (e) a replacement of more than 50% of the members of the board of directors of an Impacted Party that is not approved by a majority of those individuals who are members of such board immediately prior to such replacement; or (f) the execution by any Impacted Party or its controlling shareholders of an agreement providing for or that will result in any of the foregoing events.

For purposes of this Agreement, the "Shafter Group" means Silver Assets, Inc., Rio Grande Mining Company and Shafter Properties Inc.

5. Aurcana Group Representations and Warranties

Each entity in the Aurcana Group represents and warrants to Orion as follows, and acknowledges that Orion is relying upon such representations and warranties in entering into this Agreement and agreeing to support the Transaction:

- it has been created and is validly existing under the laws of its jurisdiction of creation; it has the requisite power, authority and capacity and, has received all requisite approvals to execute and deliver this Agreement and to perform its obligations hereunder;
- b) this Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other similar laws affecting creditors' rights generally, and to general principles of equity;

- c) neither the execution and delivery of this Agreement by it, the consummation by it of the transactions contemplated hereby nor the compliance by it with any of the provisions hereof will result in any breach of, or constitute a default (or an event which with notice or lapse of time or both would become a default) under any provision of its constating documents;
- d) there is no proceeding, claim or investigation pending before any Governmental Entity, or, to its knowledge, threatened against it or any of its properties that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on such entity's ability to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement; and
- e) it is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement; it has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and it has not relied in such analysis or decision on any person other than its own independent advisors.

6. Aurcana Group Covenants

- a) Each entity in the Aurcana Group covenants and irrevocably agrees that from the date hereof until the termination of this Agreement in accordance with its terms:
 - i. it consents and agrees to the terms and conditions of, and the transactions contemplated by, this Agreement;
 - ii. it shall pursue and support the completion of the Transaction in good faith by way of the Plan:
 - subject to any order of the Court, it shall (i) do all things that are reasonably necessary and appropriate in furtherance of, and to consummate and make effective, the Transaction and the Plan, including, without limitation, using reasonable best efforts to satisfy the conditions precedent set forth in this Agreement; and (ii) not take any action, directly or indirectly, that is materially inconsistent with, or is intended or is likely to interfere with the consummation of, the Transaction and the Plan, except as required by applicable law or by any other Governmental Entity having jurisdiction over the Company or the Applicant;
 - iv. it shall comply with its covenants under the Loan Documents, except as may have been or may be agreed to by the Aurcana Group and Orion in writing, and subject to any waivers that have been or may be provided by Orion;
 - v. it shall promptly (and in any event within one Business Day of receipt by it) notify Orion, at first orally and thereafter in writing, of any proposal in respect of any Other Transaction of which it is, or becomes, aware, any request for discussions or negotiations, any requests made or responses provided, or any other request for non-public information relating to the Aurcana Group in connection with any such Other Transaction, or for access to the books or records of any entity in the Aurcana Group by any person that informs such entity in the Aurcana Group that it is considering making, or has made, a proposal with respect to any Other Transaction and any amendment thereto.
- b) The Company covenants and irrevocably agrees that from the date hereof until the termination of this Agreement in accordance with its terms:
 - i. the Company agrees to file (together with a newly incorporated entity that shall also be a party to the Transaction and an applicant in the CBCA proceedings relating to the Plan as

applicable (the "Applicant") the Plan on a timely basis consistent with the terms and conditions of this Agreement, and to use commercially reasonable efforts to achieve the following timeline:

- a. the initiation of proceedings, as evidenced by filing the application seeking the Final Order with the court having jurisdiction over the those proceedings (the "Court") by no later than October 30, 2015, or such other date as the Company and Orion may agree in writing, acting reasonably;
- approval of the Plan by the Court by no later than November 13, 2015, or such other date as the Company and Orion may agree in writing, acting reasonably;
 and
- c. implementation of the Plan by no later than December 4, 2015 (the "Outside Date");
- the Company shall provide draft copies of all motions or applications and other documents that the Company or the Applicant intends to file with the Court in connection with the Transaction, the Plan and the transactions contemplated by any of the foregoing, to Orion's counsel at least two (2) Business Days prior to the date when the Company or the Applicant intends to file such document (or as soon as possible where it is not reasonably practicable to provide copies two (2) Business Days in advance).
- c) The Company covenants and irrevocably agrees that from the date hereof until the termination of this Agreement in accordance with its terms:
 - except as provided for in the Transaction or the Plan, or as otherwise agreed to in writing by Orion, it shall not, and shall cause the other entities in the Aurcana Group not to, make any payment or pay any consideration of any nature or kind whatsoever on account of any amounts owing under its indebtedness outside of the ordinary course of business;
 - ii. it shall, and shall cause the other entities in the Aurcana Group to, conduct their businesses in the ordinary course to the extent reasonable having regard to their and the Aurcana Group's financial condition. Without limiting the generality of the foregoing, it shall, and shall cause each other entity in the Aurcana Group to, in each case to the extent reasonable having regard to its and the Aurcana Group's financial condition:
 - a. not enter into any material agreement outside of the ordinary course of business, except as contemplated by this Agreement, the Transaction and the Plan, or as disclosed to Orion prior to the execution of this Agreement or with the prior written consent of Orion, acting reasonably;
 - b. preserve intact its current business organization, keep available the services of its employees and maintain good relations with, and the goodwill of, suppliers, customers, landlords, creditors and all other persons having business relationships with the Aurcana Group;
 - c. retain possession and control of its assets and all property used by it in its business, maintain in good standing insurance coverage commensurate with existing coverage and preserve the confidentiality of any confidential or proprietary information of itself or its business;
 - d. operate all mines and mining properties owned by it in the ordinary course consistent with past practices and policies of the Aurcana Group;

- e. not enter into any material amendments to any material agreements entered into by it, including without limitation any offtake agreements;
- f. promptly notify Orion if any of its variable costs increase materially, including without limitation costs associated with power or supplies;
- g. provide Orion with access to key managers of the Aurcana Group;
- h. immediately notify Orion of any material developments in connection with its business or operations, including without limitation any actual or threatened catastrophic events or labour strikes;
- i. promptly notify Orion if a vendor that is material to its business (i) is in default under any agreement with it, or (ii) has provided notice that it wishes to terminate its agreement with it;
- j. not enter into any material agreement without the prior written consent of Orion, acting reasonably;
- k. not in any manner alter its accounting practices or tax position without the prior written consent of Orion, acting reasonably;
- I. not (A) modify any employee benefit plans, (B) increase the compensation of any employee, independent contractor, officer or director, or (C) declare, pay or commit to pay any bonus or any other form of compensation to any employee, independent contractor, officer or director outside of the ordinary course of business, without the prior written consent of Orion, acting reasonably;
- m. provide Orion with reasonable access to all books and records;
- n. other than Excepted Taxes, pay within the time prescribed by applicable tax legislation the proper amount of instalments of any taxes;
- o. make adequate provision in its financial statements for the taxes which relate to any taxation year or part thereof ending or arising before the Implementation Date or ending as a consequence of the completion of the transactions contemplated herein which are not yet due and payable and for which tax returns are not yet required to be filed;
- p. withhold from each payment made by it the amount of all taxes and other deductions required to be withheld therefrom and to pay the same to the proper tax authority within the time prescribed under any applicable tax legislation; and
- q. to not request from any tax authority an advance tax ruling or determination or enter into any arrangements to provide for an extension of time with respect to the assessment or reassessment of tax or the filing of any tax returns, payment of tax by, or the levying of any governmental charge against, itself, without the consent of Orion, acting reasonably.
- d) Notwithstanding anything contained in this Section 6 or anything else in this Agreement, the Aurcana Group shall at all times have the right to take any steps and actions to repay in full, and/or to enter into a transaction that provides for the repayment in full of, all Obligations outstanding to Orion under the Credit Agreement.

7. Termination

This Agreement and the obligations of the Aurcana Group, Orion and Newco (following entry into a joinder in the form attached hereto as Schedule "B") set out in this Agreement shall terminate:

- a) upon written notice from Orion to the Aurcana Group in the event of a material breach by any entity in the Aurcana Group of any representation, warranty, covenant or other obligation provided for in this Agreement, which breach is not cured (if capable of being cured) within five (5) Business Days after Orion has notified the Aurcana Group of its intent to terminate this Agreement pursuant to this Section 7(a);
- b) upon written notice from the Aurcana Group to the other Parties, in the event of a material breach by Orion or Newco of any representation, warranty, covenant or other obligation provided for in this Agreement, which breach is not cured (if capable of being cured) within five (5) Business Days after the Aurcana Group has notified the other Parties of its intent to terminate this Agreement pursuant to this Section 7(b)
- c) upon mutual written agreement among the Aurcana Group and Orion;
- d) upon written notice by a Party to the other Parties if the Transaction and Plan, or the Alternative Transaction if applicable, shall not have been implemented by the Outside Date;
- e) automatically upon repayment in cash by the Aurcana Group of all Obligations outstanding to Orion under the Credit Agreement;
- f) automatically upon the implementation of the Plan, or the Alternative Transaction if applicable, on the Implementation Date;
- g) automatically upon the issuance of any final decision, order or decree by a Governmental Entity which would prevent the completion of the Transaction, or any material part thereof, from occurring on or before the Outside Date; or
- h) automatically if the CBCA proceedings relating to the Plan are dismissed, except in connection with an Alternative Transaction; provided that any such Alternative Transaction is completed on or prior to the Outside Date.

In the event of termination of this Agreement pursuant to this Section 7, this Agreement will forthwith become void and of no further force and effect, and there will be no rights or obligations on the part of any party or its respective partners, officers, directors, trustees, shareholders or unitholders, as applicable. For certainty, the representations, warranties, covenants and any other agreements and obligations of the Parties in this Agreement shall not survive the termination of this Agreement. Notwithstanding the foregoing, in the event of termination of this Agreement pursuant to Subsection 7(f), the obligations of Newco under Section 4A hereof shall survive such termination.

8. Conditions Precedent

a) The Transaction shall be subject to the reasonable satisfaction of the following conditions prior to or at the time the Transaction is implemented, each of which is for the mutual benefit of the Aurcana Group, on the one hand, and Orion, on the other hand, and may be waived, in whole or in part, jointly by the Aurcana Group and Orion (provided that such conditions shall not be enforceable by the Aurcana Group or Orion, as the case may be, if any failure to satisfy such conditions results from an action, error or omission by or within the control of the Aurcana Group, if any entity in the Aurcana Group is seeking enforcement, or of Orion or Newco, if Orion is seeking enforcement):

- i. (a) the Plan shall have been approved by the Court and by the applicable stakeholders of the Company and the Applicant, as and to the extent required by the Court or otherwise, in a form consistent with this Agreement or otherwise acceptable to the Company and Orion, each acting reasonably; and (b) the Implementation Date shall have occurred no later than the Outside Date;
- ii. all required stakeholder, regulatory and Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, on terms satisfactory to Orion and the Company, each acting reasonably;
- there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Transaction that restrains, impedes or prohibits (or if granted would reasonably be expected to restrain, impede or inhibit), the Transaction or any part thereof or requires or purports to require a variation of the Transaction; and
- all matters set out in the Term Sheet under the headings: Settlement of Intercompany Claims, Purchase of Equipment Located at Shafter Mine (other than the payment of the USD\$1,000,000 to be paid on April 30, 2016); Service Arrangements; Releases, Definitive Documents and Other Approvals and Conditions shall have been completed.
- b) The obligations of Orion to complete the Transaction and the other transactions contemplated hereby are subject to the satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of Orion and may be waived, in whole or in part, by Orion:
 - i. there shall not have occurred any Material Adverse Change;
 - the structure of the Transaction, the terms of the Plan, and the steps required to complete the Transaction shall be consistent with the terms of this Agreement and the Term Sheet or otherwise acceptable to Orion, acting reasonably;
 - all of the following shall have been in a form consistent with the terms of this Agreement and the Term Sheet or otherwise acceptable to Orion, acting reasonably, at the time of their filing or issuance: (i) all materials filed by any entity in the Aurcana Group with the Court or any court of competent jurisdiction in Canada or any other jurisdiction that relates to the Transaction; (ii) the Plan; (iii) any order of the Court approving the Plan; and (iv) any other order granted in connection with the Transaction by the Court or any other court of competent jurisdiction in Canada or any other jurisdiction (including, without limitation, any order amending any of the foregoing orders or documents);
 - the Aurcana Group shall have complied in all material respects with its covenants and obligations in this Agreement (including for certainty the Term Sheet) that are to be performed on or before the Implementation Date and each entity in the Aurcana Group shall have provided Orion with a certificate signed by an officer, certifying compliance with this Section 8.b)iv as of the Implementation Date; and
 - v. the representations and warranties of the Aurcana Group set forth in this Agreement shall be true and correct in all material respects as of the Implementation Date with the same force and effect as if made at and as of such time, except that representations and warranties that are given as of a specified date shall be true and correct as of such date, except as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by this Agreement and each entity in

the Aurcana Group shall have provided Orion with a certificate signed by an officer, certifying compliance with this Section 8.b)v as of the Implementation Date.

- c) The obligations of the Aurcana Group to complete the Transaction and the other transactions contemplated hereby are subject to the satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of the Aurcana Group and may be waived, in whole or in part, by the Aurcana Group:
 - Newco shall enter into a joinder agreement in the form attached as Schedule "B" hereto as soon as practicable following the incorporation of Newco and in any event prior to the Outside Date;
 - the structure of the Transaction, the terms of the Plan, and the steps required to complete the Transaction shall be consistent with the terms of this Agreement and the Term Sheet or otherwise acceptable to the Aurcana Group, acting reasonably;
 - all of the following shall have been in a form consistent with the terms of this Agreement and the Term Sheet or otherwise acceptable to the Aurcana Group, acting reasonably, at the time of their filing or issuance: (i) the Plan; (ii) any order of the Court approving the Plan; and (iii) any other order granted in connection with the Transaction by the Court or any other court of competent jurisdiction in Canada or any other jurisdiction (including, without limitation, any order amending any of the foregoing orders or documents);
 - iv. Orion shall have complied in all material respects with its covenants and obligations in this Agreement (including for certainty the Term Sheet) that are to be performed on or before the Implementation Date and Orion shall have provided the Aurcana Group with a certificate signed by an officer, certifying compliance with this Section 8.c)iv as of the Implementation Date; and
 - v. the representations and warranties of Orion set forth in this Agreement shall be true and correct in all material respects as of the Implementation Date with the same force and effect as if made at and as of such time, except that representations and warranties that are given as of a specified date shall be true and correct as of such date, except as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by this Agreement and Orion shall have provided the Aurcana Group with a certificate signed by an officer, certifying compliance with this 8.c)v as of the Implementation Date.

9. Further Assurances

Each Party shall do all such things in its control, take all such actions as are commercially reasonable, deliver to the other Parties such further information and documents and execute and deliver to the other Parties such further instruments and agreements as another Party shall reasonably request to consummate or confirm the transactions provided for in this Agreement, to accomplish the purpose of this Agreement or to assure the other Party the benefits of this Agreement.

10. Miscellaneous

- a) Time shall be of the essence of this Agreement, except to the extent to which the Parties agree in writing to vary any date, time or period, in which event the varied date, time or period shall be of the essence.
- b) The headings in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement.

- c) Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders.
- d) Any notice, request, consent, agreement or approval which may or is required to be given pursuant to this Agreement shall be in writing and shall be sufficiently given or made if delivered in person, or sent by courier, facsimile or e-mail, in the case of:
 - i. the Aurcana Group, addressed as follows:

Aurcana Corporation Suite 1750 1188 West Georgia Street Vancouver, B.C., V6E 4A2

Attention: Chief Executive Officer Facsimile: (604) 633-9179

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario, Canada M5H 2S7

Attention:

Robert J. Chadwick / Caroline Descours

Email.:

rchadwick@goodmans.ca / cdescours@goodmans.ca

ii. If to Orion and Newco, as follows.

Orion Mine Finance (Master) Fund I LP c/o MUFG Fund Services Limited 26 Burnaby Street, Hamilton HM 11, Bermuda

with copy to:

Orion Resource Partners 1211 Avenue of the Americas New York, New York 10036

Attention:

Limor Nissan, Chief Operating Officer and General Counsel

Email:

Inissan@orionresourcepartners.com

and to:

Norton Rose Fulbright Canada LLP Royal Bank Plaza, South Tower 200 Bay Street, Suite 3800, P.O. Box 84 Toronto, Ontario, M5J 2Z4

Attention:

Geoffrey Gilbert / Evan Cobb

Email:

geoffrey.gilbert@nortonrosefulbright.com
evan.cobb@nortonrosefulbright.com

or at such other address of which either party may, from time to time on at least 2 Business Days' notice, advise the other party by notice in writing given in accordance with the foregoing.

- e) This Agreement (including all schedules hereto) constitutes the entire agreement and understanding, and supersedes all prior agreements and understandings, both oral and written, of the Parties hereto in respect of the transactions contemplated hereby. There are no warranties, representations, terms, conditions or collateral agreements, expressed, implied or statutory, amongst Orion and the Aurcana Group, or any entity in the Aurcana Group, other than as expressly set forth in this Agreement. This Agreement and the rights, interests and obligations hereunder are not transferable or assignable by any of the Parties without the prior written consent of the other Parties.
- f) This Agreement may not be modified, amended, altered or supplemented, except upon the execution and delivery of a written agreement executed by all of the Parties hereto.
- g) The Parties recognize and acknowledge that the other Parties would not enter into this Agreement in absence of the covenants set out herein. Each of the Parties further recognizes and acknowledges that a breach by it of any of its material obligations contained herein may cause the other Parties to sustain injury for which they would not have an adequate remedy at law for money damages. Accordingly, in the event of any such breach, the Parties shall be entitled to the remedy of specific performance of such obligations and interlocutory, preliminary and permanent injunctive and other equitable relief in addition to any other remedy to which they may be entitled, at law or in equity.
- h) Except as otherwise provided in this Agreement (including the Term Sheet), each of the Parties shall bear its own expenses incurred in connection with this Agreement and the transactions contemplated hereby.
- i) Unless expressly stated otherwise herein, this Agreement is intended to solely bind and inure to the benefit of the Parties and their respective successors, permitted assigns, heirs, executors, administrators and representatives. No other person or entity shall be a third party beneficiary hereof.
- j) If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions, including terms, covenants and restrictions, of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the Parties shall negotiate in good faith to modify this Agreement to preserve each Party's anticipated benefits under this Agreement.
- k) This Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. This Agreement may be executed by facsimile or other electronic means and in one or more counterparts, all of which shall be considered one and the same agreement.

The Parties confirm that it is their wish that this Agreement, as well as any other documents relating to this Agreement, including notices, schedules and authorizations, have been and shall be drawn up in the English language only. Les signataires conferment leur volonte que la presente convention, de même que tons les documents s'y rattachant, y compris tout axis, annexe et autorisation, soient rediges en anglais seulement.

This Agreement has been agreed and accepted on the date first written above.

Aurcana Corporation

Per: "Kevin Drover"

Name: KEVIN DROVER
Title: President and CEO

Minera Aurcana S.A. de C.V.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Perforadora Aurcana S. de R.L. de C.V.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Cane Silver Inc.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Minera La Negra, S.A. de C.V.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Real de Maconi, S.A. de C.V

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Silver Assets, Inc.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Rio Grande Mining Company

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Shafter Properties Inc.

Per: "Kevin Drover

Name: KEVIN DROVER

Title: Director

Orion Mine Finance (Master) Fund I L.P., by its general partner Orion Mine Finance GP I Limited

Per: "Melanie Simons"

Name: MELANIE SIMONS Title: Authorized Signatory

SCHEDULE "A" TERM SHEET

AURCANA CORPORATION

PROPOSED RESTRUCTURING OF CREDIT FACILITY SUMMARY OF INDICATIVE TERMS AND CONDITIONS

This term sheet dated as of October 15, 2015 (this "Term Sheet") describes the principal terms on which Aurcana Corporation ("Aurcana" or the "Company"), Orion Mine Finance (Master) Fund I LP ("Orion") and each of Silver Assets, Inc., Cane Silver Inc., Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Rio Grande Mining Company, Shafter Properties Inc., Minera La Negra, S.A. de C.V. and Real de Maconi, S.A. de C.V. (each a "Guarantor", and collectively the "Guarantors") intend to complete a series of transactions under which the credit facility (the "Loan") previously made available to Aurcana by Orion pursuant to the amended and restated credit facility agreement dated April 29, 2014 entered into by Aurcana, Orion, and each of the Guarantors (as the same may have been and may further be amended, restated, modified or varied from time to time, the "Loan Agreement") will be compromised and extinguished (including, without limitation, with respect to the Extension, as defined below) in exchange for the shares and/or partners interests held, either directly or indirectly, by Aurcana of one or more of the following subsidiaries (to be designated at the election of Orion): Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Minera La Negra, S.A. de C.V. and Real de Maconi, S.A. de C.V. (each, once designated by Orion, a "Mexican Subsidiary", and collectively the "Mexican Subsidiaries") and other good and valuable consideration as contemplated by this Term Sheet, all pursuant to a recapitalization and restructuring plan (the "Plan") to be implemented pursuant to the Canada Business Corporations Act (the "CBCA") (collectively, the "Transaction").1

I. Class of Claims and Interests

Loan under Loan Agreement

Debt obligations under the Loan Agreement (including, without limitation, with respect to the additional amounts advanced by Orion pursuant to the Second Amendment to the Loan Agreement dated October 15, 2015 (the "Extension")) shall be extinguished in exchange for the shares and/or partners interests held, either directly or indirectly, by Aurcana of the Mexican Subsidiaries (the "Mexican Subsidiary Shares") pursuant to the Plan.

The Mexican Subsidiary Shares shall be transferred by Aurcana to Newco pursuant to the Plan on an "as is, where is" basis as they shall exist on the Effective Date.

II. Implementation

Payment in full before Implementation

The Company shall at all times have the right to pay, in cash, all amounts outstanding under the Loan Agreement (including principal and all accrued interest, and for certainty including the Extension) at any time prior to implementation of the Transaction.

¹ This Summary of Indicative Terms and Conditions is non-binding and is intended for discussion purposes only. It does not purport to summarize all the terms, conditions, representations, warranties and other provisions with respect to the transactions referred to herein, which transactions, if agreed, would be entered into on the basis of mutually satisfactory documentation after, among other things, satisfactory completion of due diligence (including without limitation technical, legal and tax due diligence) and receipt of necessary internal and external approvals. The Company acknowledges that this Summary is not an expressed or an implied commitment by Orion to provide any form of financial accommodation in connection with the proposed transaction. Nothing herein constitutes a waiver of Orion's rights or remedies, nor a commitment to lend funds to the Company or any other persons, purchase any equity interests or other property of the Company, nor any agreement to modify or amend any of the terms of the governing documents in respect of the Loan or the Loan Agreement.

III. Other Conditions

Settlement of Intercompany Claims

All intercompany claims and indebtedness existing between (i) any of Aurcana or any of the Guarantors other than the Mexican Subsidiaries (collectively, the "Remaining Aurcana Entities") and (ii) any of the Mexican Subsidiaries, or between any of the Mexican Subsidiaries amongst themselves, shall either be transferred as may be directed by Orion, or shall be considered satisfied in full, in either case as agreed to by Orion and the Company, acting reasonably. For greater certainty, in no event shall any of the Mexican Subsidiaries have any outstanding liability to the Remaining Aurcana Entities.

Purchase of Equipment Located at Shafter Mine

A newly incorporated entity by Orion ("Newco") shall purchase certain equipment from Aurcana and certain of the Guarantors (the "Equipment"). A list of the Equipment as well as the location of all Equipment is attached hereto as Schedule A. The purchase price for the Equipment shall be USD\$3,500,000 (the "Purchase Price"). The Purchase Price shall be paid in the following manner: (i) USD\$2,500,000 to be paid by Newco to Aurcana (or as directed by Aurcana) on the date upon which the Transaction is implemented (the "Effective Date"), and (ii) USD\$1,000,000 to be paid by Newco to Aurcana (or as directed by Aurcana) on the earlier of (A) April 30, 2016 or (B) in the event the Equipment is sold by Newco on or before April 30, 2016 for consideration greater than the Purchase Price, the date that the Equipment is transferred and conveyed by Newco.

The Equipment shall be sold to Newco on an "as is, where is" basis as it shall exist on the Effective Date. No representation, warranty or condition shall be expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever concerning the Equipment.

The Equipment shall remain located at, or be relocated to at the expense of Orion, as the case may be, Shafter Mine in Presidio County, Texas, until the earlier of (i) the removal of the Equipment by Newco; (ii) the sale of the Equipment by Newco to a third party; or (iii) the sale of the shares of Shafter Properties Inc., or all or substantially all of its assets, to a third party. The Equipment shall be stored at the Shafter Mine at no charge to Newco, and Aurcana and the Guarantors shall ensure that the Equipment will be secured and maintained in the same manner that it is being secured and maintained as at the date hereof (the "Standard of Care"), provided that neither Aurcana nor any of the Guarantors shall be liable for any damage, loss or theft that may occur to the Equipment from and after the Effective Date, save and except to the extent that such damage, loss or theft is a result of Aurcana and the Guarantors not applying the Standard of Care in ensuring the security and maintenance of the Equipment. Newco shall be entitled to take delivery of the Equipment at any time.

Service Arrangements

Aurcana shall make available and (the "Newco Consultants") pursuant to an agreement with Aurcana acceptable to Newco (the "Newco Consulting Agreements"), pursuant to which Aurcana shall agree to provide the Newco Consultants to provide services to Newco as consultants in connection with the operations of the Mexican Subsidiaries for a total period of twelve (12) months following the Effective Date, and Aurcana agrees to make the Newco Consultants available to provide consulting services in accordance with the Newco Consulting Agreements, provided that nothing herein or in the Newco Consulting Agreements shall restrict in any way the Newco Consultants from continuing in their capacities as director, officer and/or employee of Aurcana or any of the Guarantors, as applicable.

Insurance and Indemnification

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- 43

Aurcana (i) shall obtain (if not already obtained) and maintain in good standing directors' and officers' insurance coverage for the Newco Consultants (or any replacements provided by Newco pursuant to the terms and conditions agreed to by Newco and Aurcana) in respect of their respective capacities for Aurcana, and (ii) will enter into (if not already entered into) and maintain indemnification agreements with the Newco Consultants, in a form satisfactory to Aurcana and Orion, acting reasonably, in respect of their respective capacities for Aurcana.

Releases

Usual and customary releases for transactions of this nature, including, but not limited to:

- On the Effective Date, each of the Remaining Aurcana Entities shall forever irrevocably release and discharge each of Orion and Newco, their respective affiliates, and each of the foregoing's respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and agents from any and all present and future demands, claims, liabilities, actions, causes of action, counterclaims, suits, damages, judgments, executions, debts, sums of money, expenses, accounts, indebtedness, liens, recoveries, and obligations of whatever nature (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date, including without limitation in connection with the Aurcana Group (as defined below), the business and affairs of the Aurcana Group whenever or however conducted, the administration and/or management of the Aurcana Group, any document, instrument, matter or transaction involving the Aurcana Group, and the Loan Agreement and the Loan Documents (as defined in the Loan Agreement); and
- b) On the Effective Date, each of Orion (in its capacity as lender and shareholder of Aurcana) and Newco, their respective affiliates and present and former direct and indirect shareholders and limited partners shall forever irrevocably release and discharge Aurcana and its direct and indirect subsidiaries (collectively, the "Aurcana Group"), and each of the foregoing's respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and

agents from any and all present and future demands, claims, liabilities, actions, causes of action, counterclaims, suits, damages, judgments, executions, debts, sums of money, expenses, accounts, indebtedness, liens, recoveries, and obligations of whatever nature (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date, including without limitation in connection with the Aurcana Group, the business and affairs of the Aurcana Group whenever or however conducted, the administration and/or management of the Aurcana Group, any document, instrument, matter or transaction involving the Aurcana Group, and the Loan Agreement and the Loan Documents.

Transaction Expenses

Each party hereto shall be responsible for paying its own fees and expenses incurred in connection with the negotiation and implementation of the Transaction.

Definitive Documents

Any final agreement shall be subject to definitive agreements, court materials and other documents, as applicable (the "Definitive Documents"). The Definitive Documents shall be consistent in all respects with the terms of this Term Sheet and otherwise acceptable to Aurcana and Orion, acting reasonably.

Other Approvals and Conditions

The Transaction shall be subject to court, stock exchange, lender and other approvals and conditions precedent as may be required for a transaction of this nature, including without limitation the satisfactory completion of all due diligence by Orion and its advisors on or prior to October 22, 2015.

SCHEDULE "B" FORM OF JOINDER

JOINDER AGREEMENT

This joinder to the Support Agreement (the "Joinder Agreement") is made as of October ●, 2015, by and among [●] (the "Joining Party") and the Aurcana Group (as defined below), in consideration of the mutual covenants herein contained and benefits to be derived herefrom.

WHEREAS reference is made to a certain Support Agreement dated as of October ●, 2015 by and among *inter alia*, Aurcana Corporation (the "Company"), Silver Assets, Inc., Rio Grande Mining Company, Shafter Properties Inc., Cane Silver Inc., Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Minera La Negra, S.A. de C.V., Real de Maconi, S.A. de C.V. (collectively, the "Guarantors" and, together with the Company and the Applicant, the "Aurcana Group"), Orion Mine Finance (Master) Fund I L.P., by its general partner Orion Mine Finance GP I Limited ("Orion") (as amended, modified, supplemented or restated and in effect from time to time, the "Support Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Support Agreement; and

WHEREAS the Joining Party desires to become a party to, and to be bound by the terms of, the Support Agreement as Newco thereunder.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Joining Party hereby agrees as follows:

1) Joinder and Assumption of Obligations

Effective as of the date of this Joinder Agreement, the Joining Party hereby acknowledges that it has received and reviewed a copy of the Support Agreement, and hereby acknowledges and agrees:

- a) that all representations and warranties set forth in sections 3 (b), (c), (d), (f) and (g) of the Support Agreement, *mutatis mutandis*, are true and correct as of the date hereof with respect to the Joining Party;
- b) to join in the execution of, and become a party to, the Support Agreement as Newco thereunder, as indicated with its signature below; and
- c) to be bound by all covenants and agreements set forth in sections 4(a), (e), (f), (g), (i), (j) and (k) and section 4A of the Support Agreement, *mutatis mutandis*, with the same force and effect as if the Joining Party was a signatory to the Support Agreement and was expressly named as party therein.

2) Binding Effect

a) Except as specifically amended by this Joinder Agreement, all of the terms and conditions of the Support Agreement shall remain in full force and effect as in effect prior to the date hereof.

3) Miscellaneous

- a) This Joinder Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. Delivery of an executed signature page of this Joinder Agreement by email or facsimile transmission will be effective as delivery of a manually executed counterpart hereof.
- b) This Joinder Agreement expresses the entire understanding of the parties hereto with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.
- c) Any determination that any provision of this Joinder Agreement or any application hereof is invalid, illegal or unenforceable in any respect and in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality or enforceability of any other provisions of this Joinder Agreement.
- d) This Joinder Agreement shall be governed by, construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction) and all actions or proceedings arising out of or relating to this Joinder Agreement shall be heard and determined exclusively in the courts of the Province of Ontario.

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed and delivered by its proper and duly authorized officer as of the date first written above.

[NEWCO]		· · · · · · · · · · · · · · · · · · ·		
Ву:				
	Name:			
	Title:			

Acknowledged and agreed to as of the date first written above:

Aurcana Corporation			Real de Maconi, S.A. de C.V		
Per:		Per:			
	Name:		Name:		
	Title:		Title:		
Miner	a Aurcana S.A. de C.V.	Silver	Assets, Inc.		
Per:		Per:			
	Name:		Name:		
	Title:		Title:		
Perfo	radora Aurcana S. de R.L. de C.V.	Rio G	rande Mining Company		
Per:		Per:			
	Name:		Name:		
	Title:		Title:		
Cane	Silver Inc.	Shafte	er Properties Inc.		
Per:		Per:	A Contract of the Contract of		
	Name:		Name:		
	Title:		Title:		
Miner	a La Negra, S.A. de C.V.				
Per:		1			
	Name:				
	Title:				
dia 1	en e	Orion genera	Mine Finance (Master) Fund I L.P., by its all partner Orion Mine Finance GP I Limited		
		Per:			
			Name:		
			Title:		

TAB B

THIS IS EXHIBIT "B"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Cath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Pax: 604-692-4900



NEWS RELEASE

Aurcana Corporation Announces Restructuring Transaction and Amendment of Senior Secured Credit Facility

Vancouver, BC, October 16, 2015 - Aurcana Corporation (TSX VENTURE:AUN) (the "Company" or "Aurcana") announces that it has entered into a Support Agreement (the "Support Agreement") with Orion Mine Finance (Master) Fund I L.P. (the "Lender") as lender under the amended and restated senior secured credit facility dated April 29, 2014 (the "Facility") to effect a restructuring transaction in connection with the debt obligations under the Facility (the "Restructuring Transaction"). The Company also announces certain amendments to the Facility.

Restructuring Transaction

The Restructuring Transaction has the following key elements:

- exchange of all debt obligations under the Facility for the shares and/or partners interests held directly or indirectly by Aurcana of one or more of Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Minera La Negra, S.A. de C.V. and Real de Maconi, S.A. de C.V. (collectively, the "Mexican Subsidiaries"), to be determined by the Lender's election, resulting in the elimination of approximately US\$38.7 million of principal amount of secured debt under the Facility on completion of the Restructuring Transaction;
- reduction of annual interest costs by approximately US\$2.3 million;
- purchase by a newly incorporated affiliate of the Lender ("Newco") of certain equipment from Aurcana and certain of its subsidiaries for a total purchase price of US\$3.5 million;
- payments by Newco of US\$40,000 per month to Aurcana for a total period of 12 months
 following the completion of the Restructuring Transaction, in connection with the
 provision of certain consulting services by specified officers of Aurcana to Newco; and
- implementation of the Restructuring Transaction is expected to occur on or before December 4, 2015.

Aurcana's trade creditors, as well as its obligations to employees, are unaffected by the Restructuring Transaction and will continue to be paid or satisfied in the ordinary course of business.

Facility Amendment and Additional Advance

The Company has also entered into an amendment agreement to the Facility pursuant to which the Company shall receive further advances of up to US\$2.5 million (the "Additional Advance") from the Lender under the Facility. The Additional Advance will be subject to the existing terms of the Facility, and it shall be used exclusively to support operations at the Company's La Negra mine in accordance with a specified budget and will mature and be repayable on December 31, 2015, unless exchanged upon implementation of the Restructuring Transaction. Upon implementation of the Restructuring Transaction, the Additional Advance will be exchanged, together with the other debt obligations under the Facility, for shares of the specified Mexican Subsidiaries and the Additional Advance will no longer be an obligation of Aurcana.

Implementation of the Restructuring Transaction

It is anticipated that the Restructuring Transaction will be implemented by way of a plan of arrangement under the *Canada Business Corporations Act* (the "Plan of Arrangement"). Implementation of the Plan of Arrangement will be subject to court approval and the receipt of

1750-1188 W Georgia St Vancouver, BC V6E4A2

Phone 604 331 9333 Toll Free US 1 866 532 9333 Toll Free Mx 001 800 514 5557



all necessary regulatory and stock exchange approvals. The Company intends to proceed with a court application in respect of the Plan of Arrangement in early November 2015 and will post additional details in respect of the Plan of Arrangement and related court proceedings on the Company's web page (www.aurcana.com) as well as under the Company's profile on SEDAR (www.sedar.com).

Aurcana's shareholders will retain their existing shareholdings in the Company following completion of the Restructuring Transaction. Shareholders are not being asked to approve the Restructuring Transaction and no shareholder vote will be held in connection with the Plan of Arrangement.

If the Restructuring Transaction cannot be implemented through a Plan of Arrangement under the *Canada Business Corporations Act*, Aurcana may take all necessary steps to implement the Restructuring Transaction through such other legislation or in such other manner as the Company and the Lender may agree (the "Alternative Transaction"), provided that any such Alternative Transaction is completed on or prior to the December 4, 2015 outside date under the Support Agreement. The Company retains at all times the right to pay in cash all amounts outstanding under the Facility at any time prior to implementation of the Restructuring Transaction.

It is anticipated that the closing of the Restructuring Transaction will occur by December 4, 2015. The Restructuring Transaction contemplated by the Support Agreement is subject to certain conditions, including obtaining required governmental, court, regulatory, and third party approvals, as applicable. The Company can give no assurances that the Restructuring Transaction will be completed.

Under the Support Agreement, the Lender has agreed that during the term of the Support Agreement, it will support the Restructuring Transaction and will not enforce under or exercise any default-related rights or remedies under the Facility. As announced in the Company's news release dated August 14, 2015, in order to improve the Company's short-term liquidity, the Lender permitted the Company to make interest only payments under the Facility and defer payments on the principal amount owed from January to July 2015 until August 31, 2015. The Company has not made the deferred payments due August 31, 2015 and is in default under the Facility. If the Support Agreement is terminated and/or if the Restructuring Transaction is not implemented, the Lender will be in a position to take all steps to enforce under the Facility. Aurcana does not presently have the capital or funds to repay the Lender.

Aurcana's Board of Directors has determined that the Restructuring Transaction is in the best interests of the Company and its stakeholders under the circumstances. The Restructuring Transaction will result in, among other things, an elimination of all debt obligations outstanding under the Facility on implementation of the Restructuring Transaction. The net result of the transaction will see Aurcana relinquishing control over its operations and subsidiaries in Mexico, the Shafter Silver Project will become Aurcana's principal property asset and there will be sufficient cash in the treasury to meet the Company's intermediate-term obligations and advance its asset base.

"The Company has conducted an extensive process to identify alternatives and we are satisfied that the Restructuring Transaction is the best available transaction for Aurcana at this time. The prolonged significant downturn in metals prices means that the La Negra mine has been unable to produce sufficient cash-flow for Aurcana to fulfil its obligations under the Facility. The Restructuring Transaction will provide Aurcana with sufficient working capital to meet its near-term obligations and continue with further exploration and development of the Shafter Silver Project," said Mr. Kevin Drover, President and CEO.

The Company's financial advisor Primary Capital Inc. has provided an opinion to Aurcana's Special Independent Committee of the Board of Directors that the consideration under the Restructuring Transaction is fair from a financial point of view to the shareholders of Aurcana.

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Phone 604 331 9333 Toll Free US 1 866 532 9333 Toll Free Mx 001 800 514 5557



Goodmans LLP and Axium Law Corporation have acted as legal counsel to the Company in connection with the Restructuring Transaction.

The Support Agreement will be filed by the Company on SEDAR. Further information about the Restructuring Transaction will be available on SEDAR (www.sedar.com) and the Company's web page (wwww.aurcana.com).

Resignation of Director

The Board of Directors also announces that it has accepted the resignation of Mr. Robert (Bob) Tweedy as a Director and Chairman of the Board. Mr. Kevin Drover, President and CEO, stated: "All of us at Aurcana would like to sincerely thank Bob for his time and dedication to Aurcana over the past five years. He has been a valued advisor to the board and management and we wish him all the best for the future."

About Aurcana Corporation

Aurcana Corporation is a primary silver producing company with two properties: the La Negra Mine in Mexico and the Shafter Silver Project in Texas, US. The latter was put on care and maintenance in December 2013, in part due to depressed silver prices.

ON BEHALF OF THE BOARD OF DIRECTORS OF AURCANA CORPORATION

"Kevin Drover", President & CEO

For further information, visit the website at www.aurcana.com or contact:

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Cautionary Statement Regarding Forward-Looking Information

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TAB C

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A Commissioner of Oath

6508320

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October 19, 2015

To: The Holders of Common Shares of Aurcana Corporation as of October 19, 2015

As a result of the prolonged, significant decline in the prices of metals, Aurcana Corporation ("Aurcana" or the "Company") has not been able to produce sufficient cash flow from its operations at the La Negra mine or otherwise to meet its internal capital needs and debt obligations with the Company's senior secured lender, Orion Mine Finance (Master) Fund I LP (the "Lender"), under the amended and restated senior secured credit facility dated April 29, 2014 (the "Facility"). As announced in the Company's news release dated August 14, 2015, the Lender permitted the Company to make interest only payments under the Facility and defer payments on the principal amount owed from January to July 2015 until August 31, 2015. However, the Company was not able to make the deferred payments due August 31, 2015 and is now in default under the secured Facility.

With the assistance of its financial advisor, BMO Capital Markets, the Company has conducted an extensive exploration of strategic alternatives (the "Sales Process"), which did not produce any transactions for the Company or a refinancing of the Facility. Following the Sales Process, the Company and its advisors entered into extended negotiations with the Lender and its advisors in an effort to secure a restructuring transaction for the secured indebtedness due under the Facility. The Company has now entered into a Support Agreement with the Lender for a restructuring of the Company's secured debt obligations under the Facility (the "Restructuring Transaction").

The Restructuring Transaction contemplates the cancellation of all debt obligations due under the Facility in exchange for the transfer to the Lender of our Mexican subsidiaries, which indirectly hold Aurcana's interest in the La Negra mine (collectively, the "Mexican Subsidiaries"). We recognize the La Negra mine is our only cash producing mine at this time, but the Company does not have the ability to produce sufficient cash flow from the La Negra mine to meet its obligations under the Facility, to refinance the Facility or to sell its assets to repay the Lender, whose debt obligations are secured by all the Company's assets, and are in default and have been in default for an extended period of time. We have attempted to further extend out the Lender in order to see if silver prices would rebound to allow us to pursue different alternatives. However, we do not have the ability or the liquidity to further extend out the Lender without harm to our overall business and assets, and the secured Facility is now in default.

We believe the Restructuring Transaction is the best available transaction under the circumstances and that it will allow us to retire the secured debt due under the Facility and focus on the Shafter project, with conserved cash, so as to be in the best

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position available under the circumstances to create shareholder value once the silver price rebounds.

Needless to say, it is not possible to predict metal prices however, we consider Shafter to be a project that with minimal lead time could be placed back into development and ultimately production. It is fully permitted, with all permits maintained in good standing, it has a proven processing facility with grid power, as well as a tailings storage site. In addition, the prospective mineralized zone that we have targeted for development was explored in the past by Gold Fields Mining Corporation and has extensive underground development completed, along with vertical shaft access complete with a hoist. In the coming weeks, we intend to complete and issue a technical report, including a revised resource estimate.

The Gold Fields area, we believe, has the potential to become a mine, though at a reduced throughput than was proposed in our 2010 studies. Some additional drilling will be required to raise the confidence level of the current mineralization.

With minimal funding and work, we believe the Shafter project could, once again, become the foundation on which to build value for the shareholders of Aurcana. We recognize that Shafter will require different circumstances and industry improvements in order to reposition the mine.

The Restructuring Transaction also involves the purchase by a newly incorporated affiliate of the Lender ("Newco") of certain equipment from Aurcana and certain of its subsidiaries for a total purchase price of US\$3.5 million, as well as payments by Newco of US\$40,000 per month to Aurcana for a total period of 12 months following the completion of the Restructuring Transaction, in connection with the consulting services by specified officers of Aurcana to Newco. These transactions will position the Company to have the working capital necessary to continue to develop the Shafter project.

As a result of the Restructuring Transaction:

- US\$38.7 million of secured debt due under the Facility will be eliminated and exchanged for the shares of the Mexican Subsidiaries;
- Aurcana's annual interest expense will be reduced by approximately US\$2.3 million;
- Aurcana's shareholders will retain their existing common shares with no dilution;
 and
- Aurcana's operations will continue as a going concern without disruption.

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After an extensive review of available options under the Sales Process, and extended negotiations with the Lender, management of Aurcana and Aurcana's Board of Directors have determined that the Restructuring Transaction is in the best interests of the Company and its shareholders under the circumstances. The Restructuring Transaction will result in, among other things, an elimination of all secured debt obligations outstanding under the Facility, and will allow Aurcana to be a company that is free of secured debt with sufficient working capital to meet its near-term obligations and continue with further exploration and development of its Shafter project. The Company retains at all times the right to pay in cash all amounts outstanding under the Facility at any time prior to implementation of the Restructuring Transaction, if it becomes able to as a result of changed circumstances.

One of the Company's financial advisors, Primary Capital Inc., has provided an opinion to Aurcana's Special Independent Committee of the Board of Directors that the consideration under the Restructuring Transaction is fair from a financial point of view to the shareholders of the Company, and Goodmans LLP and Axium Law Corporation have been acting as legal counsel to the Company in connection with the Restructuring Transaction. Aurcana's Special Independent Committee of the Board of Directors has approved the Restructuring Transaction.

It is anticipated that the Restructuring Transaction will be implemented by way of a plan of arrangement under the *Canada Business Corporations Act* (the "**Plan of Arrangement**"). Implementation of the Plan of Arrangement will be subject to court approval and the receipt of all necessary regulatory and stock exchange approvals. Shareholders are not being asked to approve the Restructuring Transaction and no shareholder vote will be held in connection with the Restructuring Transaction.

Under the terms of the Support Agreement with the Lender, it is mandatory that the Restructuring Transaction be approved and implemented in accordance with the following timeline:

- commencement of court proceedings to implement the Plan of Arrangement by October 30, 2015;
- Court approval of the Plan of Arrangement by November 13, 2015; and
- implementation of the Plan of Arrangement by December 4, 2015.

In the event that any of these deadlines is not met by the Company, the Lender will have the right to terminate the Support Agreement and pursue its rights as the secured creditor of the Company under the Facility, which is in default. Aurcana does not presently have the capital to repay the Lender, and the Lender has security

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over substantially all of the Company's assets, not just the shares of the Mexican Subsidiaries.

Management of Aurcana, Aurcana's Board of Directors and Aurcana's Special Independent Committee of the Board of Directors believe that the Restructuring Transaction is the best available alternative for the Company and its shareholders and that it is extremely important that the Restructuring Transaction is approved and implemented in accordance with the timeline established under the Support Agreement with the Lender. As a result of the Restructuring Transaction, the Company will be able to retain all of its assets, other than the Mexican Subsidiaries, and will have sufficient working capital to meet its near-term obligations and continue with Shafter as its principal project.

The Company announced the Restructuring Transaction in its news release dated October 16, 2015. The Company will also host an investor conference call on October 21, 2015 at 11:00 a.m. (Eastern Time). Details for the conference call are contained in the Company's news release dated October 19, 2015 and related materials will be made available on the Company's web page (www.aurcana.com). We will continue to keep you apprised of developments in respect of the Restructuring Transaction and will post additional details in respect of the Plan of Arrangement and related court proceedings on the Company's web page (www.aurcana.com), as well as under the Company's profile on SEDAR (www.aurcana.com). We encourage you to check the Company's news releases and information postings from time to time.

If you have any questions, please do not hesitate to contact the undersigned.

Yours very truly,

"Kevin Drover"

Kevin Drover President & CEO Phone: (604) 331-9333

6504477

TAB D

THIS IS EXHIBIT "D" TO THE AFFIDAVIT OF KEVIN DROVER SWORN BEFORE ME ON OCTOBER 30, 2015

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NEWS RELEASE

Aurcana Production Results for Q3 2015

Vancouver, BC, October 19, 2015 - Aurcana Corporation ("Aurcana" or the "Company") (TSXV: AUN, OTCQX: AUNFF) is pleased to report the Q3 2015 production results of 842,334 ounces silver equivalent compared to 997,530 in Q3 2014, a decrease of 16%. Silver production decreased by 15% to 348,764 in Q3 2015, compared to 412,063 in Q3 2014. Although milling and mining production increased during the third quarter, production occurred in lower grade areas of La Negra mine.

LA NEGRA THIRD QUARTER PRODUCTION HIGHLIGHTS

- Total silver equivalent production was 842,334 ounces in Q3 2015, a 15.6% decrease over Q3 2014.
- Silver production was 348,764 in Q3 2015, compared to 412,063 in Q3 2014, a decrease of 15.4%.
- Average silver grades decreased to 55 g/t in Q3 2015 compared to 65 g/t in Q3 2014, however increased from 52 g/t in Q2 2015.
- Mineralization mined was 244,492 tonnes in Q3, 2015, compared to 217,011 in Q3, 2014, a 12.7% increase. Mineralization milled was 241,382 tonnes in Q3, 2015 compared to 235,485 in Q3, 2014, a 2.5% increase.
- Copper, lead and zinc grades also decreased in Q3, 2015 compared to Q3, 2014 as planned production occurred in lower grade areas of the mine.

RESTRUCTURING TRANSACTION

As follow up to the financial restructuring press release from Friday, October 16, 2015, Kevin Drover, President & CEO of Aurcana Corporation will host a conference call on Wednesday, October 21, 2015 at 11:00 am eastern time. Below is the information for joining the call:

Conference Call Numbers:

Canada & USA Toll Free Dial In:1-800-319-4610 Outside of Canada & USA call: +1-604-638-5340

Callers should dial in 5 - 10 min prior to the scheduled start time and ask to join Aurcana's conference call.

Conference Call Replay Numbers:

Canada & USA Toll Free: Outside Canada & USA Call: 1-855-669-9658 +1-604-674-8052

Code: 2729

followed by the # sign

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Duration: Available for two weeks until end of day Wednesday, November 04, 2015

Corporate

The Company's shares are also traded in the United States on OTCQX under the symbol "AUNFF". Investors can find current financial disclosure and Real-Time Level 2 quotes for the Company on www.otcgx.com and www.otcgx.com and www.otcgx.com and www.otcmarkets.com.

About Aurcana Corporation

Aurcana Corporation is a primary silver producing company with two properties: the La Negra Mine in Mexico and the Shafter Silver Project in Texas, US. The latter was put on care and

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maintenance in December 2013, in part due to depressed silver prices. The Company is developing new mining plans for both properties as it continues to work to improve margins and shareholder value.

The technical information in this release has been reviewed by Jerry Blackwell (PGeo.), a Director and technical advisor to the Company and a Qualified Person as defined by National Instrument 43-101.

ON BEHALF OF THE BOARD OF DIRECTORS OF AURCANA CORPORATION

"Kevin Drover", President & CEO

For further information, visit the website at www.aurcana.com or contact:

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Gary Lindsey, Corporate Relations

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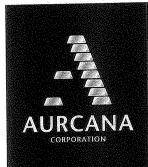
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TAB E

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NEWS RELEASE

Aurcana Corporation Announces Commencement of CBCA Proceedings to Implement Restructuring Transaction

Vancouver, BC, October 30, 2015 - Aurcana Corporation (TSX VENTURE:AUN) (the "Company" or "Aurcana") announces that it is today commencing proceedings under the Canada Business Corporations Act (the "CBCA Proceedings") to implement the restructuring transaction announced by the Company on October 16, 2015 (the "Restructuring Transaction") under which all of the Company's debt obligations to Orion Mine Finance (Master) Fund I L.P. (the "Lender"), as lender under the Company's amended and restated senior secured credit facility dated April 29, 2014 (the "Facility"), will be extinguished.

As announced in the Company's news release dated October 16, 2015, the Restructuring Transaction has the following key elements:

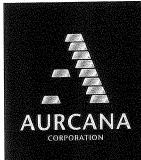
- all of the debt obligations due and in default under the Facility will be exchanged for the Company's interests in its Mexican subsidiaries that own the La Negra mine, resulting in the elimination of approximately US\$38.7 million of principal amount of secured debt due and in default under the Facility on completion of the Restructuring Transaction;
- the Company's annual interest costs will be reduced by approximately US\$2.3 million;
- a newly incorporated affiliate of the Lender ("Newco") will purchase certain non-core
 equipment from Aurcana and certain of its subsidiaries for a total purchase price of
 US\$3.5 million;
- Newco will pay Aurcana US\$40,000 per month for a total period of 12 months for certain consulting services to be provided to Newco by specified officers of Aurcana in connection with the operation of the La Negra mine;
- the Company will retain all of its other assets, including the Shafter mine, with no dilution to shareholders; and
- the Restructuring Transaction is expected to be implemented on or before December 4, 2015.

Aurcana's trade creditors, as well as its obligations to employees, are unaffected by the Restructuring Transaction and will continue to be paid or satisfied in the ordinary course of business. Further details regarding the Restructuring Transaction and the facts and circumstances that led to the Restructuring Transaction are available in the Company's letter to shareholders dated October 19, 2015, which has been posted on the Company's web page (www.aurcana.com), and in the audio play-back of the Company's investor call held on October 21, 2015, which is available through the play-back instructions set out in the Company's October 19, 2015 news release.

The Restructuring Transaction will be implemented by way of a Plan of Arrangement to be approved by the Ontario Superior Court of Justice (Commercial List) (the "Court"), and is subject to Court approval and the receipt of all necessary regulatory and stock exchange approvals. A hearing for approval of the Restructuring Transaction by the Court is scheduled for November 13, 2015 at 330 University Avenue, Toronto, Ontario at 10:00 a.m. A copy of the Company's application materials for the hearing to be held before the Court on November 13, 2015 will also be posted on the Company's web page today.

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About Aurcana Corporation

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ON BEHALF OF THE BOARD OF DIRECTORS OF AURCANA CORPORATION

"Kevin Drover", President & CEO

For further information, visit the website at www.aurcana.com or contact:

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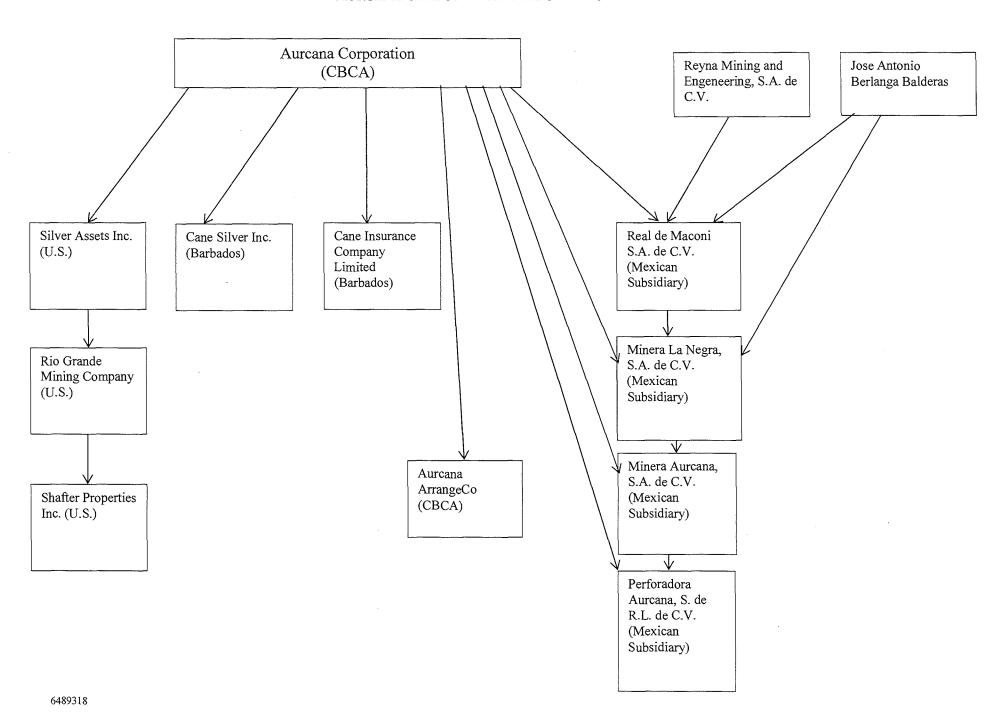
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TAB F

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EXECUTION VERSION

AMENDED AND RESTATED CREDIT FACILITY AGREEMENT

between

Aurcana Corporation as Borrower,

The Parties listed on Exhibit I as additional Loan Parties

and

Orion Mine Finance (Master) Fund I LP as Lender

Dated as of April 29, 2014

TABLE OF CONTENTS

		Page
SECTION 1 DE	FINITIONS	1
1.1	Certain Defined Terms.	1
1.2	Accounting Terms	10
1.3	Other Definitional Provisions	11
SECTION 2 LC	AN AND COLLATERAL	11
2.1	Origination Fee.	11
2.2	Refinancing Fee, Cancellation of Offtake and Reduction In Principal Amount	11
2.3	Loan/Borrowing Procedure/Evidence of indebtedness	11
2.4	Use of Proceeds.	12
2.5	Taxes.	
2.6	Payments and Prepayments,	13
SECTION 3 CC	ONDITIONS TO CLOSING	14
3.1	Condition to Original Closing Date	14
3.2	Conditions to Amended and Restated Closing	14
SECTION 4 BC	DRROWER'S REPRESENTATIONS AND WARRANTIES	16
4.1	Organization; Powers, Capitalization.	18
4.2	Authorization of Borrowing; No Conflict	46
4.3	Financial Condition.	46
4.4	Off-Balance Sheet Transactions.	17
4.5	Indebtedness and Liabilities.	
4.6	Names.	17
4.7	Title to Properties; Liens.	
4.8	Litigation; Adverse Facts.	
4.9	Payment of Taxes	
4.10	Performance of Agreements	
4.11	Mining Properties.	18
4.12	Broker's Fees	18
4.13	Environmental Compliance	18
4.14	Solvency.	18
4.15	Insurance	18
4.16	Compliance with Laws	19
4.17	Bank Accounts.	
4.18	Subsidiaries,,	
4.19	Affiliate Transactions.	
4.20	Employee Matters	19
4.21	Governmental Regulation.	19
4.22	Absence of Defaults.	19
4.23	Loans to Shareholders, Directors, Officers or Affiliates.	
4.24	Subsidiary Rights. Manipulation of Stock Price.	20
4.25 4.26	Foreign Corrupt Practices	
4.27	Absence of Changes.	
4.28	Contingent Liabilities,	
4.29	Material Contracts.	
4.30	Capitalized Leases.	
4.31	Benefit Plans	
4.32	Investment Company Status.	
4.33	Disclosure	
CECTION E AF	CIDMATN/C COVENANTS	04

5.1.	Financial Statements and Other Reports,	2
5.2.	Inspection.	2
5.3.	Corporate Existence	.2
5.4.	Payment of Taxes	2
5.5.	Maintenance of Properties; Insurance	2
5,6.	Compliance with Laws	2
5.7.	Further Assurances	. 2
5.8.	Use of Proceeds and Margin Security	. 2
5,9.	Environmental Compliance	2
5.10.	Financial Covenants	. 2!
5.11.	Accuracy of information.	.2
5.12.	Mexican Escrowed Security Documents.	26
5.13.	Cane Silver inc. and Cane insurance Company Limited Bank Accounts	.26
5, 14.	Right to Board Seat.	. 26
SECTION 6 NI	EGATIVE COVENANTS	
6.1.	Indebtedness and Liabilities,	.27
6,2,	Transfers, Liens and Related Matters.	.2
6.3.	Restriction on Fundamental Changes.	,28
6.4.	Restricted Payments.	.28
6.5.	Transactions with Affiliates.	.28
6.6.	Environmental Liabilities	.28
6.7.	Charter Documents.	.28
6.8,	Capital Expenditure and Operating Expenditure	.28
6.9.	Cane Insurance Company Limited.	
SECTION 7 DE	FAULT, RIGHTS AND REMEDIES	.29
7.1.	Event of Default	20
7.2.	Acceleration.	3.1
7.3.	Waivers; Non-Exclusive Remedies.	31
7.4.	Performance of Covenants by Lender	32
7.5.	Credit Bid Rights Preserved.	32
SECTION 8 MI	SCELLANEOUS	
8.1.	Assignments and Participations.	
8. 2.	Set Off	22
8.3.	Expenses and Attorneys' Fees.	22
8.4.	Indemnity.	22
8.5.	Amendments and Walvers.	20
8.6.	Notices	20
8.7.	Survival of Warranties and Certain Agreements.	. D.J 2-A
B.8.	Marshaling, Payments Set Aside.	35
8.9.	Entire Agreement.	35
B.10.	Independence of Covenants	35
B. 11.	Severability.	20
8.12	Headings	30
8.13.	Governing Law,	20
B.14.	Successors and Assigns.	30
8.15.	No Fiduciary Relationship; Limitation of Liabilities.	30
B. 16.	Consent to Jurisdiction; Consent to Service	SC OD
3.17.	Construction	30 30
3.17. 3.18	Counterparts; Effectiveness.	30 30
3, 10. 3, 19.	No Duty	30 27
3. 20.	Communications by Loan Parties to Lender.	01 27
3.21,	US Patriot Act	٥/ 27
3.22,	Conflict of Documents.	31 27
r:	Commercial Committee of the control	o i

8.23.	Judgment Currency3
8.24.	Amendment and Restatement3

Exhibits

Loan Parties
Loan Parties Required to Maintain Insurance
Closing Deliveries
La Negra Offtakes

Exhibit i Exhibit il Exhibit 3.2(A) Exhibits 3.2(i)-1, 3.2(i)-2, and 3.2(i)-3 Exhibit 5.12

Mexican Escrowed Security Documents





AMENDED AND RESTATED CREDIT FACILITY AGREEMENT

This AMENDED AND RESTATED CREDIT FACILITY AGREEMENT is dated as of April 29, 2014 and entered into by and between AURCANA CORPORATION, a corporation incorporated pursuant to the federal laws of Canada ("Borrower"), THE PARTIES LISTED ON EXHIBIT I HERETO, and ORION MINE FINANCE (MASTER) FUND I LP, an exempted limited partnership formed under the laws of Bermuda ("Lender"), by its general partner Orion Mine Finance GP I Limited.

RECITALS

WHEREAS, the Borrower and MF2 INVESTMENT HOLDING COMPANY 1 (CAYMAN) LIMITED (the "Former Lender") entered into a Credit Facility Agreement (the "Original Loan Agreement") dated as of September 19, 2013 (the proceeds of which were used to develop (i) the La Negra sliver-copper-zinc-lead mine, located in the state of Queretaro, Mexico and (ii) the Shafter Mine located in Presidio County, Texas, USA ((i) and (ii), the "Projects").

AND WHEREAS, the Borrower publicly announced (i) on December 12, 2013 a significant reduction in the aggregate mineral resource estimate as compared with the mineral resource estimate contained in the June 2011 amended feasibility study for the Shafter property, and (ii) on December 19, 2013 the decision to place the Shafter Mine on care and maintenance (collectively, the "Public Announcements").

AND WHEREAS, the Former Lender has assigned all of its rights and delegating all of its obligations under the Original Loan Agreement, the Guarantees, all other Loan Documents and the Loan to the Lender and the Lender has assumed and agreed to be liable for all such obligations, all pursuant to an agreement dated the 29th day of April, 2014.

AND WHEREAS, the Borrower and the Lender now desire, to amend and restate the Original Loan Agreement to, account for, amongst other things, the extension of time and various other amendments as provided for herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Borrower, each Loan Party and the Lender agree as follows:

SECTION 1 DEFINITIONS

1.1 Certain Defined Terms.

(A) The following terms used in this Agreement shall have the following meanings:

"Affiliate" in relation to any Person (in this definition, the "relevant party") means any other Person that directly or indirectly, Controls, is Controlled by or is under common Control with, the relevant party.

"Agreement" means this Amended and Restated Credit Facility Agreement as it may be amended, restated, supplemented or otherwise modified from time to time.

"Amended and Restated Closing Date" means the date upon which the conditions specified in Section 3.2 are satisfied, or such other date as is agreed to by the Borrower and the Lender in writing.

"Annual Budget" has the meaning assigned to that term in Section 5.1(G) hereof.

"Approvals" means each and every approval, order in council, authorization, license, permit, consent, filing and registration by or with any Governmental Agency or other Person which are required by applicable law and necessary to authorize or permit the development and operation of the Mining Properties.

"Asset Disposition" means the disposition (other than in the ordinary course of business), in any transaction or series of related transactions, whether by sale, lease or transfer, of any, all, or substantially all, of the Loan Party Property or which has the effect of selling or otherwise disposing of the whole or all or substantially all of the Loan Party Property in each case, whether or not consideration therefor consists of cash, securities or other assets owned by the acquiring Person.

"Bankruptcy Code" means Title 11 of the United States Code as now or hereafter in effect, or any successor statute.

"Base Interest Rate" means the rate of interest per annum (expressed on the basis of a 360-day year) determined by the Lender as being the rate (rounded to the nearest 1/16th), which appears on the Reuter's Screen LiBOR01 Page (or such other page as may replace the Reuter's Screen LiBOR01 Page on such service as may be nominated by the British Banker's Association for the purpose of displaying London Interbank Offered Rates for U.S. Dollar deposits) as of 11:00 A.M., London (England) time, on the Interest Determination Date for Dollars deposits for a period comparable to the Libor Interest Period, and if different rates are quoted for deposits in varying amounts, in the amount which is closest to amount then outstanding under the Loan. If such rate is not available on such day, "Base Interest Rate" means, for the relevant Libor interest Period, the interest rate per annum, as a percentage (rounded to the nearest 1/16th), which the Lender, in accordance with its normal practice, would be prepared to offer to leading banks in the London Interbank Market, for delivery on the first day of the Libor Interest Period and for Libor Interest Period deposits in Dollars of comparable amounts to such relevant Advance, at or about 11:00 A.M., London (England) time on the relevant Quotation Date; provided however, in no event shall the Base Interest Rate be less than 1 percent (1%) per annum.

"Borrower" has the meaning assigned to that term in the preamble to this Agreement.

"Business Day" means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of any of the State of New York, the province of British Columbia, the United Kingdom or the Cayman Islands, or is a day on which banking institutions located in any of the State of New York, the province of British Columbia, the United Kingdom or the Cayman Islands are permitted to be closed.

"Capital Expenditures" means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

"Capitalized Lease" means, with respect to any Loan Party, any lease of property, real or personal, if the then present value of the minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of such Loan Party.

"Capital Stock" means common shares of capital stock, partnership interests, membership interests, beneficial interests or other equity interests in any Person or any warrants, options or other rights to acquire any such interests.

"Cash Balance" means the aggregate value of cash balances or Cash Equivalents in bank accounts maintained by the Borrower or the Subsidiaries, that are not used as collateral to secure Indebtedness (other than the Obligations).

"Cash Equivalents" means (a) any readily-marketable securities (i) issued by, or directly unconditionally and fully guaranteed or insured by the federal government of Canada or (ii) issued by any agency of the federal government of Canada the obligations of which are fully backed by the full faith and credit of the federal government of Canada (b) any readily-marketable direct obligations issued by any other agency of the federal government of Canada, any province of Canada or any political subdivision of any such state or any public instrumentality thereof, in each case having a rating of at least "A-1" from S&P or at least "P-1" from Moody's, (c) any commercial paper rated at least "A-1" by S&P or "P-1" by Moody's and issued by any Person organized under the laws of any province of Canada, (d) any dollar denominated time deposit, insured certificate of deposit, overnight bank deposit or bankers' acceptance issued or accepted by any commercial bank that is a Schedule I bank under the Bank Act (Canada).

"Change of Control" means the occurrence of any of the following: (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Borrower and its Subsidiaries, taken as a whole, to any Person; or (b) the adoption of a plan relating to the liquidation or dissolution of any Loan Party; or (c) any Person or group, becomes the owner or has the right to become the owner, in each case directly or indirectly, of 50% or more of the voting power, voting securities or Equity Securities of the Borrower; or (d) any Loan Party amalgamates or consolidates with, or merges with or into, any Person (other than a Loan Party), or any Person consolidates with, or merges with or such Loan Party, in any such event pursuant to a transaction in which any of the outstanding voting securities of such Loan Party or such other Person is converted into or exchanged for cash, securities or other property (other than securities of a Loan Party); or (e) a replacement of more than 50% of the members of the Board that is not approved by a majority of those individuals who are members of the Board Immediately prior to such replacement; or (f) the execution by any Loan Party or its controlling shareholders of an agreement providing for or that will result in any of the foregoing events.

"Consolidated" means the consolidation of accounts in accordance with GAAP, including principles of consolidation.

"Consolidated Adjusted EBITDA" means, for any period and with respect to the Borrower, the aggregate of (1) Consolidated operating revenues of the Borrower and its Subsidiaries minus consolidated costs of sale and consolidated operating expenses of the Borrower and its Subsidiaries; plus (2) Consolidated depreciation of the Borrower and its Subsidiaries; plus (3) Consolidated amortization of intangibles of the Borrower and its Subsidiaries; plus (4) Consolidated allowances of the Borrower and its Subsidiaries. Allowances Inciude allowances for contingencies, other contingencies, doubtful receivables, long term investments, inventories, liabilities and property, plant and equipment and any other allowances that the Borrower or its Subsidiaries inciude in their financial statements, during the applicable period, in each case, for such period. It being understood that all such components of Consolidated Adjusted EBITDA shall be determined in accordance with the Borrower's reporting under GAAP.

"Consolidated Coverage Ratio" means at any date, (i) the Consolidated Adjusted EBITDA for the period from the most recently ended period of four consecutive fiscal quarters, divided by (II) the Consolidated Debt Expense for such period.

"Consolidated Debt Expense" means, for any period and with respect to the Borrower and its Subsidiaries, the sum of (i) the aggregate amount of Consolidated interest expense in respect of Indebtedness, net of Consolidated interest income, accrued (including, but not limited to, any amount thereof capitalized) of the Borrower and its Subsidiaries during such period, and (ii) all scheduled principal repayments of Indebtedness during such period, including scheduled repayments under this Agreement, each as determined in accordance with GAAP.

"Consolidated Indebtedness Ratio" means at any date, (i) the indebtedness outstanding for the Borrower and its Subsidiaries on a Consolidated basis for the most recently ended period of four consecutive fiscal quarters divided by (ii) the Consolidated Adjusted EBITDA for such period.

"Control", "Controls" and "Controlled" when used with respect to any Person means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person (whether through ownership of Capital Stock which carries the right to vote, by contract or otherwise); provided that, in any event and without limitation, any Person or combination of Persons acting jointly or in concert which owns or own, directly or indirectly, more than 50% of the Capital Stock having ordinary voting power for the election of the directors of, or Persons performing similar functions for, such Person will be deemed to Control such Person (irrespective of whether at the time any other Capital Stock of such Person of any other class shall or might have voting power upon the occurrence of any contingency).

"Consumer Price Index" means the consumer price index, as published by Statistics Canada from time to time, or failing such publication, such other index as the Borrower and the Lender may agree.

"<u>Default</u>" means a condition, act or event that, after notice or lapse of time or both, would constitute an Event of Default.

"Dollars" and "\$"means lawful money of the United States.

"<u>Disciosure Letter</u>" means the letter provided to the Lender by the Loan Parties on the Amended and Restated Closing Date containing the disclosure contemplated by this Agreement.

"Disqualified Capital Stock" means any capital shares of any Loan Party or a Subsidiary thereof which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder), or upon the happening of any event, matures or is mandatorily redeemable (other than solely for capital shares of any Loan Party or a Subsidiary thereof which are not otherwise Disqualified Capital Stock), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than solely for capital shares of any Loan Party or a Subsidiary thereof which are not otherwise Disqualified Capital Stock), in whole or in part, on or prior to the applicable Maturity Date, for cash or securities constituting Indebtedness. Without limitation of the foregoing, Disqualified Capital Stock shall be deemed to include (i) any preferred shares of a Subsidiary of any Loan Party and (ii) any preferred shares of any Loan Party, with respect to either of which, under the terms of such preferred shares, by agreement or otherwise, such Subsidiary or any Loan Party is obligated to pay current dividends or distributions in cash during the period prior to the applicable Maturity Date.

"<u>Environmental Claims</u>" means claims, liabilities, investigations, litigation, administrative proceedings, judgments or orders relating to Hazardous Materials.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directives, requests, licenses, authorizations and permits of, and agreements with (including consent decrees), any governmental agencies or authorities, in each case relating to or imposing liability or standards of conduct concerning public health, safety and environmental protection matters.

"Equity Securities" means any securities (i) having voting rights in the election of the board of directors of the Borrower or the Guarantors not contingent upon default, (ii) evidencing an ownership interest in the Borrower or the Guarantors or (iii) convertible into or exercisable or exchangeable for any of the foregoing (other than unexercised options issued to an employee, consultant, officer or director of the Borrower or any of the Guarantors or any Subsidiary pursuant to an incentive option plan or otherwise), or any agreement or commitment to issue any of the foregoing.

"Event of Default" means any of the events set forth in Section 7.1 hereof.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Excess Cash Flow" means, without duplication, with respect to any rolling four Fiscal Quarters of Borrower and its Subsidiaries, the amount by which (1) the Cash Baiance and Consolidated Adjusted EBITDA for such four Fiscal Quarter Period minus (b) Capital Expenditures during such four Fiscal Quarters (excluding the financed portion thereof) and permitted hereunder, minus (c) Consolidated Debt Expense due and payable during such four Fiscal Quarters for Permitted Indebtedness, plus or minus (as the case may be) (d) extraordinary gains or losses which are cash Items not included in the calculation of Consolidated Adjusted EBITDA during such four Fiscal Quarters, minus (e) taxes pald and not necessarily accrual taxes amounts during such four Fiscal Quarters, exceeds (2) \$5,000,000.

"Excluded Taxes" means (i) Taxes imposed on or measured by net income or net profits of Lender (or any assignee thereof), (il) capital taxes or franchise taxes, (iii) any branch profits taxes, in each case under clauses (i) through (iii) imposed pursuant to the laws of Canada, the Cayman Islands, the United States or the jurisdiction in which Lender (or such assignee) is organized, in which it is resident for tax purposes or in which its principal office or applicable lending office is located or in which it is otherwise deemed to be engaged in a trade or business for tax purposes (other than solely as the result of entering into any of the Loan Documents or receiving any payments or taking any actions thereunder), or any subdivision thereof or therein and (iv) Taxes that would not have been imposed but for a failure of the Lender (or an assignee) to comply with certification, information or other reporting requirements concerning the organization, residence or identity of the Lender (or such assignee) if such compliance is required by law or by a Governmental Agency.

"<u>Fiscal Quarter</u>" means each period of three months ending on March 31, June 30, September 30 and December 31 in each calendar year.

"Fiscal Year" means each twelve (12) month period ending on the last day of December In each year, or any other date which the Borrower uses as its financial year end for financial reporting purposes in compliance with GAAP.

"GAAP" means generally accepted accounting principles in Canada as approved by the Canadian Institute of Chartered Accountants in effect from time to time; and for greater certainty to the extent that international accounting standards have been adopted by the Canadian Institute of Chartered Accountants in replacement for generally accepted accounting principles, "GAAP" shall be deemed to refer to such international accounting standards.

"Governmental Agency" means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) subdivision, agent, commission, board, or authority of any of the foregoing; or (c) quasi-governmental or private body exercising any regulatory, expropnation or taxing authority under or for the account of any of the foregoing.

"<u>Guarantees</u>" means the Guarantees between the Lender and each of the Guarantors in form and substance satisfactory to the Lender, acting reasonably.

"Guarantors" means the parties listed on Exhibit I hereto.

"Hazardous Material" means all or any of the following: (a) substances that are defined or listed in, or otherwise classified pursuant to, any Environmental Laws or regulations as "hazardous substances", "hazardous materials", "hazardous wastes", "toxic substances" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, or toxicity; (b) any flammable substances or explosives or any radioactive materials; and (c) asbestos in any form or electrical equipment which contains any oil or dielectric fluid containing polychlorinated biphenyis.

"Indebtedness" as applied to each Loan Party, means without duplication: (a) all obligations of such Loan Party for borrowed money, or with respect to advances of any kind, (b) all obligations of such Loan Party evidenced by bonds, debentures, notes or similar instruments, or mandatorily redeemable or exchangeable stock, (c) all obligations of such Loan Party upon which interest charges are customarily paid, (d) all obligations of such Loan Party under conditional sale or other title retention agreements relating to property acquired by such Loan Party, (e) all obligations of such Loan Party in respect of the deferred purchase price of property or services (excluding (i) current accounts payable incurred in the ordinary course of business and (ii) Installments of premiums payable with respect to policies of Insurance contracted for in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Loan Party, whether or not the indebtedness secured thereby has been assumed, (g) all guarantles by such Loan Party of Indebtedness of others, (h) all obligations under Capitalized Leases of such Loan Party, (i) all obligations, contingent or otherwise, of such Loan Party as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Loan Party in respect of bankers' acceptances; (k) any other contingent or off-balance sheet transactions (including hedging agreements). The Indebtedness of each Loan Party shall include the Indebtedness of any other entity (including any partnership in which any Loan Party is a general partner) to the extent such Loan Party is liable therefor as a result of such Loan Party's ownership Interest in or other relationship with such entity, except to the extent the terms of such indebtedness expressly provide that such Loan Party is not liable therefor, (I) all obligations of such Loan Party under any contract for the sale, purchase or exchange, or for future delivery of commodities (whether or not such commodities are to be delivered or exchanged); and (m) all obligations of such Loan Party under any gold stream agreements or similar agreement, including, without limitation, any royalty agreements entered into after the date hereof without the prior written consent of the Lender.

"Indemnified Taxes" means any and all Taxes other than Excluded Taxes, and shall in any event specifically include any Taxes required to be withheld in respect of payments of interest to a Lender hereunder.

"Investment" means, directly or indirectly, any advance, account receivable (other than an account receivable arising in the ordinary course of business), loan or capital contribution to (by means of transfers of property to others, payments for property or services for the account or use of others or otherwise), the purchase of any Capital Stock, bonds, notes or debentures of, the acquisition, by purchase or otherwise, of all or substantially all of the business or assets or stock or other evidence of beneficial ownership of, any Person or the making of any investment in any Person. Investments shall exclude (i) extensions of trade credit on commercially reasonable terms in accordance with normal trade practices and (ii) the repurchase of securities of any Person by such Person.

"Interest Determination Date" means the date which is two (2) Business Days prior to the first day of the Libor interest Period.

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"La Negra Offtakes" has the meaning assigned to that term in Section 3.2(1) hereof.

"Lender" means Orion Mine Finance (Master) Fund I LP, together with its successors and assigns permitted pursuant to <u>Section 8.1</u> hereof.

"Liabilities" has the meaning given to that term in accordance with GAAP and includes, without limitation, all Indebtedness.

"<u>Libor Interest Period</u>" means the Initial period of three months commencing on the Amended and Restated Closing Date and ending on the last day of such period, and, thereafter, each successive period of three months until the Maturity Date.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary, (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Loan" has the meaning assigned to that term in Section 2.3(A) hereof.

"Loan Documents" means this Agreement, the Guarantee, the Security Documents and all other instruments, documents, guaranties and agreements executed by or on behalf of any Loan Party and delivered concurrently herewith or at any time hereafter to or for Lender in connection with the Loan or any other transaction contemplated by this Agreement, all as amended, restated, supplemented or modified from time to time, including, without limitation, any offtake arrangement entered into between the Borrower or any Loan Party, on the one side, and the Lender on the other side.

"Loan Party" means Borrower, the Guarantors and any other Person (other than Lender) which is or becomes a party to any Loan Document; <u>provided</u> that for purposes of the representations and warranties contained in <u>Section 4</u> hereof, the affirmative and negative covenants contained in <u>Sections 5</u> and 6 hereof, respectively, and the events of default defined in <u>Section 7.1</u> hereof, each reference to a "Loan Party" shall be deemed to be a reference to Borrower and each direct and indirect Subsidiary of Borrower.

"Loan Party Property" means, collectively, all of the Loan Parties' personal property and real property.

"Material Adverse Effect" means an event or circumstances taken alone or in conjunction with other events or circumstances that has or could be reasonably expected to have a material adverse effect upon (a) the business, operations, creditworthiness, properties, assets or condition (financial or otherwise) of the Loan Parties, taken as a whole, (b) the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party, or (c) the validity or enforceability of any Loan Documents or the rights and remedies of the Lender hereunder, other than (i) any change or event relating to or arising out of general economic conditions (including changes or events in the financial, banking, currency, metals trading and capital markets) in Canada, the United States, Mexico or the global economy or (ii) conditions

generally affecting the industries in which any of the Loan Parties operate, other than any such conditions that have a materially disproportionate adverse effect on the Loan Parties, taken as a whole.

"Maturity Date" means May 29, 2018.

"Minerals" means any and all marketable metal bearing material in whatever form or state that is mined, extracted, removed, produced or otherwise recovered from the Mining Properties, including any such material derived from any processing or reprocessing of any tallings, waste rock or other waste products originally derived from the Mining Properties, and including ore and any other products resulting from the further milling, processing or other benefication of Minerals, including concentrates or doré bars.

"Mining Properties" means all of the mining properties owned by the Loan Parties, Including, without limitation, the Projects.

"Obligations" means all obligations, liabilities and indebtedness of every nature of each Loan Party from time to time owed to Lender under the Loan Documents including the principal amount of the Loan, all debts, claims and indebtedness (whether incurred before or after the applicable Maturity Date), accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable including, without limitation, all interest, fees, costs and expenses accrued or incurred after the filing of any petition under any bankruptcy or insolvency law.

"Officer's Certificate" means a certificate signed in the name of a Loan Party by any of the Chief Executive Officer, the Chief Financial Officer or any other senior executive officer of such Loan Party.

"Original Ciosing Date" means September 19, 2013.

"Operating Expenditures" means all expenditures incurred by the Borrower and its Subsidiaries in the operation and management of the Projects.

"Overrun" means, with regard to any particular budgeted item, the amount by which costs in respect of such budgeted item or component exceed amounts allocated thereto in the Annual Budget (after exhaustion of any and all available contingency amounts in the Annual Budget).

"Permitted Dispositions" has the meaning assigned to that term in Section 6.2 hereof.

"<u>Permitted Encumbrances</u>" means the following types of Liens:

- (A) Liens securing the Obligations;
- (B) Liens for taxes, assessments and governmental charges (other than Environmental Claims) the payment of which is not yet due and payable or which are being contested in good faith by a Loan Party and by appropriate proceedings promptly initiated and diligently conducted, and a reserve or other appropriate provision, If any, as shall be required by GAAP shall have been made therefor;
- (C) Liens imposed by law, such as carrier's, warehousemen's, mechanic's materialmen's and other similar Liens securing obligations (other than Indebtedness for borrowed money) that are being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, and a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;
- (D) Liens arising under Capitalized Leases of less than or equal to \$10,000,000 in aggregate, or Liens securing purchase money Indebtedness or of purchase money mortgages and any other Lien on equipment acquired, leased or held with a fair market value less than or equal to \$10,000,000 on an aggregate basis (including equipment held as lessee under a leveraged lease) in the ordinary course of business to secure the purchase price of or rental payments with respect to such equipment or to secure Indebtedness incurred for the purpose of financing the acquisition

(Including acquisition as lessee under leveraged leases), construction or improvement of any such equipment to be subject to such Liens existing on any such equipment at the time of such acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, <u>provided</u> that (x) no such Lien shall extend to or cover any equipment other than the equipment being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced; (y) the principal amount of the Indebtedness secured by any such Lien, or any extension, renewal or replacement thereof, shall not exceed the greater of the fair market value or the cost of the property so held or acquired;

- (E) borrower deposits and pledges of cash or securities (only to the extent such deposits or pledges are incurred or otherwise arise in the ordinary course of business and secure obligations not past due) securing (I) the performance of bids, tenders, leases, contracts (other than for the payment of money) or statutory obligations or (II) obligations on surety or appeal or performance bonds, including those to support or secure reclamation in accordance with applicable law, either (X) to a maximum of \$500,000, or (Y) acquired in connection with Permitted investments but only to the extent that they are secured with sufficient cash collateral and, in each case, only to the extent such deposits or pledges are incurred or otherwise arise in the ordinary course of business and secure obligations not past due;
- (F) piedges, deposits and Liens in connection with workers' compensation, employment insurance and other similar legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements to the extent required by law;
- (G) rights of set-off or bankers' Liens upon deposits of cash or broker's Liens upon securities in favour of financial institutions, banks or other depositary institutions to a maximum of \$10,000;
- (H) survey exceptions, title defects, easements, zoning restrictions and similar encumbrances on real property and minor irregularities in the title thereto that do not (i) secure obligations for the payment of money or (ii) materially adversely impair the value of such property or its use by any Loan Party in the normal conduct of such Person's business;
- (I) royalty interests or similar Liens in respect of the Mining Properties existing as of the date hereof and set out in Schedule A of the Disclosure Letter;
- (J) Liens given in the ordinary course of business to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or governmental or other authority in connection with the operations of any Loan Party for amounts less than \$75,000;
- (K) with respect to Llens set forth in clause (D), replacement liens in respect of any refinancing or the replacement of the underlying Indebtedness provided such refinancing or replacement does not increase the then-outstanding principal balance of such indebtedness being refinanced or replaced:
- (L) Liens which would not be reasonably expected to cause a Material Adverse Effect, arising or potentially arising under statutory provisions which have not at the time been filled or registered in accordance with applicable law or of which written notice has not been duly given in accordance with applicable law or which, although filed or registered, relate to obligations not due or delinquent;
- (M) the right reserved to or vested in any Governmental Agency by any statutory provision or by the terms of any lease, Ilcence, franchise, grant or permit of the Person, to terminate any such lease, Ilcence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

- (N) Liens arising from the right of distress enjoyed by landlords or Liens otherwise granted to landlords, in either case, to secure the payment of arrears of rent in respect of leased properties; AND
- (O) Liens in relation to the letter of credit agreement entered into by the Borrower and The Toronto-Dominion Bank on March 6, 2014 up to a maximum of \$1,253,103;

"Permitted Indebtedness" means, for any Person, the following types of Indebtedness:

- (A) Indebtedness under any of the Loan Documents or Indebtedness owing to another Loan Party;
- (B) Capitalized Leases of less than or equal to \$10,000,000 in aggregate, or purchase money indebtedness or purchase money mortgages on assets acquired, leased or held with a fair market value less than or equal to \$10,000,000 on an aggregate basis (including equipment held as lessee under a leveraged lease) in the ordinary course of business, provided that the principal amount of the indebtedness shall not exceed the greater of the fair market value or the cost of the property so held or acquired;
 - (C) Indebtedness secured by Permitted Encumbrances;
- (D) trade payables and normal accruais in the ordinary course of business not more than 90 days past due or with respect to which such Loan Party is contesting in good faith the amount or validity thereof by appropriate proceedings and then only to the extent that such Loan Party has established adequate reserves therefor, if required under GAAP;
 - (E) reimbursement obligations for reasonable travel expenses; and
- (F) indebtedness listed on Schedule A of the Disclosure Letter Permitted Investments and Permitted Indebtedness.

"<u>Permitted investments</u>" means, for any Person, Investments or Restricted Payments, as specified below, made on or after the date of this Agreement consisting of:

- (G) Investments or Restricted Payments by the Borrower, or by a Loan Party, in the Borrower or a Loan Party;
- (H) Investments in time deposits, certificates of deposit, money market deposits of, and bankers' acceptances and commercial papers issued by, any commercial bank incorporated in the United States of recognized standing having capital and surplus in excess of \$100,000,000 or of any Canadian chartered bank, in each case, with maturities of not more than one year from the date of acquisition by such Person;
- (I) Investments in marketable, direct obligations issued or guaranteed by the federal government of Canada or the United States or any provincial or state government of Canada or the United States of America, or of any Governmental Agency thereof, maturing within 365 days of the date of purchase;
- (J) Investments in accounts receivable of any Loan Party generated in the ordinary course of business.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and Governmental Agencies and political subdivisions thereof.

"<u>Prohibited Person</u>" means a competitor of the Borrower or Sprott Securities Inc. or any of its Affiliates.

"Repayment Date" the date of repayment in full of the principal and Interest under the Loan, any expenses under Section 8.3 and any Indemnification amounts which are then outstanding under Section 8.4.

"Restricted Payment" means any of the following: (I) the declaration or payment of any dividend or any other distribution or payment on capital of any Loan Party or any payment made to the direct or Indirect holders (in their capacities as such) of capital of the Loan Parties (other than (x) dividends or distributions payable solely in capital shares (other than Disqualified Capital Stock) or in options, warrants or other rights to purchase capital shares (other than Disqualified Capital Stock), and (y) in the case of a Loan Party, dividends or any other distributions or payments on capital payable to the Borrower or to a Loan Party), (ii) the purchase, redemption or other acquisition or retirement for value of any Equity Securities (other than Equity Securities owned by the Borrower or a Loan Party, excluding Disqualified Capital Stock), unless redeemed from a Loan Party, (iii) the making of any principal payment on, or the purchase, defeasance, repurchase, redemption or other acquisition or retirement for value, prior to any scheduled maturity, scheduled repayment or scheduled sinking fund payment, of any Indebtedness (other than Permitted Indebtedness and Indebtedness acquired in anticipation of satisfying the applicable Maturity Date of the Loan, in each case due within one year of the date of acquisition), (iv) the making of any investment or guarantee of any Investment in any Person other than a Permitted Investment and (v) forgiveness of any Indebtedness of an Affiliate of the Borrower (other than a Loan Party) to the Borrower or a Loan Party.

"Security Documents" means all security agreements identified on Exhibit 3.2(A) hereto and other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) the Obligations.

"Shafter Offtake Agreement" means the Offtake Agreement dated as of September 19, 2013 among the Borrower, Cane Silver Inc., Rio Grande Mining Company, Silver Assets, Inc. and the Former Lender."

"Solvent" means, as to any Person(s), such Person(s) who (a) own(s) and will own saleable assets the higher of book value and fair market value which are (i) greater than the total amount of its indebtedness and (ii) greater than the amount that will be required to pay the actual or probable liabilities, subordinated, contingent or otherwise, of such Person(s) individually and taken as a whole (as applicable) as they become absolute or mature; (b) has or have (as applicable) capital with which to conduct business that is not unreasonably small in relation to its or their (as applicable) businesses as presently conducted or any contemplated or undertaken transaction; and (c) do or does (as applicable) not intend to incur and do or does (as applicable) not believe that it or they (as applicable) will incur debts, subordinated, contingent or otherwise, beyond its or their (as applicable) ability to pay such debts as they become due, absolute and matured.

"Subsidiary" means, if applicable, with respect to any Person, any corporation, association or other business entity of which more than fifty percent (50%) of the total voting power of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person (or any of its other Subsidiaries).

"<u>Taxes</u>" means all foreign and domestic federal, provincial, state, municipal and other governmental taxes, levies, imposts, deductions, charges, claims, and assessments and withholdings, and all liabilities with respect thereto (including, without limitation, interest and penalties).

"United States" and "U.S." means the United States of America.

1.2 Accounting Terms.

For purposes of this Agreement, all accounting terms not otherwise defined herein including assets and liabilities shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Lender pursuant to Section 5.1 hereof shall be prepared in accordance with GAAP on a consistent basis.

1.3 Other Definitional Provisions.

References to "Sections", "subsections" and "Exhibits" shall be to Sections, subsections and Exhibits, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in Section 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. In this Agreement, words importing any gender include the other genders; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; except as otherwise indicated (e.g., by references to agreements "as in effect as of the date hereof" or words to that effect), references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Loan Document; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and regulations shall include any amendments of same and any successor statutes and regulations.

SECTION 2 LOAN AND COLLATERAL

2.1 <u>Origination Fee.</u>

On the Original Closing Date, the Borrower paid to the Lender in Dollars for the account of the Lender an origination fee in an amount equal to 1 percent (1%) of the aggregate amount of the Loan. For greater certainty, the amount of the origination fee on the Closing Date was \$500,000.

2.2 Refinancing Fee, Cancellation of Offtake and Reduction in Principal Amount.

On the Amended and Restated Closing Date, the Borrower agrees to issue to the Lender as (i) a refinancing fee, (ii) in exchange for a reduction in the principal amount of the Loan and (iii) in exchange for the termination and release of all of the obligations under the Shafter Offtake Agreement, subject to the approval of the TSX Venture Exchange (the "TSXV"), 16,499,501 common shares (the "Shares") in the capital of Aurcana. In the event that the TSXV does not approve the issuance of the Shares but approves a lesser number of Shares that is acceptable to the Lender in its sole discretion (the "Lesser Amount"), the Borrower shall pay to the Lender an amount equal to the greater (such greater amount, the "Cash Settlement") of (a) the product of Share Differential multiplied by the 20 trading day volume weighted average price of the common shares of Borrower on the TSXV (the "20 day VWAP") preceding the date hereof and (b) the product of the Share Differential multiplied by the 20 day VWAP preceding the date the TSXV provides notice that it will not approve the issuance of the Shares (the "Refusal Notice"). For purposes of this Agreement the "Share Differential" shall be equal to the difference between 16,499,501 and the Lesser Amount. This Cash Settlement shall be satisfied by adding the amount to the Loan and shall be payable pursuant to Section 2.6(G).

2.3 Loan/Borrowing Procedure/Evidence of Indebtedness.

- (A) Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Loan Parties set forth herein and in the other Loan Documents, the Lender loaned to the Borrower \$50,000,000 (the "Loan"), which was advanced in full on the Original Closing Date. After giving effect to the principal reduction outlined in Section 2.2 above and payments made to date, the current principal balance of the Loan as of the Amended and Restated Closing Date is \$40,000,000.
- (B) The Loan made by the Lender is evidenced by one or more loan accounts maintained by the Lender. The loan accounts maintained by the Lender shall be conclusive absent manifest error of the amount of the Loan made by the Lender to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay all amounts owing with respect to the Loan. At the request of the Lender, the Borrower shall execute and deliver for account of the Lender one or more

promissory notes as additional evidence of the Indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender.

2.4 Use of Proceeds.

The proceeds of the Loan shall be used to in accordance with the Annual Budget.

2.5 Taxes

- (A) Any and all amounts payable to the Lender by any Loan Party hereunder shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes, except for Taxes required to be withheld or deducted by law or the interpretation thereof by the applicable Governmental Agency.
- (B) If any Loan Party is required by law or the interpretation thereof by the applicable Governmental Agency to deduct or withhold any Indemnified Taxes from or In respect of any amount payable hereunder to Lender, (1) the amount so payable shall be increased by such additional amount as may be necessary so that after making all required deductions or withholdings, (including, without limitation, deductions or withholdings applicable to additional amounts payable under this Section 2.5), the Lender shall receive a net amount equal to the full amount it would have received if no such deduction or withholding had been made; (2) such Loan Party shall make such deductions or withholdings and (3) such Loan Party shall remit, when due, the full amount of Taxes so deducted or withheld to the applicable Governmental Agency in accordance with applicable law.
- (C) Whenever any Taxes are remitted by any Loan Party, as promptly as possible thereafter such Loan Party shall send to Lender, a certified copy of an original official receipt received by such Loan Party showing payment thereof.
- (D) Each Loan Party shall pay and shall indemnify and hold harmless the Lender within fifteen Business Days after written demand therefor, for the full amount of any Indemnified Taxes imposed on, or paid by the Lender, except to the extent that such indemnified Taxes have been paid to the appropriate Governmental Agency by the Loan Party pursuant to Section 2.5(B), whether or not they were correctly or legally asserted. In addition, each Loan Party shall indemnify the Lender for any indemnified Taxes or tax based on or measured by the overall net income of the Lender imposed by any jurisdiction on or with respect to any increased amount payable by such Loan Party under paragraph (B) of this Section 2.5 or any payment or indemnity payable by such Loan Party under paragraph (D) of this Section 2.5. A certificate containing reasonable detail as to the amount of such indemnified Taxes submitted to the relevant Loan Party by the Lender shall be conclusive evidence, absent manifest error, of the amount due from such Loan Party to the Lender.
- If the Lender determines, in its sole but reasonable discretion, that it has received a refund of or reduction in Taxes as to which it has been indemnified by a Loan Party or with respect to which a Loan Party has paid additional amounts pursuant to this Section 2.5, it shall pay to the Loan Party an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Loan Party under this Section 2.5 with respect to Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-Tax interest paid by the relevant Governmental Agency with respect to such refund or reduction). The Loan Party, upon the request of the Lender, agrees to repay the amount paid over to the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Agency) to the Lender if it is required to repay such refund or reduction to such Governmental Agency. This paragraph shall not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other person, or to arrange its affairs in any particular manner, provided that upon the reasonable request of the Borrower, and subject to reimbursement by the Borrower of the Lender's out of pocket expenses in connection with such claim, the Lender will make a claim with the relevant Governmental Authority for any available refund or reduction in Taxes which would reduce the amount payable by the Borrower under this Section 2.5.

(F) The agreements in this Section 2.5 shall survive the termination of this Agreement and the payment and satisfaction of the Loan and all other Obligations hereunder.

2.6 Payments and Prepayments.

- (A) <u>interest</u>. Subject to Section 2.6(B), interest shall accrue and compound on the unpaid principal amount of each Loan on a monthly basis from the date of such Loan until the repayment thereof, at a rate per annum equal to the sum of the Base interest Rate plus five and one-half percent (5.5%).
- (B) <u>Default Rate</u>. In the event that any amount of principal of or interest on any Loan, or any other amount payable hereunder or under the Loan Documents, is not paid in full when due (whether at stated maturity, by acceleration or otherwise), the Borrower shall pay interest on such unpaid principal, interest or other amount, from the date such amount becomes due until the date such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the Base Interest Rate plus 12.00% per annum. Additionally, and without limiting the foregoing, during the existence of any Event of Default, the Borrower shall pay interest on the unpaid principal amount of the entire outstanding principal amount of the Loan, at a rate per annum equal at all times to the sum of the Base Interest Rate plus 12.00% per annum. Payment of any such interest at the rate described above shall not constitute a waiver of any Event of Default and shall be without prejudice to the right of the Lender to exercise any of its rights and remedies under the Loan Documents.
- (C) <u>interest Payment.</u> Interest shall be payable on a monthly basis beginning on the last Business Day of each month following the Amended and Restated Closing Date; provided for greater certainty that the interest payment due on April 30, 2014 shall be on the principal amount outstanding as at April 30, 2014 without giving effect to the principal reduction in Section 2.3.
- (D) Payments on Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest or fees due hereunder. The Borrower shall make each payment under the Loan Documents unconditionally in full without setoff, counterciaim or, to the extent permitted by applicable law, other defense, and free and clear of, and without reduction for or on account of, any present and future taxes or withholdings, and all liabilities with respect thereto. Each payment shall be made not later than 12:00 noon (Vancouver time) on the day when due to the Lender in Dollars and in same day funds, or such other funds as shall be separately agreed upon by the Borrower and the Lender, in accordance with the Lender's payment instructions.
- (E) <u>Computations</u>. All computations of interest hereunder shall be made on the basis of a year of 360 days with 12 30-day months.
- (F) <u>Highest Lawful Rate</u>. The Borrower agrees to pay an effective rate of interest equal to the sum of (i) the interest otherwise payable pursuant to Sections 2.6(A) and (B) of this Agreement, plus (ii) the additional interest, if any, which may be deemed to result from any charge or fee in the nature of interest from time to time to be paid by the Borrower pursuant to the terms of this Agreement, any other Loan Document or other document executed and delivered in connection herewith. The total liability of the Borrower for the payment of such interest shall not exceed the applicable limit imposed by the usury laws of any applicable jurisdiction. If the Lender receives Interest in an amount which exceeds such Ilmit, such excess amount shall be applied instead to the reduction of the unpaid principal balance and not to the payment of interest, or at Lender's election the surplus shall be remitted to the Borrower by the Lender, and the Borrower hereby agrees to accept such remittance.
- (G) Repayment. The Loan shall be repaid in 48 equal monthly installments with the first such installment being due on the last Business Day of May 2014. For the avoidance of doubt, all unpaid amounts of principal and interest shall be repaid in full on the Maturity Date. On the Repayment Date (or, in event the Loan is refinanced with a secured loan, concurrent with such refinancing), the Lender will promptly, at the Borrower's sole expense, execute and deliver any termination statements (including the termination of any outstanding promissory notes), lien releases, mortgage or deed of trust releases,

discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the Lender's Liens and all notices of security interests and liens previously filed by or on behalf of the Lender with respect to the Obligations.

- (H) Application. After the exercise of remedies provided for in Section 7.2 (or after the Loan has automatically become immediately due and payable as set forth in Section 7.2), each payment by or on behalf of the Borrower hereunder shall, unless a specific determination is made by the Lender with respect thereto, be applied (i) first, to any costs, expenses and other amounts (other than principal and interest) due to the Lender; (ii) second, to accrued and unpaid interest due the Lender; and (iii) third, to principal due the Lender. In the event any payment of principal is made other than on the applicable payment date pursuant to paragraph 2.6(G) and as a result the Lender incurs any costs or expenses (whether in connection with the repayment by it of corresponding amounts to its own funding source or otherwise), then the Borrower shall, upon demand, pay the amount of such costs and expenses to the Lender (provided however such costs and expenses shall not include loss of profits).
- (i) <u>Prepayment.</u> The Borrower (I) may, upon prior notice to the Lender not later than five (5) Business Days prior to the proposed prepayment date, and (II) shall, in accordance with Section 2.6(K), prepay the outstanding amount of the Loan in whole or in part, without premium or penalty, with the application thereof to principal payments due in the Inverse order of their maturity; provided that any optional prepayment shell be in a principal amount of at least \$100,000. For greater certainty and without limiting the foregoing, no amount shall be payable pursuant to the second sentence of Section 2.6(H) in the event of any prepayment. The notice given of any optional prepayment shall specify the date and amount of the prepayment. If the notice of optional prepayment is given, the Borrower shall make such prepayment and the prepayment amount specified in such notice shall be due and payable on the date specified therein, with accrued interest to such date on the amount prepald.
- (J) <u>Cash Flow Sweep Certificate</u>. So long as any amount owing hereunder remains unpaid or any Obligation is outstanding, within 15 days after the end of such Fiscal Quarter, the Borrower shall deliver to the Lender a certificate signed by its Chief Executive Officer and Chief Financial Officer setting out in reasonable detail the calculation of its Excess Cash Flow for the completed Fiscal Quarter.

(K) Mandatory Prepayments (Cash Flow Sweep and Asset Sales).

- (i) To the extent the Borrower generates Excess Cash Flow in a given Fiscal Quarter, the Borrower shall, within 15 days after the end of such Fiscal Quarter, mandatorily prepay (without penalty or premium) the Lender any amount outstanding owing by the Borrower hereunder an aggregate amount equal to 100% of its Excess Cash Flow for such Fiscal Quarter.
- (ii) To the extent the Borrower undertakes any Permitted Dispositions in accordance with Section 6.2(A) with respect to any assets forming any part of the Shafter Mine located in Presidio County, Texas, USA, the Borrower shall, within 15 days of such Permitted Disposition, mandatorily prepay (without penalty or premium) the Lender any proceeds from such Permitted Disposition.

Any mandatory prepayments from Excess Cash Flow paid pursuant to this Section 2.6(K) shall be applied in accordance with Section 2.6(H) in the inverse order of the maturity of such payments.

SECTION 3 CONDITIONS TO CLOSING

3.1 Condition to Original Closing Date

The obligation of the Lender to make the Loan was subject to the satisfaction of certain conditions precedent before or concurrently with such Loans (the parties hereto agree that such Loans were advanced and such conditions precedent were satisfied or waived to the satisfaction of the Lender prior to the advance of the Loan).

3.2 Conditions to Amended and Restated Closing.

The Amended and Restated Closing is subject to satisfaction (as determined by Lender) of all of the conditions set forth below.

- (A) <u>Closing Deliveries</u>. Lender shall have received, in form and substance satisfactory to Lender, all documents, instruments and information identified on <u>Exhibit 3.2(A)</u> hereto (including, without limitation, all of the Security Documents, the La Negra Offtakes and a certificate signed by its Chief Executive Officer and Chief Financial Officer setting out in reasonable detail the *pro forma* calculation of Consolidated Coverage Ratio and Consolidated Indebtedness Ratio for the most recently completed Fiscal Quarter).
- (B) <u>Representations and Warranties</u>. The representations and warranties contained herein and in the Loan Documents shall be true, correct and complete on and as of the Amended and Restated Closing Date to the same extent as though made on and as of the Amended and Restated Closing Date, except for any representation or warranty limited by its terms to a specific date.
- (C) No Default. No event shall have occurred and be continuing or would result from the consummation of the transactions contemplated by the Loan Documents that would constitute an Event of Default or a Default.
- (D) <u>Performance of Agreements</u>. Each Loan Party shall have performed all agreements and satisfied all conditions which any Loan Document provides shall be performed by such Loan Party on or before the Amended and Restated Closing Date.
- (E) No Prohibition. No order, judgment or decree of any court, arbitrator or Governmental Agency shall purport to enjoin or restrain Lender from advancing the Loan.
- (F) No Litigation. There is not pending or, to the knowledge of any Loan Party, threatened, any action, charge, claim, demand, sult, proceeding, petition, governmental investigation or arbitration by, against or affecting any Loan Party or its assets that has not been disclosed to Lender by Borrower in writing, and nothing has occurred and there has been no development in any such action, charge, claim, demand, sult, proceeding, petition, governmental investigation or arbitration that, in the opinion of the Lender, would reasonably be expected to have a Material Adverse Effect.
- (G) No Material Adverse Effect. Lender shall have received evidence reasonably satisfactory to it that nothing has occurred from December 31, 2013 to the date hereof which would reasonably be expected to have a Material Adverse Effect.
- (H) Shares. The Borrower shall have received (i) an acceptance letter from the TSXV with regards to the issuance of the Shares or the Lesser Amount to the Lender (or its Affiliate as it may direct) in connection with the debt settlement as contemplated herein, (ii) a conditional acceptance letter from the TSXV in connection with the issuance of a minimum of 3,076,923 units of the Borrower at Cdn\$0.65 per unit pursuant to a marketed underwritten private placement equity raise (each unit to consist of one common share of the Borrower and one share purchase warrant which will entite the holder to purchase an additional common share of the Borrower at Cdn\$0.90 per common share at any time during the period of 24 months from the closing of the private placement) (the "Offered Securities"), and (iii) notice of acceptance from the TSXV with regards to the debt restructuring as contemplated herein. In addition, the Borrower shall have entered into an engagement letter for a fully marketed private placement in relation to the Offered Securities and the Lender shall have been provided with evidence reasonably satisfactory to it that such underwriting agreement has been entered into.
- (i) <u>La Negra Offtakes</u>. The Borrower shall have entered into and delivered the La Negra Offtakes for the period after January 1, 2017 through December 31, 2020 in the form attached hereto as <u>Exhibit 3.2(i)-1</u>, <u>Exhibit 3.2(i)-2</u> and <u>Exhibit 3.2(i)-3</u> (the "<u>La Negra Offtakes</u>").

SECTION 4 BORROWER'S REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement, and to fund the Loan, the Borrower and the Loan Parties (as applicable) represent and warrant to the Lender that the following statements are true, correct and complete. Such representations and warranties, and all other representations and warranties made by each of the Borrower and the Loan Parties, herein or in the other Loan Documents, shall survive the execution and delivery of this Agreement and the closing contemplated hereby:

4.1 Organization: Powers: Capitalization.

- (A) Organization and Powers. Each Loan Party is an entity duity organized, validity existing and, where applicable, in good standing under the laws of the jurisdiction of its incorporation or formation and is qualified to do business in all jurisdictions where such qualification is required except where failure to be so qualified would not be reasonably expected to have a Material Adverse Effect. Each Loan Party has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and to enter into each Loan Document to which it is a party and to consummate the transactions contemplated by each of the Loan Documents and otherwise to carry out its obligations hereunder and thereunder.
- (B) <u>Capitalization</u>. As of the date hereof, the Capital Stock of each Subsidiary of the Borrower is as set forth on <u>Schedule 4.1(B)</u> of the Disclosure Letter. All Capital Stock of each Subsidiary of the Borrower is duly authorized and validly issued, fully paid, non-assessable, free and clear of all Liens other than Permitted Encumbrances and such shares of Capital Stock were issued in compilance in all material respects with all applicable provincial, local, state and federal laws concerning the issuance of securities. As of the date hereof, no Capital Stock of any Subsidiary of the Borrower is issued and outstanding other than described above. As of the date hereof, there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from any Loan Party of any Equity Securities except as set forth on <u>Schedule 4.1(B)</u> of the Disclosure Letter.

4.2 Authorization of Borrowing; No Conflict.

Each of Borrower and the Guarantors has the power and authority to incur the Obligations, and, with respect to the Guarantor, to grant Liens in the Loan Party Property. The execution, delivery and performance of the Loan Documents by the Loan Parties has been duly authorized by all necessary company and shareholder action. The execution, delivery and performance of the Loan Documents by the Loan Parties and the consummation of the transactions contemplated by this Agreement and the other Loan Documents by the Loan Parties, do not contravene and will not be in contravention of any applicable law, the corporate charter or bylaws or articles of organization of any Loan Party or any agreement or order by which they or any of their property is bound. This Agreement and the other Loan Documents when executed and delivered, are and will be, the legally valid and binding obligations of the respective Loan Parties that are party thereto, enforceable against each such Loan Party in accordance with their respective terms, except as the enforceability thereof may be ilmited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and subject to any equitable principles limiting the right to obtain specific performance of any such obligation.

4.3 Financial Condition.

The consolidated financial statements for the years ended December 31, 2012, and December 31, 2011, together with the related notes, concerning the Loan Parties which have been or will hereafter be furnished by the Loan Parties to Lender pursuant to this Agreement have been, or will be, prepared in accordance with GAAP consistently applied throughout the periods involved (except as disclosed therein); do, or will present fairly, the Consolidated financial condition of the Loan Parties as at the dates thereof and the results of their operations for the periods then ended, and accurately reflect the financial condition of the Loan Parties in all material respects as at such date; and there has been no event or development which has had, or is reasonably likely to have, a Material Adverse Effect since December 31, 2012.

4.4 Off-Balance Sheet Transactions.

Except as set forth in <u>Schedule 4.4</u> of the Disclosure Letter, as at the date hereof, there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of any Loan Party with unconsolidated entitles or other Persons that may have a current or future effect on the financial condition, changes in financial condition, results of operations, earnings, cash flow, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses of a Loan Party other than Permitted Indebtedness.

4.5 Indebtedness and Liabilities.

As of the date hereof, no Loan Party has any Indebtedness, except for Permitted Indebtedness or in each case, as reflected on the most recent financial statements delivered to Lender on or before the Closing Date or, in each case, as incurred in the ordinary course of business following the date of the most recent financial statements delivered to Lender.

4.6 Names

Schedule 4.6 of the Disclosure Letter sets forth, as at the date hereof, all names, trade names, fictitious names and business names under which each Loan Party currently conducts business or has at any time during the past five years conducted business.

4.7 Title to Properties; Liens.

Subject, with respect to all unpatented mining claims included in the Loan Party Property, to the paramount title of the United States, the existence of overlaps between unpatented mining claims and the right of the United States and third parties to use the surface of unpatented mining claims under applicable law, each of the Loan Parties has good, sufficient and legal title, subject to Permitted Encumbrances, to the Loan Party Property. Except for Permitted Encumbrances, all such properties and assets are free and clear of Liens. To the knowledge of each of the Loan Parties, there are no actual, threatened (in writing and received by any Loan Party) or alleged (in writing and received by any Loan Party) defaults with respect to any material leases of real property under which any Loan Party is lessee.

4.8 <u>Litigation: Adverse Facts.</u>

Except as set forth on <u>Schedule 4.8</u> of the Disclosure Letter, there are, as at the date hereof, no judgments outstanding against any Loan Party or affecting any property of any Loan Partles nor is there any action, charge, claim, demand, sult, proceeding, petition, governmental investigation or arbitration now pending or, to the knowledge of any Loan Party, threatened against or affecting any Loan Party or any property of any Loan Party. As at the date hereof, no Loan Party has received any opinion or memorandum or legal advice from legal counsel to the effect that it is exposed to any material liability.

4.9 Payment of Taxes.

Except as set forth on Schedule 4.9 of the Disclosure Letter, all Tax returns and reports of the Loan Parties required to be filed by them have been timely filed, and all Taxes upon such Persons and upon their respective properties, assets, income and franchises which are shown on such returns as due and payable have been paid when due and payable except where contested in good faith by proper legal proceedings diligently pursued. As of the date hereof, none of the income tax returns of the Loan Parties is under audit by any Governmental Authority and none of the Loan Parties has any knowledge of actual or potential Tax deficiency. No tax liens (other than Permitted Encumbrances) have been filed or are being asserted with respect to any such Taxes. The charges, accruals and reserves on the books of Borrower and the other Loan Parties in respect of any Taxes are in accordance with GAAP.

4.10 Performance of Agreements.

No Loan Party is in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Material Contract, and no condition exists that, with the giving of notice or the lapse of time or both, would constitute such a material default on any such contract.

4.11 Mining Properties.

The Mining Properties and the Minerals on such Mining Properties are held under valid, subsisting and enforceable title documents sufficient to permit the applicable Loan Partles to expiore, develop and conduct mining work with the Minerals relating thereto; all such mining claims have been validly located and recorded in accordance in all material respects with all applicable laws and are valid and subsisting and no notice to cancel or forfeit a Mining Property has been received by or on behalf of a Loan Party; and the Loan Parties have or are in the process of obtaining (and have no reason to believe they will not obtain in the ordinary course but cannot represent that they will obtain them) all necessary surface rights, access rights and other necessary rights and interests relating to the Mining Properties granting the Loan Parties the right and ability to explore for minerals, ore and metals for development purposes as are appropriate in view of the rights and interest therein of the Loan Parties, with only such exceptions as do not materially interfere with the use made by the Loan Parties of the rights or Interests so held. The Projects are comprised of and include the mineral interests described in the documentation and information deposited by the Borrower as of the Closing Date (a copy of which has been provided to Lender at such time) on the following website https://aurcana.secureydr.com/.

4.12 Broker's Fees.

Except as set forth on <u>Schedule 4.12</u> of the Disclosure Letter, no broker's or finder's fee or commissions will be payable by reason of any action of any Loan Party with respect to the execution or delivery of this Agreement by the Loan Parties.

4.13 Environmental Compilance.

Except as set forth on Schedule 4.13 of the Disclosure Letter, each Loan Party has been and is currently in compliance with all material applicable Environmental Laws, including obtaining and maintaining in effect all Approvals required by applicable Environmental Laws. Except as set forth on Schedule 4.13 of the Disclosure Letter, to each Loan Party's knowledge, there are no Environmental Claims asserted or threatened against each Loan Party or relating to any real property currently or formerly owned, leased or operated by each Loan Party.

4.14 Solvency.

After giving effect to the transactions contemplated by the Loan Documents, and, as of, from and after the date of this Agreement, the Loan Partles taken as a whole are and shall be Solvent (and for greater certainty each Loan Party, jointly and severally, being responsible for the Obligations hereunder and therefore the aggregate amount of the Obligations shall not be treated as three separate llabilities and accounted for three times for each of the Loan Parties but instead one aggregate amount of Obligations being the joint and several responsibility of the Loan Parties).

4.15 Insurance

Each Loan Party set out in Exhibit II attached hereto maintains insurance policies for public liability, property damage for its business and properties, of types and in amounts customanily carried or maintained by Persons of established reputation engaged in similar businesses; and, as of the date hereof, no notice of cancellation has been received with respect to such policies and each such Loan Party is in compliance in all material respects with all conditions contained in such policies. Notwithstanding the foregoing, no representation is made as to the adequacy of any such insurance. No such Loan Party has failed to give any material notice or present any material claim or material incident (including, without limitation, environmental) under any insurance policy in a due and timely manner.

4.16 Compliance with Laws.

Except as set forth on <u>Schedule 4.16</u> of the Disclosure Letter, no Loan Party is in violation of any material law, ordinance, rule, regulation, order, judgment, policy, legally binding guideline or other requirement of any domestic or foreign government or any Governmental Agency having jurisdiction over the conduct of its business or the ownership of its properties (including, without limitation, National Instrument 43-101).

4.17 Bank Accounts.

Schedule 4.17 of the Disclosure Letter sets forth the account numbers and locations of all bank accounts of each Loan Party, as at the date hereof.

4.18 Subsidiaries.

As of the date hereof, the Guarantors are the only direct or indirect Subsidiaries of the Borrower.

4.19 Affiliate Transactions.

No Loan Party is conducting, permitting or suffering to be conducted, transactions with any Affillate other than transactions among Loan Parties or transactions entered into in the ordinary course of business on terms no less favourable to the applicable Loan Party than as would be obtainable in a comparable transaction with Persons at arm's length with the Loan Party.

4.20 Employee Matters.

Except as set forth on Schedule 4,20 of the Disclosure Letter, as of the date hereof, (a) Borrower's and the other Loan Parties' employees are not subject to any collective bargaining agreement, (b) to the best of the Borrower's knowledge, no petition for certification or union election is pending with respect to the employees of Borrower and the other Loan Parties and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of Borrower and the other Loan Partles and (c) there are no strikes, slowdowns, work stoppages or controversies pending or to the best of Loan Parties' knowledge, threatened between Borrower and the other Loan Parties and their employees, other than employee grievances arising in the ordinary course of business which would not reasonably be expected to have either individually or in the aggregate, a Material Adverse Effect, and (d) there are no pension. deferred compensation, bonus or incentive compensation, share option or purchase, severance, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, incentive or other compensation, mortgage assistance, retirement compensation arrangement, group registered retirement sayings, deferred profit sharing, employee profit sharing, sayings, retirement or supplemental retirement or any other employee benefit plan, program or arrangement, whether funded or unfunded, formal or informal for the benefit of employees or former employees of any of the Loan Parties.

4.21 Governmental Regulation.

No Loan Party is, or, after giving effect to any ioan, will be, subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940 or to any foreign, federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money.

4,22 Absence of Defaults.

Except as set forth on <u>Schedule 4.22</u> of the Disclosure Letter, as of the date hereof no Loan Party is in material default under its articles of incorporation, certificates of formation, bylaws or operating agreements or similar entity governance documents, and no event has occurred, which has not been remedied (to the extent expressly permitted hereunder) or waived in writing by Lender, which constitutes a Default or an Event of Default, or which constitutes, or, to the knowledge of any Loan Party, which with the passage of time or giving of notice or both would constitute, a Default or Event of Default by any Loan Party under any Material Contract or material judgment, decree or order to which any Loan Party is a party or by

which any Loan Party's properties may be bound or which would require any Loan Party to make any payment under any of the foregoing prior to the scheduled maturity date therefor except where such event would not reasonably be expected to have a Material Adverse Effect.

4.23 Loans to Shareholders, Directors, Officers or Affiliates.

Except as set forth in <u>Schedule 4.23</u> of the Disclosure Letter as of the date hereof, the Loan Parties have not made any loans or advances to or for the benefit of any shareholder, director, officer or Affiliate of a Loan Party, nor will any such loans be made while the Obligations are outstanding except for loans that constitute Permitted Investments (including, without limitation, intercompany loans which constitute Permitted Investments).

4.24 Subsidiary Rights.

Each Loan Party has the unrestricted right to vote, and (subject to limitations imposed by applicable law) to receive dividends and distributions on, all Capital Stock of its Subsidiaries.

4.25 Manipulation of Stock Price.

Neither the Borrower nor any of the Guarantors has taken nor will take, directly or indirectly, any action designed to or that could reasonably expected to cause or result in stabilization or manipulation of the price of any Capital Stock of the Borrower to facilitate the sale or resale of the securities of the Borrower.

4.26 Foreign Corrupt Practices.

Neither the Borrower nor any of the Guarantors, nor any director, officer, agent, employee or other person acting on behalf of the Borrower or the Guarantors has, in the course of his actions for, or on behalf of either the Borrower or the Guarantors, used any corporate funds for any unlawful contribution, glit, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, the *Bribery Act 2010* (England end Wales) or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

4.27 Absence of Changes.

Since the later of December 31, 2013 and the date of the most recently delivered financial statements:

- (A) there has not been any damage, destruction, loss, or other event, development or condition of any character (whether or not covered by insurance) that would reasonably be expected to have a Material Adverse Effect;
- (B) other than in respect of Permitted Dispositions, no Loan Party has transferred, assigned, sold or otherwise disposed of (each a "<u>Transfer</u>") any material assets shown or reflected in its financial statements or cancelled any material debts or entitlements;
- (C) no Loan Party has, directly or indirectly, (i) declared or paid any dividends or declared or made any other payments or distribution on or in respect of any of its shares and (ii) purchased or otherwise acquired any of its shares other than distributions to and redemptions from Loan Parties; or
- (D) no Loan Party has authorized, agreed or otherwise become committed to do any of the foregoing.

4.28 Contingent Liabilities,

There are no contingent liabilities affecting the Loan Partles, in excess of the liabilities that are either reflected or reserved against in the financial statements (or notes thereto) referred to in Sections 5.1(B) and 5.1(C), which are material to the Loan Parties or which are not Permitted indebtedness.

4.29 Material Contracts.

Schedule 4.29 of the Disclosure Letter sets forth all of the material contracts to which the Loan Parties are a party on the date hereof (the "Material Contracts"). Neither the Borrower nor any Loan Party is in material default under any Material Contract and no claim of such a default has been made and no event has occurred which with the giving of notice or the lapse of time or both would constitute such a default other than a default that would not reasonably be expected to be material to the operation of such persons. To the knowledge of the Loan Parties, no other party to any Material Contract is in default thereunder. Each of the Material Contracts is in full force and effect and is a legal, valid and binding obligation of each party thereto.

4.30 Capitalized Leases.

Except as set forth on <u>Schedule 4.30</u> of the Disciosure Letter, as of the date hereof, none of the Loan Parties is party to any Capitalized Leases.

4.31 Benefit Plans.

None of the Loan Parties is subject to or has any obligations under the U.S. Employee Retirement Income Security Act of 1974, as amended.

4.32 Investment Company Status.

None of the Loan Parties are an "investment company," an affiliate of an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the investment Company Act of 1940, as amended.

4.33 Disclosure.

None of the representations or warranties made by the Borrower or any other Loan Party in the Loan Documents, as of the date of such representations and warantles, and, to the best knowledge of the Loan Parties' current officers and directors, none of the information and statements contained in any other information with respect to the Borrower and the other Loan Parties, including the Disclosure Letter and each exhibit or report, furnished by or on behalf of the Borrower to the Lender in connection with the Loan Documents contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading. To the best knowledge of the Loan Parties, there is no material fact known to any Loan Party that has had or would reasonably be expected to have a Material Adverse Effect and that has not been fully disclosed herein or in such other documents, certificates and statements furnished to Lender for use in connection with the transactions contemplated hereby.

SECTION 5 AFFIRMATIVE COVENANTS

Each Loan Party covenants and agrees that until payment and performance in full of all Obligations, unless Lender shall otherwise give its prior written consent, each Loan Party shall perform, and shall cause each of its Subsidiaries to perform, all covenants in this <u>Section 5</u> applicable to such Person:

5.1. Financial Statements and Other Reports.

Each Loan Party shall maintain a system of accounting, and keep such books, records and accounts (which shall be true and complete in all material respects), as may be required or as may be necessary to permit the performance of an annual audit and the preparation of financial statements in accordance with

GAAP, consistently applied, provided that any Loan Parties operating in jurisdictions other than Canada may maintain their systems of accounting and books, records and accounts in compliance with generally accepted accounting principles in the jurisdiction in which they operate if such accounts are reconciled to GAAP in connection with the preparation of the Borrower's financial statements. The Borrower will deliver to Lender the consolidated financial statements of the Loan Parties and other reports described below until payment and performance in fulli of all Obligations (other than contingent Obligations not yet due).

- (A) Monthly Financials and Reports. As soon as available but in no event more than 30 days after the end of each calendar month, the Borrower shall deliver a summary of such month's operations and a summary of the Fiscal Year-to-date operations, in a form in a form reasonably satisfactory to the Lender, including information in reasonable detail concerning (i) production during such period, (ii) the inventory at the end of such period, (iii) revenues generated during such period, (iv) operating costs during such period, (v) costs constituting capital expenditures, (vi) the Borrower's most recent cash planning forecast covering at least the next following fiscal quarter, and (vii) any material developments during such period in project operation, including material technical problems, discovery of any material defect in the physical facilities of any of the Mineral Properties, material interruption to operation, material disputes with any Governmental Agency (including tax authorities) or material labor difficulties.
- (B) Quarterly Financials. As soon as available and in any event within 60 days after the end of each fiscal quarter of each Fiscal Year other than the fourth quarter of each Fiscal Year (the financial information in respect of which will be included with the year-end financial statements delivered pursuant to Section 5.1(C)), the Borrower shall deliver the Consolidated balance sheet of the Borrower, as adjusted in conformity with GAAP, as at the end of such fiscal quarter and the related Consolidated statements of Income, shareholders' equity and cash flow for such fiscal quarter and for the period from the beginning of such Fiscal Year to the end of such fiscal quarter.
- (C) Year-End Financials. In addition to the relevant quarterly and monthly financial statements referred to in Sections 5.1(A) and (B), as soon as available and in any event within 120 days after the end of each Fiscal Year, the Borrower shall deliver to Lender. (1) the audited Consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Year and the related audited Consolidated and consolidating statements of income, shareholders! equity and cash flow for such Fiscal Year; (2) a report with respect to such audited financial statements from the Borrower's auditors, which report shall be unqualified as to going concern and as to scope of audit of the Borrower and its Subsidiaries and shall state that (a) such audited financial statements present fairly the Consolidated financial position of the Borrower as at the dates indicated and the results of its operations and cash flow for the periods indicated in conformity with GAAP appiled on a basis consistent with prior years, and (b) that the examination by such auditors in connection with such audited financial statements has been made in accordance with generally accepted auditing standards.
- (D) Government Notices. Each Loan Party will deliver to Lender promptly after receipt copies of all notices, requests, subpoenas, inquiries or other writings received from any Governmental Agency concerning the violation or alleged violation of any Environmental Laws, relating to the storage, use or disposal of any Hazardous Material, the violation or alleged violation of the Fair Labor Standards Act or any Loan Parties' payment or non-payment of any Taxes including any tax audit in each case where such storage, use, disposal, violation, payment or non-payment would reasonably be expected to have a Material Adverse Effect.
- (E) Events of Default, etc. On the second (2nd) Business Day following the day any senior officer of a Loan Party obtains knowledge of any of the following events or conditions, such Loan Party shall deliver or cause to be delivered to the Lender an Officer's Certificate specifying the nature and period of existence of such condition or event and what action such Loan Party have taken, are taking, and propose to take, with respect thereto: (1) any condition or event that constitutes an Event of Default or Default; (2) any notice of material default that any Person has given to any Loan Party or any other action taken with respect to a claimed material default under any Material Agreement; or (3) any matter which is significant and adverse to the operations or financial condition of such Loan Party.
- (F) Other information. With reasonable promptness, the Loan Parties shall deliver such other information and data as may be available to and disclosable by the Loan Parties with respect to any

Loan Party or the Loan Party Property as Lender may reasonably request from time to time, including reasonably requested updates to projections (including consolidating information therein for Subsidiaries) and consolidating quarterly financial statements for Subsidiaries.

- Budget. On an annual basis, on or prior to October 31 of each year, the Borrower shall have furnished to the Lender, for review and approval on or before December 31 of such year (acting reasonably and having regard to the previously approved Annual Budget) an annual budget for the Borrower and the subsidiaries holding each of the Shafter and La Negra projects (such approved annual budget the 'Annual Budget") providing reasonable detail with respect to the maintenance of current operations, production of resources and debt service. The Annual Budget approved by the Lender for 2014 (and certifled and approved by the Board of Directors of the Borrower) is attached as Schedule 5.1(G) of the Disclosure Letter and each successive proposed budget shall follow the format and content of such budget. Assuming compliance with the timing and delivery requirements above, if a proposed budget submitted to the Lender for approval is not approved on or before December 31 of the year prior to the year for such proposed budget, then, until such annual Budget is approved, the applicable Annual Budget most recently in effect shall continue to apply, except that (i) any items of the then proposed budget that have been approved shall be given effect in substitution of the corresponding items in the Annual Budget most recently in effect, and (ii) any items of the then-proposed budget that have not been approved shall (except as provided in clause (iii) below) be increased by the lesser of (A) two percent (2%) plus the percentage increase of the (1) consumer price index for January 1 of the then-applicable year, over (2) Consumer Price index for January 1 of the immediately preceding year, and (B) the amount disapproved pursuant to the proposed budget, and (iii) any items of the then proposed budget dealing with union mandated employment and labour costs shall be deemed to be approved as set forth in such budget provided that same are payable pursuant to agreement(s) with any union representing such employees; provided further that any such agreement(s) were collectively bargained through a rigorous and fulsome process between management and labour. No new Items that were not in the Annual Budget most recently in effect (except as provided in clause (iii) above) shall be implemented until such budget items shall have been approved as set out herein.
- (H) <u>Weekly Senior Management Meeting</u>. At the request of the Lender, the Borrower shall make senior management available for a meeting (either in person or via teleconference) with the Lender to report on operations and performance of the Borrower and its Subsidiaries, at such reasonable times during normal business hours and on a weekly basis.

5.2. Inspection.

- (A) Each Loan Party shall, at the Borrower's cost and expense, permit the Lender and any authorized representatives designated by the Lender to visit and inspect any of the properties of such Loan Party, and to review its financial and accounting records, and in conjunction with such inspection, to make copies and take extracts therefrom, and to discuss its affairs, finances and business with its officers and Independent auditors, at such reasonable times during normal business hours and as often as may be reasonably requested.
- (B) Each Loan Party shall, at the Lender's cost and expense, permit Lender and any authorized representatives designated by Lender to visit and inspect any of the properties of such Loan Party, and to review its financial and accounting records, and in conjunction with such inspection, to make copies and take extracts therefrom, and to discuss its affairs, finances and business with its officers and independent auditors, at such reasonable times during normal business hours and as often as may be reasonably requested, provided, that the Lender shall only be entitled to do so twice per year and that no such visit and/or inspection shall last longer than two Business Days and provided further that each such visit and inspection is subject to (a) the Lender ensuring that such inspection is conducted in a manner that does not interfere with or disrupt the business or operations of the Loan Party, (b) all applicable confidentiality restrictions, and (c) compliance with all applicable laws and the policies and procedures adopted by the Loan Party.
- (C) No Loan Party shall be responsible or liable for any accident, injury, claim, loss or liability suffered or incurred by the Lender or any representative or agent of the Lender while visiting or inspecting any property of the Loan Party.

5.3. <u>Corporate Existence.</u>

Each Loan Party shall at all times preserve and keep in full force and effect its corporate existence and all rights and franchises except (in the case of any Loan Party that is not necessary or prudent for the operation or ownership of the Mining Properties or the performance of the Loan Documents) where failure to do so would not reasonably be expected to have a Material Adverse Effect. Each Loan Party shall promptly notify Lender of any change in its ownership or corporate structure.

5.4. Payment of Taxes.

Each Loan Party shall pay when due all Taxes imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property provided that no such Tax need be paid if such Loan Party is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if such Loan Party has established appropriate reserves in conformity with GAAP.

5.5. <u>Maintenance of Properties; Insurance</u>.

Except as set forth herein, each Loan Party shall maintain or cause to be maintained in good repair. working order and condition, normal wear and tear excepted, all Loan Party Property and will make or cause to be made all commercially reasonable and appropriate repairs, renewals and replacements thereof. The Lender acknowledges that some of the equipment acquired by the Guarantors in conjunction with the acquisition of the Mining Properties is not presently in good repair, working order or condition. Each of the Loan Parties shall obtain and maintain in full force and effect the Mining Properties and the Approvals (including, without limitation, mining concessions and easements) and rights (including, without limitation, water rights) necessary for the construction, development and operation of the Mining Properties, to export and sell minerals extracted from the Mining Properties and, in the case of Approvals with respect to title Issues shall maintain all such Approvals which are immaterial to the business and operations of the Loan Party. The Loan Parties shall maintain adequate equipment for the construction, development and operation of the Mining Properties as contemplated in the operating plans provided to the Lender. The Loan Parties shall, with due diligence and in a reasonable and prudent manner, enforce the material rights granted to it under and in connection with all such Mining Properties, water rights, Approvals and related rights except where failure to enforce such rights is immaterial to the business and operations of the Loan Party. The Loan Parties set out in Exhibit II attached hereto shall maintain or cause to be maintained, with financially sound and reputable insurers, public liability and property damage insurance with respect to its businesses and properties against loss or damage of the kinds customarily carried or maintained by Persons of established reputation engaged in similar businesses and in amounts reasonably acceptable to Lender. Each such Loan Party shall cause Lender to be named as "lender's loss payee" (or language of similar effect) on all insurance policies relating to any Loan Party Property and as "additional insured" under all liability policies, as applicable, in each case pursuant to appropriate endorsements in form and substance reasonably satisfactory to Lender. If, at the time of receipt of any insurance proceeds, no Event of Default has occurred and is continuing, a Loan Party shall use any proceeds received from any policies of insurance for the replacement of the asset(s) for which such proceeds have been received or for other general corporate purposes. If an Event of Default has occurred and is continuing at the time of receipt of any insurance proceeds, or if a Loan Party Is in default of any of the Obligations, such Loan Party shall offer to apply any proceeds received from any policies of insurance relating to any Loan Party Property to satisfy the Obligations.

5.6. Compliance with Laws.

Except to the extent provided in <u>Schedule 4.16</u> of the Disclosure Letter, each Loan Party shall comply with the requirements of all applicable laws, rules, regulations and orders of any Governmental Agency as now in effect and which may be imposed in the future in all jurisdictions in which such Loan Party is now doing business or may hereafter be doing business, except to the extent that non-compliance with such laws, rules and regulations is immaterial to the business, financial condition and operations of the Loan Party.

5.7. Further Assurances.

Each Loan Party will, from time to time, execute such guarantees, reports and other documents or deliver to Lender such Instruments, certificates of title or other documents as Lender at any time may reasonably request to evidence, perfect or otherwise implement the guarantees for repayment of the Obligations provided for in the Loan Documents. Each Loan Party shall cause any wholly-owned Subsidiaries of any Loan Party who acquire an interest in any material Loan Party Property promptly to guarantee the Obligations and to grant to Lender security interests in the interest of such Subsidiary in any material Loan Party Property to secure the Obligations, provided that the determination of whether any such Loan Party Property is material shall be in the sole discretion of the Lender, acting reasonably.

5.8. Use of Proceeds and Margin Security.

The Borrower shall use the proceeds of the Loan for proper business purposes (as described in Section 2.4 hereof) consistent with all applicable laws, statutes, rules and regulations. No portion of the proceeds of the Loan shall be used by Borrower in violation of Regulation T or Regulation X or any other regulation of the Board of Governors of the Federal Reserve System, or to violate the Exchange Act.

5.9. <u>Environmental Compliance</u>.

The Loan Parties shall comply with applicable Environmental Laws In all material respects, shall promptly pay or cause to be paid all costs and expenses incurred in such compliance and implementation, and shall keep or cause to be kept the Mining Properties free and clear of any Liens imposed pursuant to applicable Environmental Laws other than Permitted Liens.

5.10. Financial Covenants

- (A) So long as any amount owing under this Agreement remains unpaid or any Obligation under this Agreement remains unsatisfied, Borrower shall maintain, as at the last of each Fiscal Quarter in each Fiscal Year (beginning on June 30, 2014), a Consolidated Coverage Ratio of:
 - (1) For the period ended December 2014 not less than 0.9,
 - (2) For the period ended December 2015 not less than 1.4, and
 - (3) For the period ended December 2016 not less than 1.6.
- (B) So long as any amount owing under this Agreement remains unpaid or any Obligation under this Agreement remains unsatisfied, Borrower shall maintain, as at the last of each Fiscal Quarter in each Fiscal Year (beginning on June 30, 2014), a Consolidated Indebtedness Ratio of.
 - (1) For the period ended December 2014 not more than 2,
 - (2) For the period ended December 2015 not more than 1.5, and
 - (3) For the period ended December 2016 not more than 1.2.
- (C) Within thirty (30) Business Days of the end of each Fiscal Quarter, the Borrower shall provide to the Lender a certificate of the senior financial officer of the Borrower, setting forth (i) the calculations in reasonable detail which demonstrate compliance with Section 5.10(A) and (B) as at the end of the relevant Fiscal Quarter, (ii) confirmation that the bank accounts listed in Schedule 4.17 continue to reflect the account numbers and locations of all bank accounts of each Loan Party as at the date that such certificate is provided, (iii) confirmation that the Loan Parties are in compliance with Section 6.2 hereof, and (iv) confirmation that the balance contained in bank account number 800282 held with The Bank of Nova Scotia in the name of Cane Silver inc. is \$39,636.40 or less and that the balance contained in the bank account identified in the Disclosure Letter as being in the name of Cane Insurance Company Limited is \$0 (nii).

5.11. Accuracy of Information.

All written information, reports, statements and other papers and data furnished to Lender, whether pursuant to this <u>Section 5</u> or any other provision of this Agreement or of any other Loan Document, shall be, at the time the same is so furnished, complete and correct in all material respects to the best knowledge of the current officers and directors of the Borrower to the extent necessary to give Lender true and accurate knowledge of the subject matter thereof.

5.12. Mexican Escrowed Security Documents.

Concurrent with the execution and delivery of this Agreement, the Borrower has delivered to the Lender's counsel in Mexico, Barrera, Sigueiros y Torres Landa, S.C., final versions of the documents listed in Section A of Exhibt 5.12 hereto (such documents, the "Mexican Escrowed Security Documents"). The Borrower shall cause each of the Loan Parties to call and have such shareholder meetings as may be necessary to approve the Mexican Escrowed Security Documents in the form such documents have been deposited in escrow delivered to the Lender's counsel in Mexico on or before May 3, 2014 and to hold such shareholders' meetings on or before May 18th, 2014. The Mexican Escrowed Security Documents shall be kept by the Lender's counsel in Mexico. The Borrower shall cause the relevant Loan Party to execute and notarize, if applicable, each such Mexican Escrowed Security Document to which such Loan Party is a party in the form kept by the Lender's counsel in Mexico within two (2) Business Days of the shareholders' meeting of the relevant Loan Parties held to approve such Mexican Escrowed Security Documents, Without prejudice and in addition to any obligation of the Borrower and the Loan Parties under the Mexican Escrowed Security Documents, the Borrower shall submit all of the Mexican Escrowed Security Documents for approval and registration and shall take all such other actions (including the granting of irrevocable powers of attorney and notices to banks) as set out in Section B of Exhibit 5.12 hereto by the timeframes identified in such Exhibit. Notwithstanding the foregoing, in the event that the registration and other actions identified in Exhibit 5.12 cannot be completed within the timeframes identified in Exhibit 5.12 due to no fault of the Borrower or its counsel and for reasons outside of the control of the Borrower and its counsel, the Borrower may request an extension to complete such registration or other actions from the Lender and the Lender shall not unreasonably refuse to grant such extension.

5.13. Cane Silver Inc. and Cane Insurance Company Limited Bank Accounts.

The Loan Parties shall ensure that (i) the balance contained in bank account number 800282 held with The Bank of Nova Scotia in the name of Cane Silver Inc. is at all times \$39,636.40 or less; and (ii) the balance contained in the bank account Identified in the Disclosure Letter as being in the name of Cane Insurance Company Limited is at all times \$0 (nil).

5.14. Right to Board Seat.

At the request and option of the Lender until the later of the date that the Loan is repaid in full and the date that the Lender owns less than 5% of the Issued and outstanding common shares of the Borrower, the Borrower will (i) cause its Board of Directors (the "Board") to Include one nominee of the Lender (the "Board Member"), who is reasonably acceptable to the Borrower and the TSX Venture Exchange, on the slate of director nominees proposed for election that is submitted to shareholders of the Borrower, or (ii) permit any person designated by the Lender and reasonably acceptable to the Borrower (the "Observer") to attend all meetings of the Borrower's Board and all committees thereof, including executive sessions thereof (whether in person, telephonic or other) in a non-voting, observer capacity and shall provide to the Observer, concurrently with the members of the Board, and in the same manner, notice of such meeting and a copy of all materials provided to such members (the Board Member and the Observer collectively, the "Onon Representative"); provided that at all times the Lender shall be permitted to designate a Board Member or Observer (but not both a Board Member and an Observer) or to change a Board Member to an Observer or an Observer to a Board Member, Any person designated by the Lender as a Board Member must sign a consent to act as a director of the Borrower and file a personal information form with the TSX Venture Exchange. Upon the later of the repayment of the Loan in full and the date that the Lender ceases to be a holder of at least 5% of the issued and outstanding common shares of the Borrower, the Lender will cause the elected nominee of the Lender to resign from the Board of Directors of the Borrower. Any Orion Representative will have acknowledged in writing its obligation to be bound by the Borrower's insider trading policies and all other policies and other obligations from time to time applicable to the Borrower's directors and observers (including without limitation confidentiality obligations). Each of the Loan Parties

acknowledges that the Lender may have, from time to time, information that may be of interest to a Loan Party ("Information") regarding a wide variety of matters including, by way of example only, current and future investments the Lender or its Affiliates have made, may make, may consider or may become aware of with respect to other resource companies, including, without limitation, resource companies that may be competitive with a Loan Party. Each of the Loan Parties recognizes that a portion of such Information may be of interest to the Borrower. Such Information may or may not be known by the Orion Representative, Each of the Loan Parties, as a material part of the consideration for this Agreement, agrees that the Lender, its Affiliates and the Orion Representative shall have no duty to disclose any Information to any of the Loan Parties or permit any of the Loan Parties to participate in any projects or investments based on any information, or to otherwise take advantage of any opportunity that may be of interest to a Loan Party if it were aware of such information. The Board Member will be subject to fiduciary obligations under corporate law, and will abstain from voting on any matters in which the Board Member has a conflict of interest. The Lender, on behalf of itself and its Affiliates and the Board Member acknowledges that they are subject to restrictions imposed by Canadian and United States securities laws on the purchase or sale of securities of an issuer while in the possession of material non-public information concerning that issuer, and on the communication of that information to any other person. This section will survive the termination of the Loan Agreement, subject to the Lender owning at least 5% of the issued and outstanding common shares of the Borrower.

SECTION 6 NEGATIVE COVENANTS

Each Loan Party covenants and agrees that until payment and performance in full of all Obligations, unless Lender shall otherwise give its prior written consent, each Loan Party shall perform, and shall cause each of its Subsidiaries to perform all covenants in this <u>Section 6</u> applicable to such Person.

6.1. Indebtedness and Liabilities.

Each Loan Party shall not directly or indirectly create, incur, assume, guaranty, or otherwise become or remain directly or Indirectly liable, on a fixed or contingent basis, with respect to any Indebtedness except (i) Permitted Indebtedness or (ii) provided that the balance of the Loan shall have been reduced to no greater than \$27,500,000 and the Lender shall have been granted a first property secured lien over all of the real and personal property of the Loan Parties, additional unsecured or subordinated Indebtedness (provided subordinated Indebtedness shall be the subject of a subordination agreement in form and substance satisfactory to the Lender in its sole discretion) which does not exceed \$75,000,000 in principal amount (which additional unsecured or subordinated indebtedness may be used to reduce the balance of the loan to no greater than \$27,500,000).

6.2. Transfers, Liens and Related Matters.

(A) Transfers. No Loan Party shall, without the prior written consent of the Lender, such consent not to be unreasonably withheld, Transfer or grant any option with respect to any of the Loan Party Property or other Asset Disposition, except that each Loan Party may (i) Transfer assets in the ordinary course of business; and/or (ii) Transfer assets which are (I) obsolete, (II) redundant (III) no longer necessary in connection with the Loan Parties' business as it exists on the date hereof and are not critical to the performance of the Loan Partles' business as it exists on the date hereof or (IV) of no economic value, and/or (iii) Transfer assets among Loan Parties (save and except for Cane Insurance Company Limited), provided however that such Loan Partles comply with Section 5.7 hereof (collectively (i), (ii) and (iii), "Permitted Dispositions"); provided however in the events assets forming any part of the Shafter Mine located in Presidio County, Texas, USA are Transferred as a Permitted Disposition, the proceeds shall be used to prepay the Lender any amount outstanding owing by the Borrower hereunder and such amounts shall be applied in accordance with Section 2.6(H). Notwithstanding the foregoing, no Loan Party shall under any circumstances Transfer or grant any option with respect to any of the Loan Party Property or other Asset Disposition until the Loan Parties have satisfied all post-closing delivery obligations required by this Agreement, as such post-closing delivery obligations are set out in a post-closing undertaking in form satisfactory to the Lender and executed by each of the Loan Parties (the "Post-Closing Undertaking").

- (B) <u>Liens</u>. Except for Permitted Encumbrances, no Loan Party shall directly or indirectly create, incur or assume (or agree to create, incur or assume) or permit to exist any Lien on or with respect to any of the Loan Party Property or other assets or any proceeds, income or profits therefrom.
- (C) <u>No Piedge Restrictions</u>. No Loan Party shall enter into or assume any agreement (other than the Loan Documents, and any document evidencing or governing Permitted Indebtedness) restricting the creation or assumption of any Lien upon any of its properties or assets, whether now owned or hereafter acquired.

6.3. Restriction on Fundamental Changes.

Other than a Permitted Investment, without the prior written consent of the Lender, no Loan Party shall

- (A) undergo a Change of Control or
- (B) merge into, amalgamate or consolidate with any other Person, except that any Subsidiary of Borrower may merge into or consolidate with Borrower or any other wholly-owned Subsidiary of Borrower; or
 - (C) change its jurisdiction of incorporation, type of organization or its legal name; or
- (D) acquire by purchase or otherwise all or substantially all of the assets of, Equity Securities, of any Person or any business division of any Person.

6.4. Restricted Payments.

No Loan Party shall directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment.

6.5. Transactions with Affillates.

No Loan Party shall directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale or exchange of property or the rendering of any service) with any Affiliate or with any officer, director or employee of any Loan Party other than transactions among Loan Parties or transactions entered into in the ordinary course of business on terms no less favourable to the applicable Loan Party than as would be obtainable in a comparable transaction with Persons at arm's length with the Loan Party.

6.6. Environmental Liabilities.

No Loan Party shail: (a) except to the extent provided in <u>Schedule 4.13</u> of the Disclosure Letter, violate any applicable Environmental Law applicable to the Loan Party Property if such violation would reasonably be expected to have a Material Adverse Effect; (b) dispose of any Hazardous Materials (except in accordance with Environmental Law in all material respects) applicable to the Loan Party Property into or onto or from, any real property owned, leased or operated by such Loan Party; or (c) permit any material Lien imposed pursuant to any Environmental Law applicable to the Loan Party Property to be imposed or to remain on any real property owned, leased or operated by any Loan Party.

6.7. Charter Documents.

No Loan Party shall amend or otherwise modify its articles of incorporation or bylaws (or equivalent charter documents) or any existing shareholders' agreement or similar agreement (all of such agreements having been previously delivered to Lender), or enter into any new shareholders' agreement or similar agreement, in each case in any manner which would restrict or prevent (in the opinion of the Lender, acting reasonably) such Loan Party from discharging its obligations hereunder or under any other Loan Document.

6.8. Capital Expenditure and Operating Expenditure.

- (A) No Overrun with respect to Capital Expenditure shall exceed 15% of the amount in the Annual Budget for such year.
- (B) No Overrun with respect to Operating Expenditure shall exceed 15% of the amount in the Annual Budget for such year.
- (C) Within thirty (30) Business Days of the end of each Fiscal Quarter, the Borrower shall provide to the Lender a certificate of the senior financial officer of the Borrower, setting forth the calculations in reasonable detail which demonstrate compliance with Section 6.8(A) and (B) as at the end of the relevant Fiscal Quarter.

6.9. Cane Insurance Company Limited.

Cane Insurance Company Limited shall not at any time (i) hold or own any assets whatsoever, (ii) become an active company, or (iii) carry on business of any kind.

SECTION 7 DEFAULT, RIGHTS AND REMEDIES

7.1. Event of Default.

"Event of Default" shall mean the occurrence or existence of any one or more of the following:

- (A) Payment. Failure of any Loan Party to make payment of any of the Obligations when due; or
- (B) <u>Default Under Other Agreements</u>. Failure of any Loan Party to pay within five (5) days when due (or within any applicable grace period) any principal or interest totaling \$1,000,000 or more on any Indebtedness other than the Obligations (whether or not the holder of such Indebtedness actually accelerates such payment), except where the holder of such Indebtedness has granted a written waiver in respect of the due date or immediate payment of such Indebtedness; provided however that such waiver may be for a period no longer than 90 days and may not be extended beyond such period; or
- (C) <u>Breach of Certain Provisions</u>. Default is made in the performance or breach by any Loan Party of any other covenant or agreement under the provisions of this Agreement or any Loan Document relating hereto or thereto not otherwise addressed in this Section 7.1, provided that if such default is capable of being remedied the Loan Party shall have 25 Business Days after receiving written notice thereof to remedy such default (provided however that the Loan Party shall have 40 Business Days to remedy a default under any of Sections 5.5, 5.6, 5.9 or 6.6, and 5 Business Days to remedy a default under Section 5.12); provided further that if such default is not capable of being remedied, it will be considered a default immediately; or
- (D) <u>Breach of Warranty</u>. Any representation or warranty made by any Loan Party in any Loan Document, the Disclosure Letter or in any certificate at any time required pursuant to the terms of this Agreement to be given by such Person in writing pursuant or in connection with any Loan Document or the Disclosure is false in any material respect on the date made or reaffirmed and continues for a period of 25 Business Days after written notice specifying such falseness and requiring such falseness to be remedied has been given by the Lender to such Loan Party; or
- (E) Involuntary Bankruptcy; Appointment of Receiver, etc. (1) A court enters a decree or order for relief with respect to any Loan Party or any of their respective properties pursuant to any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, including the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada) and the Bankruptcy Code, or (2) subject to Section 7.1(G), the continuance of any of the following events for 30 days unless dismissed or discharged: (a) an involuntary case is commenced against all or a portion of the assets of any Loan Party by a Person other than the Lender, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) enforcement proceedings are commenced against any Loan Party by a Person other than the Lender in respect of assets of a Loan Party having a value in excess of \$250,000; or

- (c) a decree or order of a court for the appointment of an administrator, controller, receiver, interim receiver, manager, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any Loan Party, or over all or a substantial part of their respective property, is entered; or (d) an interim receiver, trustee or other custodian is appointed without the consent of any Loan Party, for all or a substantial part of the property of any such Person; or
- (F) Voluntary Bankruptcy; Appointment of Receiver, etc. (1) An order for relief is entered with respect to any Loan Party or any of their respective properties or any Loan Party commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consent to the appointment of or taking possession by a receiver, trustee, administrator, controller, or other custodian for all or a substantial part of any Loan Party's property; or (2) any Loan Party makes any assignment for the benefit of creditors; or (3) any Loan Party enters into or resolves to enter into any arrangement, composition or compromise with any of its creditors in excess of \$250,000; or (4) the Board of Directors of any Loan Party adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 7.1(F); or
- (G) <u>Liens</u>. Any Lien, levy or assessment is filed or recorded with respect to or otherwise imposed upon ail or any part of the assets of any Loan Party by the Government of Canada or any department or instrumentality thereof or by any provincial, county, municipality, state, territory and council or other Governmental Agency (other than Permitted Encumbrances), except where such Lien, levy or assessment is stayed, vacated, paid or discharged within forty (40) days or is being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, and a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor; or
- (H) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process involving (1) an amount in any individual case in excess of \$500,000 or (2) an amount in the aggregate at any time in excess of \$2,000,000 is entered or filed against any Loan Party or any of their respective assets and remains unpaid, undischarged, unvacated, unbonded or unstayed and uncontested by a Loan Party for a period of 40 days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or
- (i) <u>Dissolution</u>. Any application is made for, or order, judgment or decree is entered against any Loan Party decreeing, winding up or splitting such Person; or
- (J) <u>Solvency</u>. The Loan Parties, taken as a whole, cease to be Solvent or any Loan Party admits in writing the present or prospective inability to pay such Person's (as applicable) debts as they become due; or
- (K) <u>Injunction</u>. Any Loan Party is enjoined, restrained or in any way prevented by the order of any court or any administrative or regulatory agency from conducting all or any material part of its business and such order continues for more than forty (40) days; or
- (L) <u>Invalidity of Loan Documents</u>. Any of the Loan Documents for any reason ceases to be in full force and effect (except pursuant to the express terms thereof) or is declared to be null and void, or any Loan Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect; or any of the Loan Documents for any reason, except to the extent permitted by the terms thereof, shall cease to create a valid and perfected first priority Lien other than a Permitted Encumbrance on the Loan Party Property other than as a result of the action or inaction of the Lender; or
- (M) <u>Licenses and Permits.</u> The loss, suspension or revocation of, or failure to renew, any material license or permit now held or hereafter acquired by any Loan Party and such loss, suspension or revocation of, or failure to renew continues for more than twenty (20) days; or
- (N) <u>Change of Control</u>. Except as permitted pursuant to Section 6.3, a Change of Control shall have occurred; or

- (O) <u>Encumbrancer</u>. If an encumbrancer shall take possession or shall initiate or take steps to take possession of all or any portion of the Loan Party Property or any similar process be initiated, levied or enforced in respect of Loan Party Property which constitutes real property, mining rights or claims or any rights related thereto or any other Loan Party Property having a fair market value in excess of \$500,000; or
- (P) <u>Material Adverse Change</u>. Since the date of the Borrower's most recent Consolidated financial statements, any event, development or condition which has had or could reasonably be expected to have a Material Adverse Effect occurs; or
- (Q) <u>Consents, etc.</u> Any law, decree, license, permit, consent, authorization, registration or approval now or hereafter necessary to enable the Borrower or a Guarantor to develop the Mining Properties or to comply with its Obligations incurred in the Loan Documents shall be revoked withdrawn or withheid or shall cease to remain in full force and such status continues for more than ten (10) days; or
- (R) Abandonment. The Borrower or any other Loan Party ceases to maintain the current level of ownership (as of the Closing Date) of the Projects or abandons or threatens to abandon all or a material part of the silver-copper-zinc and lead min located in Quarteraro Mexico (the "La Negra Mine") or any material part of the La Negra Mine is abandoned, cancelled or terminated or the Borrower or any other Loan Party suspends permanently or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of the La Negra Mine or suspends temporarily operations for a period of 45 days or longer at the La Negra Mine; or
- (S) Expropriation, condemnation, etc. All or any material part of the Projects shall be nationalized, exproprieted or condemned, or custody or control of such property or of the Borrower shall be assumed by any Governmental Agency or any court of competent jurisdiction at the instance of any Governmental Agency, except where contested in good faith by proper legal proceedings diligently pursued where a stay of enforcement is in effect;
- (T) <u>Non-Performance by Guarantor</u>. Any Guarantees for any reason is revoked or invalidated, or otherwise cease to be in full force and effect, or a Guarantor or any other Person shall contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder; or

Notwithstanding the foregoing, the facts underlying the Public Announcements shall not give rise to an Event of Default hereunder.

7.2. Acceleration.

If any Event of Default shall occur and be continuing, the Lender may (i) by notice to the Borrower, declare the entire unpaid principal amount of the Loan, all Interest accrued and unpaid thereon and all other Obligations to be forthwith due and payable, whereupon the Loan, all such accrued interest and all such other Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Loan Parties, provided that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, the result which would otherwise occur only upon giving of notice by the Lender to the Borrower as specified in this clause (i) shall occur automatically, without the giving of any such notice; and (ii) whether or not the actions referred to in clause (i) have been taken, (A) exercise any or all of the Lender's rights and remedies under the Loan Documents, and (B) proceed to enforce all other rights and remedies available to the Lender under the Loan Documents and applicable law.

7.3. Waivers; Non-Exclusive Remedies.

No failure on the part of Lender to exercise, and no delay in exercising and no course of dealing with respect to any right under this Agreement or the other Loan Documents, shall operate as a waiver thereof nor shall any single or partial exercise by Lender of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

7.4. Performance of Covenants by Lender,

If any Loan Party shall fail to perform any of its covenants contained in this Agreement or in any Loan Document, the Lender may itself perform any of such covenants capable of being performed by it, but shall be under no obligation to do so. All sums so expended or advanced by the Lender shall be repayable hereunder. No such performance or advance by the Lender shall be deemed to relieve any Loan Party of a default hereunder.

7.5. Credit Bid Rights Preserved.

In the event of any bankruptcy proceeding involving a Loan Party In the United States, whether voluntary or otherwise, each Loan Party expressly agrees that the Lender is hereby granted an irrevocable right to credit bid any or all amounts owed pursuant to this Agreement in any sales process as provided by 11 U.S.C. Section 363(k), whether such sale is conducted pursuant to a plan of reorganization under Chapter 11 of the Bankruptcy Code or outside of a plan pursuant to 11 U.S.C. Section 363. The right of the Lender to credit bid as set forth herein is an express element of the consideration being offered by the Loan Parties to induce Lender to enter into the Agreement.

SECTION 8 MISCELLANEOUS

8.1. Assignments and Participations.

The Lender may assign its rights and delegate its obligations under this Agreement and the Loan and further may assign, or sell participations in, all or any part of the Loan or any other interest herein, to another Person without the prior written consent of the Borrower, provided that the Lender shall seek consent in the event of an assignment to a Prohibited Person (unless at such time and Event of Default shall have occurred or be continuing, in which case no such consent shall be required). In the case of an assignment authorized under this Section 8.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were a Lender hereunder and Lender shall be relieved of its obligations hereunder with respect to the commitments or assigned portion thereof, provided however, an assignee shall not be entitled to receive any greater payment under Section 2.5(A) than the Lender would have been entitled to receive. Each Loan Party hereby acknowledges and agrees that any assignment will give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a Lender" hereunder. Lender may furnish any information concerning each Loan Party in its possession from time to time to assignees and participants (including prospective assignees and participants), provided that any such assignee or participant or prospective assignee or participant agrees to maintain the confidentiality of such information pursuant to a confidentiality agreement reasonably acceptable to each applicable Loan Party. All communications by each Loan Party with Lender and every assignee shall be required to be sent or given to only Lender or one of the assignees in place of Lender. Neither the Borrower nor the Guarantor may assign any of its rights or interest in this Agreement or any other Loan Documents in whole or in part.

8.2. Set Off.

(A) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, Lender, and each assignee of Lender's interest is hereby authorized by each Loan Party at any time or from time to time, without notice to any Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Loan Party (regardless of whether such balances are then due to any Loan Party) and any other property at any time held or owing by that Lender or assignee to or for the credit or for the account of the Loan Parties against and on account of any of the Obligations then outstanding.

8.3. Expenses and Attorneys' Fees.

Whether or not the transactions contemplated hereby shall be consummated, each Loan Party jointly and severally agrees to promptly pay all reasonable fees, costs and expenses incurred by Lender in connection with any matters contemplated by or arising out of this Agreement or the other Loan Documents

including the following, and all such reasonable fees, costs and expenses shall be part of the Obligations, payable on demand: (a) fees, costs and expenses (including attorneys' fees, and fees of environmental consultants, accountants and other professionals retained by Lender) incurred in connection with the examination, review, due diligence investigation, documentation and closing of the financing arrangements evidenced by the Loan Documents; (b) fees, costs and expenses (including attorneys' fees, and fees of environmental consultants, accountants and other professionals retained by Lender) incurred in connection with (i) the review, negotiation, preparation, documentation, execution and administration of the Loan Documents, the Loan, and (ii) any amendments, waivers, consents, forbearance and other modifications relating thereto or any subordination or intercreditor agreements; (c) fees, out of pocket costs and expenses incurred in creating, perfecting and maintaining perfection of Liens in favour of Lender including title Insurance premiums, real estate survey costs and mortgage or recording taxes and fees; (d) fees, out of pocket costs and expenses incurred in connection with forwarding to Borrower the proceeds of the Loan including Lender's standard wire transfer fee; (e) fees, costs, expenses (including attorneys' fees) and costs of settlement incurred in any action to enforce this Agreement or the other Loan Documents or to collect any payments due from any Loan Party under this Agreement or any other Loan Document or incurred in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement, whether in the nature of a "workout" or in connection with any insolvency or bankruptcy proceedings or otherwise; (f) Lender's out of pocket expenses and disbursements, whenever incurred, in monitoring and administering the Loan; and (g) the cost of procuring background checks or updating background checks previously obtained by Lender relating to officers of the Loan Parties (the Loan Parties shall use its best efforts to obtain the consent of all officers to such checks or updated checks).

8.4. Indemnity.

In addition to the payment of expenses pursuant to Section 8.3, whether or not the transactions contemplated hereby shall be consummated, each Loan Party jointly and severally agrees to indemnify, pay and hold Lender, its participants and assignees and their respective officers, directors, employees, agents, consultants, partners, auditors, persons engaged by any of them to evaluate or monitor the Loan Parties, Affiliates and attorneys of any of them (collectively called the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) that may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of any inaccuracy in any material respect of any representation, warranty or statement made in this Agreement or any certificate, statement or opinion delivered by a Loan Party under any of the Loan Documents or in connection therewith (the "Indemnified Liabilities"); provided that no Loan Party shall have any obligation to an Indemnitee hereunder with respect to Indemnified Liabilities arising from the negligence or willful misconduct of that Indemnitee as finally determined by a court of competent jurisdiction.

8.5. Amendments and Waivers.

No amendment, modification, termination or waiver of any provision of this Agreement or of the other Loan Documents, or consent to any departure by any Loan Party therefrom or any of the terms, conditions, or provisions thereof, shall be effective unless the same shall be in writing and signed by Lender and each Loan Party. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

8.6. Notices.

Unless otherwise specifically provided herein, all notices shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service and shall be deemed to have been given: (a) if delivered in person, when delivered, (b) if delivered by telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. local time in the place of receipt or, if not, on the next succeeding Business Day: (c) if delivered by overnight courier, on the date of delivery if delivered on a Business Day before 4:00 p.m. local time in the place of receipt or, if not, on the next succeeding Business Day.

If to a Loan Party:

Aurcana Corporation

Suite 1750

1188 West Georgia Street Vancouver, B.C., V6E 4A2 Attention: Chief Executive Officer Facsimile: (604) 633-9179

With a copy to:

Axium Law Corporation

Suite 3350 - 1055 Dunsmulr Street

Vancouver, British Columbia

V7X 1L2

Attention: Linda Chow Facsimile: 604-692-4900

ू If to Lender:

Orion Mine Finance (Master) Fund I LP c/o MUFG Fund Services Limited 26 Burnaby Street, Hamilton

HM 11, Bermuda

Attention: Jenny Dolan Facsimile: +(441) 295-6759

Email: orionresourcepartners@bfgl.com

With a copy to:

Norton Rose Fulbright Canada LLP 45 O'Connor Street, Suite 1500 Ottawa, Onlario K1P 1A4

Attention: Geoffrey Gilbert Facsimile: 613-230-5459

With a copy to:

Orion Resource Partners (USA) LP 1211 Avenue of the Americas, Suite 3001

New York, NY 10036

Attention: Limor Nissan Facsimile: (212) 596-3489

Email: notices@orionresourcespartners.com

or to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this <u>Section 8.6</u>.

8.7. Survival of Warranties and Certain Agreements.

- (A) All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by Lender regardless of any investigation made by Lender or on its behalf and notwithstanding that Lender may have had notice or knowledge of any breach of a representation or warranty, and shall continue in full force and effect as long as any Obilgation shall remain outstanding.
- (B) This Agreement and the Loan Documents shall remain in full force and effect until such time as the Obligations (other than contingent Obligations not yet due) have been paid and satisfied in full, at which time this Agreement shall be terminated; provided, however, that the agreements set forth in Sections 8.3 and 8.4 shall survive termination of this Agreement. Notwithstanding the foregoing, this Agreement and the Loan Documents shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Obligations is rescinded or must

otherwise be restored or returned by Lender as a preference, fraudulent conveyance or otherwise, all as though such payment had not been made.

8.8. Marshaling; Payments Set Aside.

Lender shall not be under any obligation to marshal any assets in favour of any Loan Party or any other party or against or in payment of any or all of the Obligations. To the extent that any Loan Party makes a payment or payments to Lender or Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repald to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Llens, rights and remedies thereof, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

8.9. Entire Agreement.

This Agreement and the other Loan Documents referred to herein embody the final, entire agreement among the parties hereto and supersede any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. There are no oral agreements among the parties hereto.

8.10. Independence of Covenants.

All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

8.11. Severability.

The invalidity, illegality or unenforceability in any jurisdiction of any provision in or obligation under this Agreement or the other Loan Documents shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations under this Agreement, or the other Loan Documents or of such provision or obligation in any other jurisdiction.

8.12. Headings.

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

8.13. Governing Law.

This Agreement and all disputes and controversies arising hereunder shall be construed in accordance with and governed by the laws of British Columbia, Canada and the laws of Canada generally applicable therein.

8.14. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns except that no Loan Party may assign its rights or obligations hereunder in whole or in part.

8.15. No Fiduciary Relationship: Limitation of Liabilities.

- (A) <u>No Fiduciary Relationship.</u> No provision in this Agreement or in any of the other Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty by Lender to any Loan Party.
- (B) <u>Limitation of Liabilities</u>. Neither Lender, nor any Affiliate, officer, director, shareholder, employee, attorney, or agent of Lender shall have any liability with respect to, and each Loan Party hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by any Loan Party in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. Each Loan Party hereby waives, releases, and agrees not to sue Lender or any of Lender's Affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the transactions contemplated hereby.

8.16. Consent to Jurisdiction; Consent to Service.

- (a) <u>Submission to Jurisdiction</u>. EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF BRITISH COLUMBIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH COURTS. EACH PARTY AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.
- (b) No Limitation. EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN SECTION 8.16(a). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY FORUM NON CONVENIENS DEFENSE TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT. EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR HEREIN. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

8.17. Construction.

Each Loan Party and Lender acknowledge that it has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by each Loan Party and Lender.

8.18. Counterparts: Effectiveness.

This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto. Delivery of an executed counterpart of a signature page to this Agreement, any amendments, waivers, consents or supplements, or to any other Loan Document by facsimile or other electronic delivery shall be as effective as delivery of a manually executed counterpart thereof.

8.19. No Duty.

All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Lender shall have the right to act exclusively in the interest of Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to any Loan Party or any of the shareholders of Loan Parties or any other Person.

8.20. Communications by Loan Parties to Lender.

Nothing contained in any letter, email, written notification, financial statement or other communication, written or oral, from any Loan Party to Lender, shall be deemed to be binding on Lender, unless Lender acknowledges same in writing (including by e-mail) and expressly agrees to be bound thereby.

8.21. US Patriol Act

The Lender hereby notifies the Borrower and each Guarantor that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed Into law October 26, 2001)) (the "Patriot Act"), It is required to obtain, verify and record information that identifies the Borrower and Guarantor, which information includes the name and address of the Borrower and Guarantor and other information that will allow the Lender to identify the Borrower and each Guarantor in accordance with the Patriot Act.

8.22. Conflict of Documents.

The Loan Parties and Lender acknowledge and agree that the terms, conditions and provisions of this Agreement and each and all other Loan Documents (including any other documents (and/or terms and provisions thereof) pursuant to which any Liens, mortgages, security interests or pledges are created and/or granted) are intended to be complementary to one another and mutually expansive of the rights of Lender, and that therefore, to the extent possible, the terms, conditions and provisions of this Agreement and all other such Loan Documents shall be interpreted and construed in such a manner as to give effect to all of such terms, conditions and provisions, provided that to the extent of any irreconcliable conflict between the terms, conditions and provisions of this Agreement and any other Loan Document, the terms of this Agreement shall prevail (unless the application of such rule of construction shall result in any Liens, mortgages, security interests or pledges or other rights in favour of Lender created under any such other Loan Document becoming unperfected, invalid or unenforceable against any Loan Party or any third parties under the law of the jurisdiction whose law governs such other Loan Document, in which case the terms, conditions and provisions of such other Loan Document shall prevail to the limited extent necessary to prevent such result). Notwithstanding anything to the contrary contained in the foregoing, to the extent that the terms, conditions and provisions of this Agreement and of any other Loan Document(s) shall establish different deadlines or time periods with respect to the taking of any particular actions by any Loan Party, the shorter deadline shall control, for greater certainty, in the event of a breach under Section 18.1(a) of the Offtake Agreement, a Loan Party shall only have the time period specified therein to remedy such breach and not any additional time periods or notice requirements as set out In Section 7.1(C) hereof.

8,23. Judgment Currency.

(A) If, for the purpose of obtaining or enforcing judgment against any Loan Party in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section referred to as the "Judgment Currency") an amount due under this Loan Agreement or any other Loan Document in any currency (the "Obligation Currency") other than the Judgment Currency, the conversion shall be made at the rate of exchange prevailing on the Business Day Immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of British Columbia or in the courts of any other jurisdiction that will give effect to such conversion being made on such date, or, if the courts of the applicable jurisdiction will not give effect to such conversion being made on such date, on the date on which the judgment is given (the applicable date as of which such conversion is made pursuant to this Section being hereinafter referred to as the "Judgment Conversion Date").

- (A) above, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, the Loan Party shall pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date. Any amount due from any Loan Party under this paragraph (B) shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of any of the Loan Documents.
- (C) The term "rate of exchange" in this Section means the rate of exchange as quoted by the Royal Bank of Canada, on the relevant date at or about 1:00 p.m. (New York time), of the Obligation Currency against the Judgment Currency.

8.24. Amendment and Restatement.

This Agreement amends and restates the Original Loan Agreement in its entirety, with the parties hereby agreeing that there is no novation of the Original Loan Agreement. On the Amended and Restated Closing Date, the rights and obligations of the parties under the Original Loan Agreement shall be subsumed within and be governed by this Agreement; provided, however, that the "Loan" (as such terms is defined in the Original Loan Agreement) outstanding under the Original Loan Agreement on the Original Closing Date shall, for purposes of this Agreement, be included as the Loan hereunder.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Lender:	ORION MINE FINANCE (MASTER) FUND I LP, by its general partner ORION MINE FINANCE GP I LIMITED
	By:
	Name: MELANIE SIMONS
	Title: Anthorized Signatory
Borrower:	AURCANA CORPORATION
•	Ву:
	Name:
	Title:
Other Loan Parties.	SILVER ASSETS, INC.
	D.u.
	By:
	Name: Title:
	CANE SILVER INC.
	Ву:
,	
	Name: Title:
	riue.
	Before me:
	Name:
	NOTARY PUBLIC
	110 (/1111 00210
	PERFORADORA AURCANA S. DE R.L. DE C.V.
	Ву
	Name:
	Title:
	MINERA AURCANA S.A. DE C,V.
	Ву:
	Name:
	Title:
	RIO GRANDE MINING COMPANY
	Ву:
·	Name.
	Title:
	SHAFTER PROPERTIES INC.
	Por .
	By: Name:
	Name. Title

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written. ORION MINE FINANCE (MASTER) FUND I LP, by its general Lender: partner ORION MINE FINANCE GP I LIMITED By: Name: Title: **AURCANA CORPORATION** Borrower: By: Name Title: \ SILVER ASSETS, INC. Other Loan Parties: By: Name: Title: YRES IDDIT CANE SILVER INC. LINDA M. CHOW Name: XIUM LAW CORPORATION Title: DIRCETOR Barrister and Solicitor uite 3350, Four Bentall Centre Before me: 5 Dunsmuir Street, PO Box 49222 fancouver, BC, V7X 1L2 Name: Fax: 604-692-4900 **NOTARY PUBLIC** PERFORADORA AURCANA S. DE R.L. DE C.V. By: Name Title: PRESIDENT MINERA AURCANA S.A. DE C.V. By: Name KOORIGUEZ LCNIC Title. VECS I DON'T **RIO GRANDE MINING COMPANY** By: Name/ LTNIC RODRIGUE Title: VUCSI DONT SHAFTER PROPERTIES INC. Ву:

LOVIC

PRESIDENT

RODRIGUET

Nange:

Title:

MINERALA NEGRA, S.A. DE C.V.

By: ___ Name;

LINCE RUDRIGUE

Title:

PRESIDENT

REAL DE MACONI, S.A. DE C.V.

By: Name:

يريارو ممهوردر

Title:

PROSIDENT

TAB H

THIS IS EXHIBIT "H"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suits 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Par: 604-692-4900

SECOND AMENDMENT TO THE AMENDED AND RESTATED LOAN AGREEMENT

This SECOND AMENDMENT TO THE AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") is dated as of October ___, 2015 and entered into by and among Aurcana Corporation (the "Borrower"), Silver Assets, Inc., Rio Grande Mining Company, Shafter Properties Inc., Cane Silver Inc., Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., Minera La Negra, S.A. de C.V., Real de Maconi, S.A. de C.V. (each a "Guarantor" and together the "Guarantors", collectively with the Borrower, the "Loan Parties") and Orion Mine Finance (Master) Fund I LP, by its general partner Orion Mine Finance GP I Limited (the "Lender").

RECITALS

WHEREAS:

- (A) The Loan Parties and Lender entered into an Amended and Restated Loan Agreement dated as of April 29, 2014, as amended by an Amendment to the Amended and Restated Loan Agreement and Offtake Agreements dated August 28, 2014 (together and as it may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement");
- (B) The Borrower wishes to borrow from the Lender, and the Lender wishes to lend to the Borrower, an additional amount of up to USD \$2,500,000 (the "Additional Advance") pursuant to the terms of the Loan Agreement and related Loan Documents (as such term is defined in the Loan Agreement) to support operations at the La Negra mine; and
- (C) The Loan Parties and the Borrower wish to amend the Loan Agreement on the terms and conditions set out herein to reflect the advance of the Additional Advance to the Borrower by the Lender, and have authorized and approved this Amendment to give effect to such amendment.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, and intending to be legally bound hereby, the parties hereto hereby covenant and agree as follows:

Article 1 – INTERPRETATION

- This Amendment, and the recitals hereto, is supplemental to the Loan Agreement and, as of and from the date hereof, the Loan Agreement shall be read in conjunction with this Amendment, and all the provisions of the Loan Agreement, except only insofar as the same may be inconsistent with the express provisions hereof, shall apply and have the same effect as if all the provisions of the Loan Agreement and of this Amendment were contained in one instrument.
- 1.2 Except as otherwise specified herein or as the context may otherwise require, the capitalized terms used herein but not defined have the respective meanings set forth in the Loan Agreement.
- On and after the date hereof, each reference to the Loan Agreement as amended by this Amendment, and each reference to the Loan Agreement in any other agreement, certificate, document or instrument relating thereto, shall mean and refer to the Loan Agreement as amended hereby. Except as specifically amended by this Amendment, all other terms and conditions of the Loan Agreement shall remain in full force and unchanged.

Article 2 – AMENDMENTS AND CONFIRMATION

2.1 The following is inserted immediately following Section 2.3(A) of the Loan Agreement as Section 2.3(A.1) of the Loan Agreement:

"Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Loan Parties set forth herein and in the other Loan Documents, the Lender shall, upon receipt by it of a Drawdown Notice (as hereinafter defined) satisfactory to the Lender in its sole discretion, advance an additional aggregate amount of up to \$2,500,000 to the Borrower (the "Additional Advance"). Subject to the terms and conditions hereof, the Borrower may have the Additional Advance advanced to it in amounts no lesser than \$1,000,000 from time to time prior to October 22, 2015 by way of drawdown by giving to the Lender an irrevocable notice ("Drawdown Notice") prior to 12:00 noon (Toronto time) at least ten (10) days prior to the date of any drawdown of the Additional Advance, which Drawdown Notice shall (i) specify the date the advance is to be made, (ii) specify the principal amount of the advance, and (iii) have attached thereto a certificate executed by the Chief Financial Officer of the Borrower in a form satisfactory to the Lender, in its sole discretion, setting out the following: (I) a description and copies of the invoices or purchase orders that will be paid with the funds being advanced, (II) confirmation that, other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, no Default or Event of Default has occurred and is continuing or would result from the advance being requested, (III) confirmation that, other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, no Material Adverse Effect has occurred since the Amended and Restated Closing Date, (IV) confirmation that the La Negra mine has not been abandoned, and (V) confirmation that, other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, each of the representations and warranties of the Loan Parties contained in this Agreement or in any other Loan Document is true, correct and complete as of the date such advance is requested and as of the date such advance is made as though made on and as of each such date (except where such representation or warranty is expressly stated to be made as at another date, in which case they were true, correct and complete in all material respects on and as of such earlier date). The parties hereto agree and acknowledge that the aggregate Additional Advance shall form part of the Loan. Notwithstanding anything to the contrary contained herein, the Lender shall have the option, in its sole discretion, to advance any amount representing the Additional Advance directly to the vendors or suppliers whose invoices or purchase orders are to be paid with the funds being advanced, and the Lender shall notify the Borrower of any such election by way of written notice at least one (1) day prior to the drawdown date, in which case the Borrower shall promptly provide the Lender with the payment instructions of such vendors or suppliers along with any supporting documentation that may be requested by the Lender, acting reasonably. To the extent that the Lender, in its sole discretion, elects to advance any amount representing the Additional Advance directly to the Borrower, the Lender and Loan Parties further agree that all such amounts shall be deposited into a bank account (the "Additional Advance Account") that is subject to a blocked account agreement to be entered into by the Lender, the Borrower and the financial institution at which the Additional Advance Account is held (the "Additional Advance Blocked Account Agreement"), which Additional Advance Blocked Account Agreement shall be in form satisfactory to the Lender, in its sole discretion, and which Additional Advance Blocked Account Agreement shall provide for the Lender's unfettered control of the Additional Advance Account and all funds held therein at all times."

2.2 Section 2.4 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"The proceeds of the Loan shall be used to in accordance with the Annual Budget. Notwithstanding the foregoing, the proceeds of the Additional Advance shall be used exclusively to support operations at the La Negra mine."

2.3 Section 2.6(G) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Subject to Section 2.6(G.1), the Loan shall be repaid in 48 equal monthly installments with the first such installment being due on the last Business Day of May 2014. Notwithstanding the foregoing, the monthly installments due on the last Business Days of July, August and September 2014 shall not be paid on such dates, and the aggregate monthly installments due on such dates shall instead be divided equally over and payable with the remaining 43 monthly installments. For the avoidance of doubt, all unpaid amounts of principal and interest shall be repaid in full on the Maturity Date. On the Repayment Date (or, in event the Loan is refinanced with a secured loan, concurrent with such refinancing), the Lender will promptly, at the Borrower's sole expense, execute and deliver any termination statements (including the termination of any outstanding promissory notes), lien releases, mortgage or deed of trust releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the Lender's Liens and all notices of security interests and liens previously filed by or on behalf of the Lender with respect to the Obligations."

2.4 The following is inserted immediately following Section 2.6(G) of the Loan Agreement as Section 2.6(G.1) of the Loan Agreement:

"The Additional Advance shall be repaid in its entirety, including any interest accrued thereon, on December 31, 2015."

2.5 Each of the Loan Parties and the Lender acknowledge, agree and confirm that the aggregate amount of the Additional Advance and any interest accrued thereon at any time shall form part of the Obligations under the Loan Agreement and that all Loan Documents, including without limitation the security granted by the Loan Parties under the Loan Documents to secure the Obligations, shall apply with respect to the Additional Advance and any interest accrued thereon at any time.

Article 3 – INTENTIONALLY DELETED

Article 4 - GENERAL

- 4.1 Reservation of Rights. Other than as provided in Article 3 of this Amendment:
 - the Lender has not waived, and is not by this Amendment waiving, and has no intention of waiving, any Events of Default which may be continuing on the date hereof or any Events of Default which may occur after the date hereof, and the Lender has not agreed to forbear with respect to any of its rights or remedies concerning any Events of Default which may have occurred or are continuing as of the date hereof or which may occur after the date hereof; and
 - (b) the Lender reserves the right, in its discretion, to exercise any or all of its rights and remedies under the Loan Agreement and the other Loan Documents, or otherwise, as a result of any Events of Default which may be continuing on the date hereof or any Events of Default which may occur after the date hereof, and the Lender has not waived any of such rights or remedies, and nothing in this Amendment, and no delay on its part in exercising any such rights or remedies, should be construed as a waiver of any such rights or remedies.

- 4.2 Representations and Warranties. In order to induce the Lender to enter into this Amendment, each of the Loan Parties represents and warrants to the Lender as follows, which representations and warranties shall survive the execution and delivery of this Amendment:
 - (a) other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, all of the representations and warranties in the Loan Agreement and the other Loan Documents are true and correct as of the date hereof;
 - other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, each of the Loan Parties is in compliance with all the covenants contained in the Loan Agreement and the other Loan Documents;
 - other than to the extent of information affecting the operations and assets of the Loan Parties known to the Lender which has arisen since the closing date of the Loan Agreement, no Default or Event of Default exists or is continuing;
 - (d) the execution, delivery and performance of this Amendment and the transactions contemplated hereunder are all within each of the Loan Parties' corporate powers, have been duly authorized and are not in contravention of law or the terms of any Loan Party's certificate of incorporation, by-laws or other organizational documentation, or any indenture, agreement or undertaking to which any of the Loan Parties is a party or by which any of the Loan Parties' property is bound;
 - (e) each of the Loan Parties have duly executed and delivered this Amendment; and
 - (f) this Amendment constitutes a legal, valid and binding obligation of each of the Loan Parties, enforceable against them by the Lender in accordance with the terms of this Amendment and the Loan Agreement.
- Acknowledgement of Existing Security and Guarantees. It is agreed and confirmed that after giving effect to this Amendment, all security and guarantees delivered by the Loan Parties in connection with the Loan Agreement secures the payment and performance of all of the Obligations including, without limitation, the obligations, liabilities and indebtedness arising under the Loan Agreement as a result of this Amendment.
- Further Assurances. Each Loan Party shall execute and deliver such documents and take such actions as may be necessary or desirable by the Lender to give effect to the provisions and purposes of this Amendment, all at the expense of the Loan Parties.
- 4.5 **Successors and Assigns**. This Amendment is binding on the successors and assigns of the parties hereto and may be relied upon by the parties hereto and their respective successors and assigns.
- 4.6 **Loan Documents**. This Amendment and the Additional Advance Blocked Account Agreement shall each constitute a Loan Document.
- 4.7 **Confidentiality.** No press release or other public announcement with respect to this Amendment or any transaction contemplated herein is to be made by the Borrower or Guarantors unless and until the text of the announcement and the time and manner of its release have been approved by the Lender, provided that nothing herein shall prevent the Borrower from making any such public disclosures as are necessary pursuant to applicable securities laws or the policies of any stock exchange upon which the securities of the Borrower are listed.

- 4.8 **Applicable law.** This Agreement and all disputes and controversies arising hereunder will be construed in accordance with and governed by the laws of the Province of British Columbia, Canada and the laws of Canada generally applicable therein.
- 4.9 **Execution in Counterparts.** This Amendment and any amendments, waivers, consents, or supplements may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, but all of which counterparts together will constitute but one and the same instrument. This Amendment will become effective upon the execution of a counterpart hereof by each of the parties hereto. Delivery of an executed counterpart of a signature page to this Amendment, any amendments, waivers, consents or supplements, or to any other document by facsimile or other electronic delivery will be as effective as delivery of a manually executed counterpart thereof.

[The remainder of this page is intentionally left blank.]

date first above written.	the parties hereto	nave caused this Amendment to be duly executed as of the
Lender:		ORION MINE FINANCE (MASTER) FUND I LP, by its general partner ORION MINE FINANCE GP I LIMITED
		By: Name: MECANIE SIMONS Title: Authorized Signatury
Borrower:		AURCANA CORPORATION
		By: Name: Title:
Guarantors:		SILVER ASSETS, INC.
		By: Name: Title:
		CANE SILVER INC.
		By: Name: Title:
		PERFORADORA AURCANA S. DE R.L. DE C.V.
		By: Name: Title:
		MINERA AURCANA S.A. DE C.V.
		By: Name: Title:
		RIO GRANDE MINING COMPANY
		By: Name: Title:
		SHAFTER PROPERTIES INC.
		By: Name: Title:

MINERA LA NEGRA, S.A. DE C.V.	
By: Name: Title:	
REAL DE MACONI, S.A. DE C.V.	
By:Name:	

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

Lender:	ORION MINE FINANCE (MASTER) FUND I LP, by its general partner ORION MINE FINANCE GP I LIMITED
	By: Name:
	Title:
Borrower:	AURCANA CORPORATION
	By: Attalen
	Name: Kein Frider.
	Title: President & CEO
Guarantors:	SILVER ASSETS, INC.
	By: / he racell
	Name: Marlor
•	Title: Dike dor.
	CANE SILVER INC.
	But III
	Name: Kevin Diziven
	Title: DIRECTOR
	PERFORADORA AURCANA S. DE R.L. DE C.V.
	By: Hareen
er i de la companya	Name: KOVIN TOROVER.
	Title: DIRECTOR
	MINERA AURCANA S.A. DE C.V.
e e e e e e e e e e e e e e e e e e e	By: Streated
	Name: Keish PROVOR. Title: Dikartor
	RIO GRANDE MINING COMPANY
	By: Attracell
	Name: Kevil TROVER
	Title: Director.
	SHAFTER PROPERTIES INC.
	By: (the tracell
	Name: Kovit FROVER
	Title: 77,700 AX

MINERA LA NEGRA, \$.A. DE C.V.

By: All Name: Rovin

Director. Title:

REAL DE MACONI, S.A. DE C.V.

By: ____ Name: Title:

TAB I

THIS IS EXHIBIT "I"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Pari 604-692-4900

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of October 30, 2015.

AMONG:

AURCANA CORPORATION, a corporation governed by the laws of Canada ("**Aurcana**")

- and -

9490248 CANADA CORPORATION, a corporation incorporated under the laws of Canada ("Aurcana ArrangeCo")

- and -

SILVER ASSETS, INC., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., MINERA LA NEGRA, S.A. DE C.V AND REAL DE MACONI, S.A. DE C.V.

- and -

ORION MINE FINANCE (MASTER) FUND I L.P., BY ITS GENERAL PARTNER ORION MINE FINANCE GP I LIMITED (the "Lender")

WHEREAS the Parties intend to effect a transaction pursuant to which Aurcana will retire all of its senior secured debt in exchange for the transfer of certain of its subsidiaries to the Lender;

AND WHEREAS Aurcana and the Lender have entered into a Support Agreement and Term Sheet pursuant to which the Lender has agreed to support the Transaction on the terms and subject to the conditions contained in the Support Agreement and the Term Sheet;

AND WHEREAS the parties wish to provide for the matters referred to in the foregoing recitals and for other matters relating to the transactions contemplated by this Agreement,

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions.

In this Agreement, the following terms have the following meanings:

- (a) "Agreement" means this arrangement agreement;
- (b) "Applicable Law" means any law, statute, order, decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision of any Governmental Entity, and includes any securities or stock exchange rules or regulations;
- (c) "Arrangement" means the arrangement under Section 192 of the CBCA, on the terms and subject to the conditions set forth in the Plan;
- (d) "Articles of Arrangement" means the articles of arrangement of Aurcana in respect of the Plan that are required by the CBCA to be filed with the Director after the Final Order is made in order for the Plan to become effective;
- (e) "Aurcana" means Aurcana Corporation;
- (f) "Aurcana ArrangeCo" means 9490248 Canada Corporation, a corporation incorporated under the laws of Canada;
- (g) "Aurcana Companies" means Aurcana and all of its direct or indirect subsidiaries in existence at this time or from time to time, including Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Cane Insurance, Real de Maconi, Minera La Negra, Minera Aurcana, Perforadora Aurcana and Aurcana ArrangeCo;
- (h) "Business Day" means any day, other than a Saturday or a Sunday or a statutory or civic holiday, that banks are open for business in Toronto, Ontario, Vancouver, British Columbia and New York, New York:
- (i) "Cane Insurance" means Cane Insurance Company Limited, a corporation incorporated under the laws of Barbados;
- (j) "Cane Silver" means Cane Silver Inc., a corporation incorporated under the laws of Barbados;
- (k) "CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended;
- (1) "Certificate" means the certificate of arrangement to be issued by the Director giving effect to the Plan;
- (m) "Credit Agreement" means the amended and restated credit facility agreement dated April 29, 2014 entered into by Aurcana, the Lender and each of the Guarantors (as the same may have been and may further be amended, restated, modified or varied from time to time);
- (n) "Court" means the Ontario Superior Court of Justice (Commercial List);
- (o) "**Director**" means the Director appointed under Section 260 of the CBCA;
- (p) "Effective Time" means the time on the Implementation Date that the Plan is implemented;
- (q) "Final Order" means the Order of the Court approving the Plan;

- (r) "GAAP" has the meaning given to such term in Section 1.2;
- (s) "Guarantors" means, collectively, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Real de Maconi, Minera Aurcana, Minera La Negra and Perforadora Aurcana, as guarantors under the Credit Agreement;
- (t) "Governmental Entity" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, crown corporation, court body, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;
- (u) "Implementation Date" means the date on which the Plan is implemented;
- (v) "Lender" means Orion Mine Finance (Master) Fund I L.P., as lender under the Credit Agreement;
- (w) "Mexican Subsidiaries" means, collectively, those of Real de Maconi, Minera La Negra, Minera Aurcana and Perforadora Aurcana as shall be designated by the Lender in writing prior to the Implementation Date;
- (x) "Minera Aurcana" means Minera Aurcana S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (y) "Minera La Negra" means Minera La Negra S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (z) "Newco" means an entity to be incorporated by the Lender in advance of the Implementation Date:
- (aa) "Obligations" has the meaning given to such term in the Credit Agreement;
- (bb) "Order" means any order of the Court in the CBCA proceedings;
- (cc) "Outside Date" means December 4, 2015 (or such other date as the Aurcana Companies and the Lender may agree);
- (dd) "Parties" means, collectively, Aurcana, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Perforadora Aurcana, Minera Aurcana, Minera La Negra, Real de Maconi, Aurcana ArrangeCo and the Lender, and "Party" shall mean any one of the Parties;
- (ee) "Perforadora Aurcana" means Perforadora Aurcana S. de R.L. de C.V., a corporation incorporated under the laws of Mexico;
- (ff) "**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body;
- (gg) "Plan" means the plan of arrangement pursuant to Section 192 of the CBCA, attached hereto as Schedule "A";
- (hh) "Real de Maconi" means Real de Maconi, S.A. de C.V., a corporation incorporated under the laws of Mexico:
- (ii) "Rio Grande" means Rio Grande Mining Company, a corporation incorporated in Nevada;

- (jj) "Shafter Properties" means Shafter Properties Inc., a corporation incorporated in Texas;
- (kk) "Silver Assets" means Silver Assets, Inc., a corporation incorporated in California;
- (II) "Support Agreement" means the support agreement dated as of October 15, 2015 entered into by Aurcana, the Guarantors and the Lender;
- (mm) "**Term Sheet**" means the term sheet dated as of October 15, 2015, attached as Schedule "A" to the Support Agreement; and
- (nn) "**Transaction**" means the transaction contemplated by the Plan.

1.2 Accounting Terms.

All accounting terms not otherwise defined herein shall have the meaning ascribed to them in accordance with Canadian generally accepted accounting principles including those prescribed by the Canadian Institute of Chartered Accountants ("GAAP").

1.3 Currency.

Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

1.4 Articles of Reference.

- (a) References to a specific article, section or subsection shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific article, section or subsection of this Agreement, whereas the terms "this Agreement", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Agreement and not to any particular article, section or subsection or other portion of this Agreement and include any documents supplemental hereto.
- (b) A reference to an article, section, subsection, clause or paragraph shall, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of this Agreement.
- (c) Unless otherwise expressly stated herein, any reference to an instrument, agreement or an Order or an existing document or exhibit filed or to be filed means such instrument, agreement, Order, document or exhibit as it may have been or may be amended, modified, or supplemented in accordance with its terms.
- (d) The use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of this Agreement to such Person (or Persons) or circumstances as the context otherwise permits.
- (e) The words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.
- (f) Unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.
- (g) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends.

(h) The word "or" is not exclusive.

1.5 Interpretation Not Affected by Headings.

The division of this Agreement into articles, sections, subsections, clauses and paragraphs and the insertion of a table of contents and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.6 Date for Any Action.

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.7 Time.

Time shall be of the essence in this Agreement.

1.8 Definitions in the CBCA.

A word or words with initial capitalized letters used herein and not defined herein but defined in the CBCA shall have the meaning(s) ascribed thereto in the CBCA as of the date hereof unless the context otherwise requires.

1.9 Statutory References.

Except as provided herein, any reference in this Agreement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation.

1.10 Successors and Assigns.

This Agreement shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to herein, affected hereby or subject to this Agreement.

1.11 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Agreement and all proceedings taken in connection with this Agreement shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement.

The Parties hereby agree, subject to such changes as may be mutually agreed to by the Parties in accordance with this Agreement, that the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan.

2.2 Articles of Arrangement and Implementation Date.

The Certificate shall implement the Plan. As soon as practicable after the satisfaction or waiver of the conditions set forth in Article 3 (excluding conditions that, by their terms, cannot be satisfied until the Implementation Date, but subject to the satisfaction of those conditions as of the Implementation Date), unless

another time or date is agreed to in writing among Aurcana and the Lender, the Articles of Arrangement shall be filed by Aurcana with the Director.

ARTICLE 3 CONDITIONS

3.1 Conditions Precedent.

The implementation of the Arrangement shall be conditional upon the fulfilment, satisfaction or waiver (in accordance with Section 6.3 of the Plan) by the Aurcana Companies and/or the Lender of the conditions precedent set out in Section 6.2 of the Plan.

3.2 Implementation Provisions.

If the conditions contained in Section 6.2 of the Plan are not satisfied or waived in accordance with Section 6.3 of the Plan by the Outside Date, unless the Aurcana Companies and the Lender agree in writing to extend such period, the Plan and the Final Order shall cease to have any further force or effect and will not be binding on any Person.

ARTICLE 4 MUTUAL COVENANTS

4.1 Regarding the Arrangement.

Subject to the terms and conditions of this Agreement, each of the Parties hereto covenants that it will perform the obligations required to be performed by it under this Agreement and the Plan.

ARTICLE 5 TERMINATION

5.1 Termination.

This Agreement may be terminated and the Arrangement may be abandoned at any time prior to the Implementation Date (notwithstanding any approval of this Agreement or the Plan by the Court) by mutual written agreement of all of the Parties.

5.2 Effect of Termination; Limited Recourse.

If this Agreement is terminated pursuant to Section 5.1, this Agreement shall become void and of no effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereo.

5.3 Payment in Full before Implementation.

The Aurcana Companies shall at all times have the right to pay, in cash, all Obligations at any time prior to implementation of the Transaction.

ARTICLE 6 GENERAL PROVISIONS

6.1 Amendments to the Agreement.

This Agreement may, at any time and from time to time, but not later than the Implementation Date, be amended in any respect whatsoever by written agreement of the Parties hereto without, subject to Applicable Law, further notice to or authorization on the part of their respective security holders.

6.2 Severability.

If, prior to the Effective Time, any term or provision of this Agreement is held by the Court to be invalid, void or unenforceable, at the request of any member of the Aurcana Companies, made with the consent of the Lender, the Court shall have the power to either (a) sever such term or provision from the balance of this Agreement and provide the Aurcana Companies and the Lender with the option to proceed with the implementation of the balance of this Agreement as of and with effect from the Effective Time, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted, provided that the Lender has approved such alteration or interpretation. Notwithstanding any such holding, alteration or interpretation, and provided that the Plan is implemented, the remainder of the terms and provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

6.3 Notices.

Any notices or communications to be made or given hereunder shall be in writing and shall reflect this Agreement and may, subject as hereinafter provided, be made or given by the Person making or giving it or by any agent of such Person authorized for that purpose by personal delivery, ordinary mail, email or by facsimile addressed to the respective parties as follows:

(i) if to any member of the Aurcana Companies:

Aurcana Corporation 1090 West Georgia Street, Suite 250 Vancouver, BC V6E 3V7 Canada

Attention: Chief Executive Officer

Facsimile No.: 604.633.9179

with a required copy (which shall not be deemed notice) to:

Goodmans LLP 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Canada

Attention: Robert J. Chadwick / Brendan O'Neill

Email: rchadwick@goodmans.ca/boneill@goodmans.ca

Facsimile No.: 416.979.1234

(ii) if to Orion or to Newco:

Orion Mine Finance (Master) Fund I LP c/o MUFG Fund Services Limited 26 Burnaby Street, Hamilton HM 11 Bermuda

with a required copy (which shall not be deemed notice) to:

Orion Resource Partners 1211 Avenue of the Americas New York, NY 10036 U.S.A.

Limor Nissan, Chief Operating Officer and General Counsel Attention:

Email: lnissan@orionresourcepartners.com

and to:

Norton Rose Fulbright Canada LLP Royal Bank Plaza, South Tower 200 Bay Street, Suite 3800, P.O. Box 84 Toronto, ON M5J 2Z4 Canada

Attention: Geoffrey Gilbert / Evan Cobb

Email: geoffrey.gilbert@nortonrosefulbright.com/

evan.cobb@nortonrosefulbright.com

or to such other address as any party may from time to time notify the others in accordance with this Section 6.3. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or emailing, provided that such day in either event is a Business Day and the communication is so delivered, faxed, emailed or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

6.4 **Further Assurances.**

Notwithstanding that the Transaction shall occur and be deemed to occur in the order set out in the Plan without any other additional act or formality, each of the Persons named or referred to herein, affected hereby or subject to, this Agreement shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required to accomplish the purpose of the Agreement or to assure other parties the benefits of this Agreement.

6.5 Counterparts, Execution.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

[REMINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed as of the date first written above.

Aurcana Corporation	Real de Macont, S.A. de C.V
Per: JACOL TROVER. Title: Proficent & CFO I/we have authority to bind the corporation.	Per: How I rocker. Title: Dinochor. I/we have authority to bind the corporation.
Minera Aurcana S, A. de C.V.	Silver Assets, Inc.
Per: Hown Trover.	Per: Mame: Kevil Dirolott.
Title: Director	Title: DiRecto Ro
I/we have authority to bind the corporation.	I/we have authority to bind the corporation.
Perforadora Aureana S, de R.L. de C.V.	Rio Grande Mining Company Per:
Per: How sources. Title: Director.	Name: HOVIN DROVER. Title: DIRector.
I/we have authority to bind the corporation.	I/we have authority to bind the corporation.
Per: Mame: Movin Drover.	Per: He salell Name: Kevin Diwell.
Title: シルクングレ	Title: Dinedok
I/we have authority to bind the corporation.	I/we have authority to bind the corporation.
Minera La Negra, S.A. de C.V.	9490248 Canada Corporation
Per: Margarell	Per: Auscell Name: Kein Dilover
Name: Koust Drover. Title: Dinector.	Name: Kevin Dilover Title: DiRogotok
I/we have authority to bind the corporation.	I/we have authority to bind the corporation.

Orion Mine Finance (Master) Fund I L.P., by its general partner Orion Mine Finance GP I Limited

Per:

Name: Limor Nissan

Title: Authorized Signatory

I/we have authority to bind the corporation.

SCHEDULE "A"

Plan of Arrangement Under Section 192 of the Canada Business Corporations Act

6508584

Court File No. <u>CV-15-11</u>157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA, S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

PLAN OF ARRANGEMENT

October 30, 2015

Court File No. <u>CV-15-111</u>57-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

TABLE OF CONTENTS

		<u>Pa</u>	ıge
ARTIC		NTERPRETATION	
	1.1	Definitions.	
	1.2	Accounting Terms.	
	1.3	Currency.	
	1.4	Articles of Reference	
	1.5	Interpretation Not Affected by Headings	5
	1.6	Date for Any Action.	5
	1.7	Time	5
	1.8	Definitions in the CBCA.	6
	1.9	Statutory References	6
	1.10	Successors and Assigns.	6
	1.11	Governing Law.	6
ARTIC	CLE 2 P	URPOSE AND EFFECT OF THIS PLAN	6
	2.1	Arrangement Agreement	6
	2.2	Purpose.	
	2.3	Effectiveness.	
	2.4	Persons Not Affected	
ARTIC	CLE 3 T	REATMENT OF THE LENDER	7
111111	3.1	Treatment of the Lender.	
ARTIC	CLE 4 II	MPLEMENTATION	7
	4.1	Corporate Authorizations.	
	4.2	Implementation Date Transactions.	7
	4.3	Payment in Full before Implementation.	8
ARTIC	CLE 5 R	ELEASES	. 9
	5.1	Release of Aurcana Released Parties	
	5.2	Release of the Lender Released Parties.	

5.3	Intercompany Claims.	9
	ı v	
ARTICLE 6	COURT SANCTION, CONDITIONS PRECEDENT AND IMPLEMENTATION	9
6.1	Application for a Final OrderConditions Precedent	9
6.2	Conditions Precedent	9
6.3	Waiver of Conditions	11
6.4	Implementation Provisions	11
ARTICLE 7	GENERAL	11
7. 1	Binding Effect.	11
7.2	Waiver of Defaults based on the Arrangement.	12
7.3	Deeming Provisions Non-Consummation	12
7.4	Non-Consummation	12
7.5	Amendment.	12
7.6	Severability of Plan Provisions	12
7.7	Paramountcy.	13
7.8	Notices.	13
7.9	Further Assurances	14

ARTICLE 1 INTERPRETATION

1.1 Definitions.

In this Plan of Arrangement, unless otherwise stated:

- (a) "Applicable Law" means any law, statute, order, decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision of any Governmental Entity, and includes any securities or stock exchange rules or regulations;
- (b) "Amalgamation" means the amalgamation of Aurcana and Aurcana ArrangeCo to form Amalco pursuant to this Plan;
- (c) "Amalco" has the meaning given to such term in Section 4.2;
- (d) "Aurcana" means Aurcana Corporation;
- (e) "Aurcana Companies" means Aurcana and all of its direct or indirect subsidiaries in existence at this time or from time to time, including Silver Assets, Rio Grande, Shafter, Cane Silver, Cane Insurance, Real de Maconi, Minera La Negra, Minera Aurcana, Perforadora Aurcana and Aurcana ArrangeCo;
- (f) "Arrangement" means the arrangement under Section 192 of the CBCA, on the terms and subject to the conditions set forth in this Plan;
- (g) "Arrangement Agreement" means the arrangement agreement dated October 30, 2015 between Aurcana, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Perforadora Aurcana, Minera Aurcana, Minera La Negra, Real de Maconi, Aurcana ArrangeCo and the Lender, as amended or restated from time to time, pursuant to which such parties have agreed to implement the steps required to complete the Arrangement;
- (h) "Articles of Arrangement" means the articles of arrangement of Aurcana in respect of the Arrangement that are required to be filed with the Director after the Final Order is made in order for the Arrangement to become effective on the Implementation Date;
- "Aurcana ArrangeCo" means 9490248 Canada Corporation, a corporation incorporated under the laws of Canada:
- (j) "Aurcana Released Parties" means Aurcana and all of its direct and indirect subsidiaries, including Aurcana ArrangeCo, other than the Mexican Subsidiaries;
- (k) "Business Day" means any day, other than a Saturday or a Sunday or a statutory or civic holiday, that banks are open for business in Toronto, Ontario, Vancouver, British Columbia and New York, New York;
- (1) "Cane Insurance" means Cane Insurance Company Limited, a corporation incorporated under the laws of Barbados;
- (m) "Cane Silver" means Cane Silver Inc., a corporation incorporated under the laws of Barbados;
- (n) "CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended;
- (o) "Certificate" means the certificate of arrangement to be issued by the Director giving effect to this Plan:

- "Claim" means any right or claim of any Person that may be asserted or made in whole or in part (p) against any member of the Aurcana Companies, in any capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, whether at law or in equity, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, any legal, statutory, equitable or fiduciary duty) or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and together with any security enforcement costs or legal costs associated with any such claim, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, by guarantee, warranty, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any claim arising from or caused by the termination, disclaimer, resiliation, assignment or repudiation by any member of the Aurcana Companies of any contract, lease or other agreement, whether written or oral, any claim made or asserted against any member of the Aurcana Companies through any affiliate, subsidiary, associated or related person, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future;
- (q) "Credit Agreement" means the amended and restated credit facility agreement dated April 29, 2014 entered into by Aurcana, the Lender and each of the Guarantors (as the same may have been and may further be amended, restated, modified or varied from time to time);
- (r) "Common Shares" means the common shares in the capital of Aurcana;
- (s) "Court" means the Ontario Superior Court of Justice (Commercial List);
- (t) "**Director**" means the Director appointed under Section 260 of the CBCA;
- (u) "Effective Time" means the time on the Implementation Date that the Transaction is implemented;
- (v) "**Equipment**" means certain equipment of Aurcana and/or certain of the Guarantors, as set out in the list attached as Schedule A to the Term Sheet;
- (w) "Final Order" means the Order of the Court approving the Plan;
- (x) "GAAP" has the meaning given to such term in Section 1.2;
- (y) "Guarantors" means, collectively, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Real de Maconi, Minera Aurcana, Minera La Negra and Perforadora Aurcana, as guarantors under the Credit Agreement;
- (z) "Governmental Entity" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, crown corporation, court body, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;
- (aa) "Implementation Date" means the date on which the Plan is implemented;

- (bb) "Intercompany Claims" means all intercompany claims and indebtedness existing between (i) any of the Remaining Aurcana Entities, and (ii) any of the Mexican Subsidiaries, or between any of the Mexican Subsidiaries amongst themselves;
- (cc) "La Negra" means the La Negra silver-copper-zinc-lead mine located in Querétaro, Mexico, indirectly owned by Real de Maconi;
- (dd) "Lender" means Orion Mine Finance (Master) Fund I L.P., as lender under the Credit Agreement;
- (ee) "Lender Claims" means the Claims of the Lender in connection with the Obligations;
- (ff) "Lender Released Parties" means the Lender, Newco and their respective affiliates;
- "Material Adverse Change" means any change, development, effect, event, circumstance, fact or (gg) occurrence that individually or in the aggregate with other such changes, developments, effects, events, circumstances, facts or occurrences is or would reasonably be expected to be materially adverse to the assets, properties, business, operations or liabilities of the Mexican Subsidiaries except, any change, development, effect, event, circumstance, fact or occurrence resulting from or relating to: (a) any change in generally accepted accounting principles as applied in the relevant jurisdiction; (b) any change in currency exchange rates or commodity prices; (c) any adoption, proposal, implementation or change in Applicable Law or any interpretation thereof by any Governmental Entity (provided that in the case of (b) and (c) above, such conditions do not have a materially disproportionate effect on the Mexican Subsidiaries relative to other companies in their industry); (d) the execution, announcement or performance of the Support Agreement, the Term Sheet, the Plan or any other related agreement and the completion of the transactions contemplated thereby; (e) the failure, in and of itself, of any entity in the Aurcana Companies to meet any internal or public projections, forecasts or estimates of future revenues or future earnings; (f) any action taken by any entity in the Aurcana Companies which is contemplated in the Support Agreement or is consented to by the Lender; or (g) any change in the market price or trading volume of any securities of the Aurcana Companies (it being understood that the causes underlying such change in market price or trading volume (other than those in items (a) to (f) above) may be taken into account in determining whether a Material Adverse Change has occurred);
- (hh) "Mexican Subsidiaries" means, collectively, those of Real de Maconi, Minera La Negra, Minera Aurcana and Perforadora Aurcana as shall be designated by the Lender in writing prior to the Implementation Date;
- (ii) "Mexican Subsidiary Shares" means the shares and/or partners interests held, either directly or indirectly, by Aurcana of the Mexican Subsidiaries;
- (jj) "Minera Aurcana" means Minera Aurcana S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (kk) "Minera La Negra" means Minera La Negra S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (ll) "Newco" means an entity to be incorporated by the Lender in advance of the Implementation Date:
- (mm) "Newco Consultants" means, collectively, Kevin Drover, the President and Chief Executive Officer of Aurcana, and Salvador Huerta, the Chief Financial Officer of Aurcana;
- (nn) "Newco Consulting Agreements" means the agreements to be entered into by Newco and Aurcana, pursuant to which Aurcana shall agree to provide the Newco Consultants to provide

- services to Newco as consultants in connection with the operations of the Mexican Subsidiaries for a total period of twelve (12) months following the Implementation Date;
- (oo) "Obligations" has the meaning given to such term in the Credit Agreement;
- (pp) "Order" means any order of the Court in the CBCA proceedings;
- (qq) "Outside Date" means December 4, 2015 (or such other date as the Aurcana Companies and the Lender may agree);
- (rr) "**Perforadora Aurcana**" means Perforadora Aurcana S. de R.L. de C.V., a corporation incorporated under the laws of Mexico;
- (ss) "**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body;
- (tt) "Plan" means this plan of arrangement pursuant to Section 192 of the CBCA;
- (uu) "Purchase Price" means \$3,500,000, being the purchase price for the Equipment;
- (vv) "Real de Maconi" means Real de Maconi, S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (ww) "Released Claims" has the meaning given to such term in Section 5.1;
- (xx) "Remaining Aurcana Entities" means, collectively, Aurcana or any of the Aurcana Companies other than the Mexican Subsidiaries:
- (yy) "Rio Grande" means Rio Grande Mining Company, a corporation incorporated in Nevada;
- (zz) "Shafter Properties" means Shafter Properties Inc., a corporation incorporated in Texas;
- (aaa) "Silver Assets" means Silver Assets, Inc., a corporation incorporated in California;
- (bbb) "Support Agreement" means the support agreement dated as of October 15, 2015 entered into by Aurcana, the Guarantors and the Lender;
- (ccc) "**Term Sheet**" means the term sheet dated as of October 15, 2015, attached as Schedule "A" to the Support Agreement;
- (ddd) "**Transaction**" means the transaction contemplated by this Plan;
- (eee) "Unaffected Claimholders" means holders, whether directly or indirectly, of Unaffected Claims; and
- (fff) "Unaffected Claims" means Claims other than the Lender Claims, the Released Claims and the Intercompany Claims.

1.2 Accounting Terms.

All accounting terms not otherwise defined herein shall have the meaning ascribed to them in accordance with Canadian generally accepted accounting principles including those prescribed by the Canadian Institute of Chartered Accountants ("GAAP").

1.3 Currency.

Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

1.4 Articles of Reference.

- (1) References to a specific article, section or subsection shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific article, section or subsection of this Plan, whereas the terms "this Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to this Plan and not to any particular article, section or subsection or other portion of this Plan and include any documents supplemental hereto.
- (2) A reference to an article, section, subsection, clause or paragraph shall, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of this Plan.
- (3) Unless otherwise expressly stated herein, any reference to an instrument, agreement or an Order or an existing document or exhibit filed or to be filed means such instrument, agreement, Order, document or exhibit as it may have been or may be amended, modified, or supplemented in accordance with its terms.
- (4) The use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of this Plan to such Person (or Persons) or circumstances as the context otherwise permits.
- (5) The words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.
- (6) Unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.
- (7) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends.
- (8) The word "or" is not exclusive.

1.5 Interpretation Not Affected by Headings.

The division of this Plan into articles, sections, subsections, clauses and paragraphs and the insertion of a table of contents and headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan.

1.6 Date for Any Action.

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.7 Time.

Time shall be of the essence in this Plan.

1.8 Definitions in the CBCA.

A word or words with initial capitalized letters used herein and not defined herein but defined in the CBCA shall have the meaning(s) ascribed thereto in the CBCA as of the date hereof unless the context otherwise requires.

1.9 Statutory References.

Except as provided herein, any reference in this Plan to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation.

1.10 Successors and Assigns.

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to herein, affected hereby or subject to this Plan.

1.11 Governing Law.

This Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF THIS PLAN

2.1 Arrangement Agreement.

This Plan is made pursuant to the Arrangement Agreement.

2.2 Purpose.

The purpose of this Plan is to effect the Arrangement, pursuant to which the Obligations will be compromised and extinguished in exchange for the Mexican Subsidiary Shares and other good and valuable consideration as contemplated by the Support Agreement and the Term Sheet, all pursuant to this Plan to be implemented pursuant to the CBCA, in order to allow the Aurcana Companies to retain sufficient liquidity to enable the Aurcana Companies to continue their business as a going concern.

2.3 Effectiveness.

Subject to the satisfaction, completion or waiver (to the extent permitted pursuant to Section 6.3) of the conditions precedent set out herein, this Plan will become effective in the sequence described in Section 4.2 from and after the Effective Time and shall be binding on and enure to the benefit of the Aurcana Companies, the Lender, Newco, past and present directors and officers of the Aurcana Companies, the Aurcana Released Parties, the Lender Released Parties and all other Persons named or referred to herein, affected hereby or subject to this Plan and their respective successors and assigns and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

2.4 Persons Not Affected.

For greater certainty, this Plan does not affect the Unaffected Claimholders with respect to and to the extent of their Unaffected Claims. Nothing in this Plan shall affect the Aurcana Companies' rights and defences, both legal and equitable, with respect to any Unaffected Claims, including but not limited to all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3 TREATMENT OF THE LENDER

3.1 Treatment of the Lender.

- (1) On the Implementation Date and in accordance with the steps and transactions set forth in this Plan, all of the Obligations shall be extinguished in consideration for the transfer by Aurcana to Newco of the Mexican Subsidiary Shares on an "as is, where is" basis as they shall exist on the Implementation Date.
- (2) After giving effect to the terms of Section 3.1(1) above, the Lender shall, and shall be deemed to, have irrevocably and finally extinguished all of its right, title and interest in and to the Obligations through the receipt of the Mexican Subsidiary Shares, and no payment of any kind in connection with the Obligations, including of principal, interest, default interest, any other interest of any kind, additional amounts, fees, expenses, costs, charges, make-whole payments, penalties or any other amounts, whether imposed in connection with a payment default, a prepayment or otherwise, shall be payable to or on behalf of the Lender or Newco.

ARTICLE 4 IMPLEMENTATION

4.1 Corporate Authorizations.

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Plan involving corporate action of any members of the Aurcana Companies will occur and be effective as of the Implementation Date (or such other date as Aurcana and the Lender may agree), and will be authorized and approved under this Plan and by the Court, where appropriate, as part of the Final Order, in all respects and for all purposes without any requirement of further action by shareholders, directors or officers of any member of the Aurcana Companies. All necessary approvals to take actions shall be deemed to have been obtained from the shareholders or directors of the Aurcana Companies.

4.2 Implementation Date Transactions.

Commencing at the Effective Time, the following events or transactions will occur, or be deemed to have occurred and be taken and effected, in the following order and at the times set out in this Section 4.2 (or in such other manner or order or at such other time or times as the Aurcana Companies and the Lender may agree, acting reasonably), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) at the Effective Time, the Aurcana Companies shall transfer to Newco all of the Mexican Subsidiary Shares;
- (b) at the Effective Time, all rights of the Aurcana Companies in and to the Mexican Subsidiary Shares shall have been fully, finally and absolutely settled;
- (c) at two minutes after the Effective Time, the Aurcana Companies shall have been absolutely released and discharged of and from all Obligations arising under the Credit Agreement;
- (d) at two minutes after the Effective Time, the releases referred to in Article 5 shall become effective; and
- (e) as soon as reasonably possible upon completion of the foregoing, Aurcana and Aurcana ArrangeCo shall be amalgamated with the same effect as under Section 184 of the CBCA to form one corporation ("Amalco") in accordance with the following:
 - (i) Name: Aurcana Corporation;

- (ii) Registered Office: Suite 250 1090 West Georgia Street, Vancouver BC, V6E 4A2;
- (iii) Restrictions on Business: None;
- (iv) <u>Articles:</u> The articles of Aurcana amended prior to the Amalgamation shall be deemed to be the articles of amalgamation of Amalco;
- (v) <u>Number of Directors:</u> Amalco shall have the same number of directors and same first directors as that of Aurcana immediately prior to the Amalgamation;
- (vi) Shares: All shares of Aurcana ArrangeCo shall be cancelled without any repayment of capital in respect thereof; no shares will be issued by Amalco in connection with the Amalgamation and all shares of Aurcana prior to the Amalgamation shall be unaffected and continue as shares of Amalco;
- (vii) <u>Stated Capital:</u> The stated capital account of the shares of Amalco shall be equal to the stated capital account in respect of the Common Shares of Aurcana immediately prior to the Amalgamation;
- (viii) <u>By-laws:</u> The by-laws of Amalco shall be the same as those of Aurcana immediately prior to the Amalgamation; and
- (ix) <u>Effect of Amalgamation:</u> The provisions of Sections 186(a) to (g) of the CBCA shall apply to the Amalgamation with the result that:
 - (A) the amalgamation of the amalgamating corporations and their continuance as one corporation become effective;
 - (B) the property of each amalgamating corporation continues to be the property of the amalgamated corporation;
 - (C) the amalgamated corporation continues to be liable for the obligations of each amalgamating corporation;
 - (D) an existing cause of action, claim or liability to prosecution is unaffected;
 - (E) a civil, criminal or administrative action or proceeding pending by or against an amalgamating corporation may be continued to be prosecuted by or against the amalgamated corporation;
 - (F) a conviction against, or ruling, order or judgment in favour of or against, an amalgamating corporation may be enforced by or against the amalgamated corporation; and
 - (G) the articles of amalgamation are deemed to be the articles of incorporation of the amalgamated corporation and the certificate of amalgamation is deemed to be the certificate of incorporation of the amalgamated corporation.

4.3 Payment in Full before Implementation.

The Aurcana Companies shall at all times have the right to pay, in cash, all Obligations at any time prior to implementation of the Transaction.

ARTICLE 5 RELEASES

5.1 Release of Aurcana Released Parties.

On the Implementation Date, each of the Lender (in its capacity as lender and shareholder of Aurcana), Newco, the Mexican Subsidiaries, and their respective affiliates and present and former direct and indirect shareholders and limited partners shall and shall be deemed to forever irrevocably release and discharge the Aurcana Released Parties, and each of the Aurcana Released Parties' respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and agents from any and all present and future demands, claims, liabilities, actions, causes of action, counterclaims, suits, damages, judgments, executions, debts, sums of money, expenses, accounts, indebtedness, liens, recoveries, and obligations of whatever nature (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date (the "Released Claims"), including without limitation in connection with the Aurcana Released Parties, the business and affairs of the Aurcana Released Parties whenever or however conducted, the administration and/or management of the Aurcana Released Parties, any document, instrument, matter or transaction involving the Aurcana Released Parties, the Credit Agreement, and the Obligations.

5.2 Release of the Lender Released Parties.

On the Implementation Date, each of the Remaining Aurcana Entities and Aurcana ArrangeCo shall and shall be deemed to forever irrevocably release and discharge each of the Lender Released Parties and each of the Lender Released Parties' respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and agents from any and all Released Claims, including without limitation in connection with the Aurcana Released Parties, the business and affairs of the Aurcana Released Parties whenever or however conducted, the administration and/or management of the Aurcana Released Parties, any document, instrument, matter or transaction involving the Aurcana Released Parties, the Credit Agreement, the Loan Documents (as defined in the Credit Agreement) and the Obligations.

5.3 Intercompany Claims.

Unless transferred as directed by the Lender in writing in advance of the Implementation Date, all Intercompany Claims shall be deemed satisfied in full and forever irrevocably released and discharged on the Implementation Date.

ARTICLE 6 COURT SANCTION, CONDITIONS PRECEDENT AND IMPLEMENTATION

6.1 Application for a Final Order.

Aurcana shall apply for the Final Order on the date set for the hearing for the Final Order or such later date as the Court may set.

6.2 Conditions Precedent.

The implementation of the Plan shall be conditional upon the fulfilment, satisfaction or waiver (in accordance with Section 6.3) by the Aurcana Companies and/or the Lender of the following conditions precedent:

- (a) the Arrangement Agreement shall have been entered into and become effective, and shall not have been terminated in accordance with its terms;
- (b) the Lender shall have voted to approve the Arrangement consistent with its obligations under the Support Agreement;

- (c) the Plan shall have been approved by the Court in a form consistent with the Support Agreement or otherwise acceptable to Aurcana and the Lender, each acting reasonably;
- (d) the Implementation Date shall have occurred no later than the Outside Date;
- (e) the Aurcana Companies shall have taken all necessary or desirable corporate actions and proceedings in connection with this Plan;
- (f) no Applicable Law shall have been passed and become effective, the effect of which makes the consummation of this Plan illegal or otherwise prohibited;
- (g) all required stakeholder, regulatory and Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, on terms satisfactory to the Aurcana Companies and the Lender, each acting reasonably;
- (h) all documents necessary to give effect to all material provisions of the Plan shall have been executed and/or delivered by all relevant Persons in form and substance satisfactory to Aurcana and the Lenders;
- (i) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Transaction that restrains, impedes or prohibits (or if granted would reasonably be expected to restrain, impede or inhibit), the Transaction or any part thereof or requires or purports to require a variation of the Transaction;
- (j) the Support Agreement shall not have been terminated in accordance with its terms;
- (k) the Aurcana Companies and the Lender shall each have complied with their obligations under the Support Agreement;
- (l) all conditions set out in the Support Agreement, including the Term Sheet, shall have been satisfied or waived by the applicable parties pursuant to the terms of the Support Agreement or Term Sheet, as applicable;
- (m) Newco shall have entered into a joinder agreement to the Support Agreement;
- (n) Newco shall have assumed from the Remaining Aurcana Entities the contractual obligations and the contractual rights of the Remaining Aurcana Entities relating to, arising from, or in connection with La Negra that will be set out on a schedule to be agreed among Aurcana and Newco, and to the extent that any contract counterparty's consent for any such assumption and assignment is required, such consent shall have been obtained, including to the extent that any such consent is required to avoid triggering any change of control provision;
- (o) all matters set out in the Term Sheet under the headings Definitive Documents and Other Approvals and Conditions shall have been completed:
- (p) there shall have been no Material Adverse Change;
- (q) all Intercompany Claims shall either be transferred as may be directed by the Lender in writing in advance of the Implementation Date, or shall be deemed satisfied in full, in either case as agreed by the Lender and Aurcana, each acting reasonably;
- (r) Newco shall have purchased the Equipment on an "as is, where is" basis as it shall exist on the Implementation Date, for the Purchase Price (excluding the \$1,000,000 portion of the Purchase

Price to be paid on April 30, 2016) that shall have been paid in accordance with the Term Sheet to Aurcana ArrangeCo or Aurcana as Aurcana Arrangeco may direct;

- (s) the Newco Consulting Agreements shall have been agreed to and entered into;
- (t) Aurcana shall obtain, if not already obtained, and maintain in good standing directors' and officers' insurance coverage for the Newco Consultants (or any replacements provided by Newco pursuant to the terms and conditions agreed to by Newco and Aurcana) in respect of their respective capacities for Aurcana, and will enter into, if not already entered into, and maintain indemnification agreements with the Newco Consultants, in a form satisfactory to Aurcana and the Lender, acting reasonably, in respect of their respective capacities for Aurcana;
- (u) the Articles of Arrangement shall have been filed pursuant to Section 192 of the CBCA in form and substances satisfactory to the Lender, acting reasonably; and
- (v) the Director shall have issued the Certificate.

6.3 Waiver of Conditions.

Aurcana and the Lender may at any time and from time to time waive the fulfillment or satisfaction, in whole or in part, of the conditions set out herein, to the extent and on such terms as such parties may agree to in writing.

6.4 Implementation Provisions.

If the conditions contained in Section 6.2 are not satisfied or waived in accordance with Section 6.3 by the Outside Date, unless the Aurcana Companies and the Lender agree in writing to extend such period, this Plan and the Final Order shall cease to have any further force or effect and will not be binding on any Person.

ARTICLE 7 GENERAL

7.1 Binding Effect.

At the Effective Time:

- (a) the Plan will become effective;
- (b) the treatment of (i) the Aurcana Companies, (ii) the Lender and (iii) Newco shall be final and binding for all purposes and shall enure to the benefit of the Aurcana Companies, the Lender and Newco, all Aurcana Released Parties, past and present directors or officers of the Aurcana Companies, the Lender Released Parties and all other Persons and parties named or referred to herein, affected hereby or subject to this Plan and their respective heirs, executors, administrators, legal representatives, successors and assigns;
- (c) all rights of the Aurcana Companies in and to the Mexican Subsidiary Shares shall have been fully, finally and absolutely settled, and the Aurcana Companies shall have been absolutely released and discharged of and from all Obligations arising under the Credit Agreement;
- (d) the Lender shall be deemed to have consented and agreed to all of the provisions of this Plan in its entirety;
- (e) the Lender shall be deemed to have executed and delivered to the Aurcana Companies all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety; and

(f) all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety shall be deemed to have been executed and delivered to the Aurcana Companies.

7.2 Waiver of Defaults based on the Arrangement.

From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults or events of default of any member of the Aurcana Companies then existing or previously committed by any of them, or caused by any of them, any of the provisions in this Plan or steps contemplated in this Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with any Support Agreement, the Arrangement Agreement, this Plan, the Transaction contemplated hereunder and any proceedings commenced with respect to or in connection with this Plan, and any and all amendments or supplements thereto, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse any member of the Aurcana Companies and their respective successors from performing its obligations under this Plan.

7.3 Deeming Provisions.

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

7.4 Non-Consummation.

If the Implementation Date does not occur by the Outside Date, (a) this Plan shall be null and void in all respects, and (b) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against any of the Aurcana Companies or their respective successors or any other Person; (ii) prejudice in any manner the rights of the Aurcana Companies, their respective successors; or (iii) constitute an admission of any sort by the Aurcana Companies, their respective successors or any other Person.

7.5 Amendment.

- (1) Subject to the prior consent of the Lender, the Aurcana Companies reserve the right, at any time and from time to time, to amend, restate, modify and/or supplement this Plan, provided that any such amendment, restatement, modification or supplement must be contained in a written document which is filed with the Court and, to the extent that any such amendment substantively affects any Person other than the Lender, approved by the Court.
- (2) Notwithstanding Section 7.5(1), any amendment, restatement, modification or supplement may be made by the Aurcana Companies to this Plan at any time and from time to time with the consent of the Lender and without requiring filing with, or approval of, the Court, provided that it concerns a matter which is of an administrative nature and is required to better give effect to the implementation of this Plan and the Final Order or to cure any errors, omissions or ambiguities.
- (3) Any amended, restated, modified or supplementary plan or plans of arrangement and reorganization filed with the Court and, if required by this Section 7.5, approved by the Court with the prior consent of the Lender, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

7.6 Severability of Plan Provisions.

If, prior to the Effective Time, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, at the request of any member of the Aurcana Companies, made with the consent of the Lender, the Court shall have the power to either (a) sever such term or provision from the balance of this Plan and provide the

Aurcana Companies and the Lender with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Effective Time, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted, provided that the Lender has approved such alteration or interpretation. Notwithstanding any such holding, alteration or interpretation, and provided that this Plan is implemented, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

7.7 Paramountcy.

From and after the Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, by-laws or other agreement, written or oral, and any and all amendments or supplements thereto existing between the Lender and any of the Aurcana Companies as at the Implementation Date shall be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which shall take precedence and priority.

7.8 Notices.

Any notices or communications to be made or given hereunder shall be in writing and shall reflect this Plan and may, subject as hereinafter provided, be made or given by the Person making or giving it or by any agent of such Person authorized for that purpose by personal delivery, ordinary mail, email or by facsimile addressed to the respective parties as follows:

(i) if to any member of the Aurcana Companies:

Aurcana Corporation 1090 West Georgia Street, Suite 250 Vancouver, BC V6E 3V7 Canada

Attention: Chief Executive Officer

Facsimile No.: 604.633.9179

with a required copy (which shall not be deemed notice) to:

Goodmans LLP 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Canada

Attention: Robert J. Chadwick / Brendan O'Neill

Email: rchadwick@goodmans.ca / boneill@goodmans.ca

Facsimile No.: 416.979.1234

(ii) if to Orion or to Newco:

Orion Mine Finance (Master) Fund I LP c/o MUFG Fund Services Limited 26 Burnaby Street, Hamilton HM 11 Bermuda with a required copy (which shall not be deemed notice) to:

Orion Resource Partners 1211 Avenue of the Americas New York, NY 10036 U.S.A.

Attention: Limor Nissan, Chief Operating Officer and General Counsel

Email: lnissan@orionresourcepartners.com

and to:

Norton Rose Fulbright Canada LLP Royal Bank Plaza, South Tower 200 Bay Street, Suite 3800, P.O. Box 84 Toronto, ON M5J 2Z4 Canada

Attention: Geoffrey Gilbert / Evan Cobb

Email: geoffrey.gilbert@nortonrosefulbright.com/

evan.cobb@nortonrosefulbright.com

or to such other address as any party may from time to time notify the others in accordance with this Section 7.8. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or emailing, provided that such day in either event is a Business Day and the communication is so delivered, faxed, emailed or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

7.9 Further Assurances.

Notwithstanding that the Transaction shall occur and be deemed to occur in the order set out herein without any other additional act or formality, each of the Persons named or referred to herein, affected hereby or subject to, this Plan shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required to accomplish the purpose of the Plan or to assure other parties the benefits of this Plan.

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TAB J

THIS IS EXHIBIT "J" TO THE AFFIDAVIT OF KEVIN DROVER SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Fax: 604-692-4900



Condensed Interim Consolidated Financial Statements

June 30, 2015

(Unaudited)

Expressed in United States dollars unless otherwise stated

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2015 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim consolidated financial reporting.

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

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

	Notes		June 30 2015	December 31 2014
Assets				
Current assets				
Cash and cash equivalents	13	\$	292,217	\$ 1,606,762
Trade and other receivables	3	•	2,788,562	4,691,317
Inventories	4		2,144,771	2,255,986
Insurance proceeds receivable	12		, . -	4,000,000
Prepaid expenses and advances			552,335	514,180
Prepaid income tax			1,163,633	1,230,803
Assets held for sale			287, 174	495,284
			7,228,692	14,794,332
Non Current assets				
Non-current prepaid expenses			446,032	598,554
Property, plant and equipment	5		61,035,917	62,087,730
Mineral Properties	6		17,205,449	17,329,176
Deferred tax asset			2,565,278	2,779,702
		\$	88,481,368	\$ 97,589,494
Current liabilities Accounts payable and accrued liabilities Settlement claim payable Current portion of long-term debt Current portion of borrowings	7 12 8	\$	12,754,428 103,691 14,494,602 27,352,721	\$ 12,873,431 4,000,000 340,445 9,128,477 26,342,353
Non Current liabilities			_,,00_,,	20,5-12,555
Borrowings	8		19,156,013	23,510,079
Derivative liability	9		2,627,929	2,690,031
Deferred tax liability			5,696,371	6,818,737
Provision for environmental rehabilitation			1,908,187	1,946,338
			56,741,221	61,322,351
Equity	10			
Share capital	10		181,814,354	181,814,354
Contributed surplus			34,260,229	34,256,203
Accumulated other comprehensive income (loss)			873,157	(471,711)
Deficit		ı	185,238,806)	(179,368,164)
Total equity attributable to equity holders of the parent			31,708,934	36,230,682
Non-controlling interest			31,213	36,461
Total equity		_	31,740,147	36,267,143
		Ś	88,481,368	\$ 97,589,494
		٦	00,401,300	y 31,303,434

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

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

"Robert J. Tweedy"

"Adrian Aguirre"

Director

Director

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

Cost of sales Depreciation, depletion and amortization L1,2fc Costs of sales 16 7,93 (Loss) from mine operations (Loss) from mine operations Cother items General and administrative costs Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period Items of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) attributable to: Non-controlling interest Equity holders of the Company (1,77 Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,77) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company	\$72,942 62,450 35,392 75,098) 19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893 - 9,040	9,241,156 9,701,942 922,043 10,623,985 (1,382,829) 782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	\$ 15,397,811 13,568,173 2,573,037 16,141,210 (743,399) 1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813 9,898	\$ 22,286,936 18,465,857 1,843,208 20,309,065 1,977,871 1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399 (949,721)
Cost of sales Depreciation, depletion and amortization Losts of sales (Loss) from mine operations (Loss) from mine operations (Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period (Loss) fo	72,942 62,450 35,392 75,098) 19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893	9,701,942 922,043 10,623,985 (1,382,829) 782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	13,568,173 2,573,037 16,141,210 (743,399) 1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	18,465,857 1,843,208 20,309,065 1,977,871 1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399
Depreciation, depletion and amortization Costs of sales (Loss) from mine operations (Loss) from mine operations (Stock dependent of the result of the period of the recomprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company (Loss) and official and amortization and amortization of the result of the result of the result of the comprehensive income (loss) attributable to: Non-controlling interest (Loss of sales) (Loss) before income (loss) attributable to: Non-controlling interest Equity holders of the Company (Loss) and amortization adjustment of the comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company (Loss) attributable to: Non-controlling interest Financing and administrative costs 17 77 Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	62,450 35,392 75,098) 19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893	922,043 10,623,985 (1,382,829) 782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	2,573,037 16,141,210 (743,399) 1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	1,843,208 20,309,065 1,977,871 1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399
Depreciation, depletion and amortization Costs of sales 16 7,93 (Loss) from mine operations General and administrative costs General and administrative costs Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period tems of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company	35,392 75,098) 19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893 -	10,623,985 (1,382,829) 782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	16,141,210 (743,399) 1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	20,309,065 1,977,871 1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399
Costs of sales (Loss) from mine operations (Loss) from mine operations (Stock-based compensation 10 Shafter mine care & maintenance costs Foreign exchange loss 10 Loan and offtake agreement restructure loss and related costs 8, 9 Casterian fair value of derivatives 10 Casterian fair value of derivatives	19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893 -	(1,382,829) 782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	1,977,871 1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399
Other items General and administrative costs Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,7) Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	19,687 97,639 - 68,556 05,364 20,120 47,332) 87,893 -	782,257 1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	1,328,121 2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	1,525,504 4,382,357 220,011 1,032,900 1,787,962 5,592,399
General and administrative costs Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,77) Items of other comprehensive income letems of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,77) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,77) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,77)	97,639 - 68,556 05,364 20,120 47,332) 87,893 -	1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	4,382,357 220,011 1,032,900 1,787,962 5,592,399
General and administrative costs Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,77) Items of other comprehensive income lems of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,77) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,77) \$ (1,77) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,77)	97,639 - 68,556 05,364 20,120 47,332) 87,893 -	1,634,984 91,249 123,418 (502,629) 5,592,399 (943,697)	2,426,958 4,026 492,368 1,780,975 20,120 (62,102) 111,813	4,382,357 220,011 1,032,900 1,787,962 5,592,399
Financing expense and others Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period Items of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders income (loss) attributable to: Non-controlling interest Equity holders income (loss) attributable to: Non-controlling interest	- 68,556 05,364 20,120 47,332) 87,893	91,249 123,418 (502,629) 5,592,399 (943,697)	4,026 492,368 1,780,975 20,120 (62,102) 111,813	220,011 1,032,900 1,787,962 5,592,399
Stock-based compensation Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,7) Items of other comprehensive income ltems of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders income (loss) attributable to: Non-controlling interest Equity holders income (loss) attributable to: Non-controlling interest	05,364 20,120 47,332) 87,893	123,418 (502,629) 5,592,399 (943,697)	492,368 1,780,975 20,120 (62,102) 111,813	1,032,900 1,787,962 5,592,399
Shafter mine care & maintenance costs Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period Stems of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	05,364 20,120 47,332) 87,893	(502,629) 5,592,399 (943,697) - - 4,850	1,780,975 20,120 (62,102) 111,813	1,787,962 5,592,399
Foreign exchange loss Loan and offtake agreement restructure loss and related costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period Items of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest Equity holders income (loss) attributable to: Non-controlling interest	05,364 20,120 47,332) 87,893	5,592,399 (943,697) - - 4,850	20,120 (62,102) 111,813	5,592,399
Loan and offtake agreement restructure loss and related costs 8, 9 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	20,120 47,332) 87,893	5,592,399 (943,697) - - 4,850	(62,102) 111,813	
Costs Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period Severance payments (2,83) (1,10) Net (loss) for the period Severance payments (2,83) (1,10) Severance payments (2,83) (1,10) Severance payments Se	47,332) 87,893 -	(943,697) - - 4,850	(62,102) 111,813	
Change in fair value of derivatives Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,7) Items of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	47,332) 87,893 -	- 4,850	111,813	(949,721)
Severance payments Loss on sale of equipment Other expenses (income) (Loss) before income taxes Current Income tax expense Deferred income tax (benefit) Net (loss) for the period (1,10) Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	87,893	- 4,850	111,813	
Loss on sale of equipment Other expenses (income) 2,2((Loss) before income taxes (2,8) Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,7) Items of other comprehensive income Items of other comprehensive income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	•			
Other expenses (income) 2,26 (Loss) before income taxes (2,83 Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,73) Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,73) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,73) Total comprehensive income (loss) attributable to: Non-controlling interest	9,040			-
(Loss) before income taxes (2,83) Current Income tax expense Deferred income tax (benefit) Net (loss) for the period (1,10) Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	-,		62,953	57,729
Current Income tax expense Deferred income tax (benefit) Net (loss) for the period \$ (1,7) Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	60,967	6,782,831	6,175,130	13,649,141
Deferred income tax (benefit) Net (loss) for the period Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	36,065)	(8,165,660)	(6,918,529)	(11,671,270)
Deferred income tax (benefit) Net (loss) for the period Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest		(221 (05)	61.003	602 679
Items of other comprehensive income Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	42,754 04,522)	(231,605) (494,518)	61,883 (1,104,522)	603,678 (338,799)
Items of other comprehensive income that may be reclassified subsequently to net income (loss): Currency translation adjustment Comprehensive (loss) for the period \$ (1,7) Total net income (loss) attributable to: Non-controlling interest Equity holders of the Company \$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	74,297) \$	(7,439,537)	\$ (5,875,890)	\$ (11,936,149)
Non-controlling interest Equity holders of the Company (1,7' \$ (1,7') Total comprehensive income (loss) attributable to: Non-controlling interest	18,798 55,499) \$	(91,359) (7,530,896)	1,344,868 \$ (4,531,022)	1,757,490 \$ (10,178,659)
Non-controlling interest Equity holders of the Company (1,7' \$ (1,7') Total comprehensive income (loss) attributable to: Non-controlling interest				
Equity holders of the Company (1,7' \$ (1,7') Total comprehensive income (loss) attributable to: Non-controlling interest				()
\$ (1,7) Total comprehensive income (loss) attributable to: Non-controlling interest	(2,303)	(2,502)	(5,248)	(657)
Total comprehensive income (loss) attributable to: Non-controlling interest	71,994)	(7,437,035)	(5,870,642)	(11,935,492)
Non-controlling interest	74,297) \$	(7,439,537)	\$ (5,875,890)	\$ (11,936,149)
Non-controlling interest				
	(2,303)	(2,502)	(5,248)	(657)
Equity holders of the Company(1,7)	53,196)	(7,528,394)	(4,525,774)	(10,178,002)
		(7,530,896)	\$ (4,531,022)	\$ (10,178,659)
Weighted average number of shares – basic 84,6	' 55,499) \$	58,409,564	84,644,973	58,412,564
Weighten average name of the second		58,409,564	84,644,973	58,412,564
vveigneed dverage name of ending	644,973	. ,		
Net (loss) per share – basic & diluted			\$ (0.07)	\$ (0.20)
Basic S S Diluted S S	644,973	(0.13)	\$ (0.07)	\$ (0.20)

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in United States dollars, unless otherwise stated)

				Accumulated		Total Equity		
	Share (anital .	Contributed	Other Comprehensive	一一可對於原轉生	Attributable to Shareholders of	Non- controlling	Total
	#	\$	Surplus	Income (Loss)	Deficit	the Company	Interest	Equity
Balance, December 31, 2013	58,412,564	\$ 168,678,333	\$ 32,329,060	\$ (1,295,529)	\$ (158,354,262)	\$ 41,357,602	\$ 45,484	\$ 41,403,086
Currency translation adjustment	-	-	-	1,757,490	-	1,757,490	,	1,757,490
Net (loss) for the Period	-	-	-		(11,935,492)	(11,935,492)	(657)	(11,936,149)
Shares issued for:	•					,	, ,	, , , ,
Debt Restructuring	16,499,501	10,333,333	-	- -	-	10,333,333	-	10,333,333
Private Placement	9,732,908	3,497,859	1,367,036	-	-	4,864,895	<u>-</u>	4,864,895
Share Issue Costs	-	(336,290)	-	-	-	(336,290)	-	(336,290)
Stock-based compensation	-	-	220,011	-	-	220,011	-	220,011
Balance, June 30, 2014	84,644,973	182,173,235	33,916,107	461,961	(170,289,754)	46,261,549	44,827	46,306,376
Currency translation adjustment	-	-		(933,672)	-	, (933,672)	_	(933,672)
Net (loss) for the period	-	-	-	-	(9,078,410)	(9,078,410)	(8,366)	(9,086,776)
Shares issued for:								
Debt Restructuring	-	-	-	-	-	-	-	-
Private Placement		28,085	140,241	-	-	168,326	-	168,326
Share Issue Costs	-	(386,966)	324,145	-	-	(62,821)	-	(62,821)
Stock-based compensation		-	(124,290)	-	-	(124,290)	_	(124,290)
Balance, December 31, 2014	84,644,973	181,814,354	34,256,203	(471,711)	(179,368,164)	36,230,682	36,461	36,267,143
Currency translation adjustment	-	-	-	1,344,868	-	1,344,868	_	1,344,868
Net (loss) for the period	-	-	-	-	(5,870,642)	(5,870,642)	(5,248)	(5,875,890)
Stock-based compensation	-		4,026	-	-	4,026	-	4,026
Balance, June 30, 2015	84,644,973	\$ 181,814,354	\$ 34,260,229	\$ 873,157	\$ (185,238,806)	\$ 31,708,934	\$ 31,213	\$ 31,740,147

See accompanying notes to these condensed interim consolidated financial statements.

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

Six months end			ded June 30,	
		2015	,	2014
Cash flows from operating activities	\$	/E 07E 000\	ċ	(11,936,149)
Net (loss) for the period	Þ	(5,875,890)	\$	(11,950,149)
Items not involving cash:		2,575,458		1,843,209
Depreciation, depletion and amortization		2,373,438 2,360,446		4,382,357
Financing expense and other		2,360,446 9,898		4,362,337
Loss on sale of equipment		145,649		
Amortization of insurance lease operating Stock-based compensation		4,026		220,011
Unrealized foreign exchange loss		1,985,660		1,674,262
Change in fair value of derivatives		(62,102)		(949,721)
Cost of Orion loan restructure and offtake agreement		(02,102)		(3.13)/ = 1
cancellation		_		5,066,159
Deferred Income Tax expense		(1,104,522)		(338,799)
Operating Cash Flow before movements in working capital		(_,,		<u> </u>
items		38,623		(38,671)
items		30,023		(30,072)
Net change to non-cash working capital balances				
Trade and other receivables		1,902,755		(2,195,781)
Inventories		111,215		1,126,935
Prepaid expenses and advances		(31,282)		(89,610)
Accounts payable and accrued liabilities		40,425		(508,115)
Cash provided by operating activities	-	2,061,736		(1,705,242)
Cash flows from investing activities				
Proceeds from the sale of equipment		11,547		986,119
Purchase of property, plant and equipment		(1,945,588)		(4,482,139)
Cash used in investing activities		(1,934,041)		(3,496,020)
Cash flows from financing activities				
Share capital issued (private placement), net of share issue costs		-		4,528,605
Financing cost and interest		(1,177,849)		(1,729,062)
Payments on borrowings		-		(10,333,333)
Payments on capital equipment contracts		(251,567)		(4,075,741)
Cash provided by financing activities		(1,429,416)		(11,609,531)
Decrease in cash and cash equivalents		(1,301,721)		(16,810,793)
Effect of exchange rate changes on cash		(12,824)		(26,107)
Cash and cash equivalents, beginning of the period		1,606,762		20,277,510
Cash and cash equivalents, end of the period	\$	292,217	\$	3,440,610

Supplemental Cash Flow information (Note 13)

See accompanying notes to these condensed interim consolidated financial statements.

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

1. Nature of Operations and going concern

Aurcana Corporation (the "Company" or "Aurcana") was originally incorporated in Canada under the laws of Ontario in 1917 and on September 14, 1998 was continued under the Canada Business Corporations Act ("CBCA"). The Company is currently engaged in the production and sale of silver, copper, lead and zinc concentrates and the exploration, development and operation of natural resource properties. The Company's principal operating unit is the La Negra mine, located in Queretaro State, Mexico and the Company's main development property is the Shafter silver property ("Shafter"), located in Presidio County, S.W. Texas.

The Company's shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 250-1090 West Georgia Street, Vancouver, B.C., V6E 3V7, Canada. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business operations. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

These condensed interim 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. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption. The Company had cash and cash equivalents of \$0.3 million, a consolidated working capital deficit of \$20.1 million, consolidated deficit of \$185.2 million and losses of \$5.9 million as at and for the six months ended June 30, 2015.

The Company anticipates that silver and base metals prices will remain under pressure through 2015, which will continue to impact the Company's margins and liquidity. To improve its short-term liquidity, the Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under its current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt In order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company's growth options. If it does not do so, or if it fails to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through June 30, 2016, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations to be able to satisfy its ongoing obligations and future contractual commitments. As a result, the Company may not be able to continue as a going concern.

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

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

2. Basis of Preparation

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

These financial statements were approved for issue by the Board of Directors on August 11, 2015.

Use of Estimates and Judgments

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

3. Trade and Other Receivables

	June 30 2015	 December 31 2014
Trade receivables Equipment sales receivable Other receivables	\$ 2,117,164 542,184 129,214	\$ 1,929,817 2,680,279 81,221
Other receivables	\$ 2,788,562	\$ 4,691,317

4. Inventories

	 June 30 2015	 December 31 2014
Supplies inventory	\$ 2,122,092	\$ 1,995,136
Stockpile inventory	17,668	76,345
Concentrates and in-process inventory	5,011	184,505
	\$ 2,144,771	\$ 2,255,986

Cost of sales includes change in finished goods inventory for the six months ended June 30, 2015 of \$230,547 (Year ended December 31, 2014: \$2,946,543).

Cost of inventories recognized as expense in cost of sales for the six months ended June 30, 2015 totalled \$16,141,209 (Year ended December 2014: \$40,291,539).

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

5. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Balance at December 31, 2013	6,015,037	44,886,873	28,730,411	724,167	523,741	846,523	547,651	82,274,403
Additions	-	4,285,857	4,082,477	16,944	10,364	-	501,657	8,897,299
Reclassification	(2,953,951)	2,936,507	-	17,444	-	-	•	-
Reclassification to assets held for sale	-	(5,200,000)	-	-	-	-	-	(5,200,000)
Disposals	-	(7,142,134)	-	(97,400)	, -	-	-	(7,239,534)
Write-down of property, plant and								
equipment		(600,000)	-		-	(479,838)	•	(1,079,838)
Balance at December 31, 2014	3,061,086	39,167,103	32,812,888	661,155	534,105	366,685	1,049,308	77,652,330
Additions	-	135,715	921,565	8,950	•	-	147,023	1,213,253
Reclassification	36,613	-	-	-	-	-	(36,613)	_
Reclassification from assets held for sale					·,			
	-	198,212	-	-	· =	-	-	198,212
Disposals		_	-	(11,547)	-	-	-	(11,547)
Balance at June 30, 2015	\$ 3,097,699	\$ 39,501,030	\$ 33,734,453	\$ 658,558	\$ 534,105	\$ 366,685	\$ 1,159,718 \$	79,052,248
Accumulated depreciation	202.846	10 656 097	F14.127	402 623	427.020	04.275		12 200 007
Balance at December 31, 2013 Reclassification	202,846	10,656,087	514,127	403,632	437,920	94,275 ·	-	12,308,887
Charge for the year	(30,268)	30,268 3,209,591	124.242	110.072		24 (70		2 672 467
Disposals	132,981	(417,454)	134,242	110,072 -	51,611	34,670 -	-	3,673,167 (417,454)
Balance at December 31, 2014	305,559	13,478,492	648,369	513,704	489,531	128,945	-	15,564,600
Charge for the period	125,476	2,185,678	88,189	33,700	9,355	15,280	_	2,457,678
Disposals	-	· -	-	(5,947)	-	_	-	(5,947)
Balance at June 30, 2015	\$ 431,035	\$ 15,664,170	\$ 736,558	\$ 541,457	\$ 498,886	\$ 144,225	\$ - \$	18,016,331
							:	
Net book value	ć = 040.404	ć 24.222.725	A 00.046.004	ć 220 E-E	A 0=0=-	4 === 0.1=	A 5477.651	
Balance at December 31, 2013	\$ 5,812,191	·				\$ 752,248		
Balance at December 31, 2014	\$ 2,755,527	\$ 25,688,611		\$ 147,451		\$ 237,740	\$ 1,049,308 \$	///
Balance at June 30, 2015	\$ 2,666,664	\$ 23,836,860	\$ 32,997,895	\$ 117,101	\$ 35,219	\$ 222,460	\$ 1,159,718 \$	61,035,917

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

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

6. Mineral Properties

rroperties						
the second great the second second		La Negra,		Shafter, Texas,		
		Mexico,		USA, in Care &		
	Pr	oducing Mine		Maintenance		Total
Balance at December 31, 2013	\$	12,717,017	\$	15,500,000	\$	28,217,017
Impairment of mining interests				(1,500,000)		(1,500,000)
Balance at December 31, 2014 Expenditures		12,717,017 -		14,000,000		26,717,017
Balance at June 30, 2015	\$	12,717,017	\$	14,000,000	\$	26,717,017
Accumulated depletion						
Balance at December 31, 2013	ς	9,166,476	\$	-	Ś	9,166,476
Charge for the year	Ψ,	221,365	٧	-	· ·	221,365
Balance at December 31, 2014		9,387,841		-		9,387,841
Charge for the period		123,727		-		123,727
Balance at June 30, 2015	\$	9,511,568	\$	-	\$	9,511,568
Net book value						
Balance at December 31, 2013	\$	3,550,541	\$	15,500,000	\$	19,050,541
Balance at December 31, 2014	\$	3,329,176	\$	14,000,000	\$	17,329,176
Balance at June 30, 2015	\$	3,205,449	\$	14,000,000	\$	17,205,449

Mineral properties subject to depreciation on the basis of unit of production method will not have depreciation when there is no production.

7. Accounts Payable and Accrued Liabilities

	June 30	December 31
	2015	 2014
Property taxes	\$ 614,236	\$ 588,659
Salaries, payroll deductions and employee benefits	1,611,962	1,390,934
Employees' statutory profit sharing	33,982	39,096
Mine suppliers - operating	5,124,900	4,850,236
Mine suppliers - capital	648,433	1,292,079
Other	4,720,915	4,712,427
	\$ 12,754,428	\$ 12,873,431

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

8. Borrowings

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

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

The Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under the current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt In order to address ongoing liquidity concerns.

Accretion of \$0.5 million has been recognized for the quarter ended June 30, 2015.

	June 30 2015	December 31 2014
Fair value of amended loan Accretion	\$ 32,638,556 1,012,059	\$ 35,538,573 1,484,763
Repayments	-	(4,384,780)
Total Borrowings	\$ 33,650,615	\$ 32,638,556
Schedule of principal repayments is as follows:		June 30 2015
	2015	10,872,455
	2016	10,872,455
	2017	10,872,455
	2018	3,624,151
		\$ 36,241,516

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

8. Borrowings (continued)

4 . 5 . . .

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

	Carrying	amount	Fair value		
	luna 20 2015	December 31,	June 30,	December 31,	
	June 30, 2015	2014	2015	2014	
Orion Loan	33,650,615	32,638,556	31,929,135	31,836,912	
Derivatives (note 9)	2,627,929	2,690,031	2,627,929	2,690,031	
Total :	36,278,544	35,328,587	34,557,064	34,526,943	

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

9. Derivatives

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

Valuation methodology

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

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

Valuation assumptions

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

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

9. Derivatives (continued)

Sensitivity of the derivatives valuation to changes in the assumptions

	5% decrease spread	in credit	5% increase in credit spread
Increase/(decrease) in fair value at June			
30, 2015		\$34,934	(\$34,136)

The fair value of the derivatives as at June 30, 2015 is as follows:

Derivative liability under the Amended Loan and New	\$3,944,891
Offtake agreement at April 30, 2014	
Change in fair value as a result of loan modification	631,771
Change in fair value	(1,886,631)
Derivative liability – December 31, 2014	\$2,690,031
Change in fair value	(62,102)
Derivative liability – June 30, 2015	\$2,627,929

10. Equity

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

Stock options

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

	Number of	Weighted Average
Stock options	Common Share	Exercise Price per
Stock options	Purchase Options	Share (\$CDN)
Balance, December 31, 2013	3,459,374	5.89
Expired	(120,311)	7.29
Forfeited	(10,938)	8.16
Balance, June 30, 2014	3,328,125	5.82
Expired	(893,750)	4.91
Forfeited	(18,750)	6.32
Balance, December 31, 2014	2,415,625	6.23
Expired	(1,031,250)	6.22
Balance, June 30, 2015	1,384,375	6.24

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

10. Equity (continued)

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

Stock based compensation

For the period ended June 30, 2015, the stock-based compensation expense was \$4,026 (2014: \$220,011).

<u>Warrants</u>

As at June 30, 2015, details of outstanding common share purchase warrants are as follows:

Exercise Price (CDN)	Expiry Date
\$0.55	June 20, 2016
\$0.80	June 20, 2017
	(CDN) \$0.55

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

11. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, the Company conducted the following related party transactions:

a) Trading transactions

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

		June 30	June 30
	Note	2015	2014
Technical and consulting fees	(i)	\$ 19,329	\$ 25,620
Management fees	(ii)	-	210,553
Consulting fees		\$ 19,329	\$ 236,173

- i) To a company controlled by a director of the Company.
- ii) To a company controlled by the former President and CEO for management services performed.

b) Compensation of key management personnel

	Note	June 30 2015		June 30 2014
Consulting fees (as above)		\$ 19,329		\$ 236,173
Directors' fees		106,056		86,433
Officer salaries	(iii)	242,876		153,477
Stock-based compensation		4,026	_	220,011
		\$ 372,287		\$ 696,094

iii) Includes the salaries of the President and CEO, and CFO of the Company for the six months ended June 30, 2015.

c) Transactions with principal lender:

	June 30 2015	2014
Repayment of loan principal	\$ -	\$ 5,833,333
Payment of interest	1,177,849	1,218,750
Loss on offtake agreement cancelation	<u>-</u> _	4,500,000
	\$ 1,177,849	\$ 11,552,083

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

12. Commitments and contingencies

Supply agreements

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

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

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

Shafter equipment operating lease

On December 1, 2013 the Company signed an operating lease agreement for mining equipment for Shafter in the amount of \$1,227,024 with a term of 30 months and equal payments of \$44,467. During the quarter ended March 31, 2015, the Company signed an early lease termination agreement with the lessor. Under the terms of the agreement, the Company paid \$100,000 to the lessor and will make 15 monthly payments of \$10,000 each with the first payment due April 1, 2015. The outstanding balance as at June 30, 2015 was \$120,000.

La Negra equipment operating lease

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

Property Taxes

Included in accounts payable is \$0.6 million in property taxes owed on the Shafter property for 2013 and 2014. Subsequent to the quarter ended June 30, 2015, the Company and state officials agreed on a payment plan to settle the outstanding balance through 24 equal monthly payments of \$28,000 commencing July 30, 2015.

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

12. Commitments and contingencies (continued)

Class action

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

Under the terms of the Settlement, the Company agreed to pay an aggregate of \$4,000,000 (the "Settlement Amount"), which amount, net of legal fees and other costs, will be divided among members of the plaintiff class on a pro rata basis. The Settlement Amount was fully funded by insurance maintained by the Company.

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

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

	Total	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$
Operating leases	\$1,975	\$395	\$790	\$790	\$ Nil	\$ Nil
Rent	297	54	108	108	27	Nil
Total	\$2,272	\$449	\$898	\$898	\$27	\$ Nil

Claims by the Company

The Company commenced a claim against a third party with regards to previous royalty charges against the Company's mining operations. The Company asserts that it is not responsible for these amounts and has not made any related payments for 2013 and 2014. An amount payable of \$3.2 million, not-inclusive of interest, is included in accounts payable and accrued liabilities to reflect the amount owing for 2013 and 2014 should the Company not be successful in its claim. No amounts have been recognized or accrued for the six months ended June 30, 2015.

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

13. Supplemental Cash Flow Information

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

		June 30	December 31
		2015	2014
Cash	\$	288,482	\$ 1,602,720
Short-term investments		3,735	4,042
Cash and cash equivalents	\$	292,217	\$ 1,606,762
Supplemental disclosures of cash flow information	on for the ye		
		June 30	December 31
		2015	2014
Cash interest paid	\$	1,244,361	d 2.240.226
Amounts receivable for equipment sold		_,,	\$. 3,219,236

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

Non-cash investing and financing activities are as follows:

		June 30	D	ecember 31
		2015		2014
Decrease in accounts payable related to construc	tion			
in progress and equipment suppliers				
	\$	(643,646)	\$	(220,102)

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

14. Segmented Information

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

June 30, 2015		La Negra		Shafter	segments	Total
Sales to external customers	\$	15,397,811	\$	\$	- \$	15,397,811
Mining operating expenses		12,741,729		-	<u> </u>	12,741,729
Freight and delivery		826,444		-		826,444
Depreciation and amortization		2,449,310		-		2,449,310
Depletion of mineral properties		123,727		_	_	123,727
Earnings (loss) from mine operations		(743,399)		-	_	(743,399)
Shafter mine Care & Maintenance cost				492,368	-	492,368
G&A expenses and other (income) expense		150,756		163,696	5;368,310	5,682,762
Intersegment charges (recovery)		2,298,004		-	(2,298,004)	
Income (loss) before income taxes		(3,192,159)		(656,064)	(3,070,306)	(6,918,529)
Income tax expense (recovery)		(1,104,522)		1,321	60,562	(1,042,639)
Net income (loss) for the period		(2,087,637)		(657,385)	(3,130,868)	(5,875,890)
Property, plant and equipment		49,376,364		11,629,721	29,833	61,035,918
Mineral properties		3,205,449		14,000,000		17,205,449
Total capital assets		52,581,813		25,629,721	29,833	78,241,367
Total assets		59,720,293		25,931,035	2,830,040	88,481,368
Total liabilities		19,146,403		1,338,483	36,256,335	56,741,221

	Corporate and other							
June 30, 2014		La Negra		Shafter	segments		Total	
	٠.	11 10/ 02/	ċ		· \$ -	\$	22 206 026	
Sales to external customers	\$	22,286,936	\$		\$ <u>-</u>	Ş.	22,286,936	
Mining operating expenses		16,782,020			1		16,782,020	
Royalties		612,581			M		612,581	
Freight and delivery		1,071,256					1,071,256	
Depreciation and amortization		1,804,553		-			1,804,553	
Depletion of mineral properties		38,655			-		38,655	
Gross income		1,977,871		-	-		1,977,871	
Shafter production delay and other costs		-		1,032,900	-		1,032,900	
General and administrative expenses		444,374		135,943	12,035,924		12,616,241	
Intersegment charges (recovery)		2,182,986		-	(2,182,986)		-	
Income (loss) before income taxes		(649,489)		(1,168,843)	(9,852,938)		(11,671,270)	
Income tax expense		204,646		-	60,233		264,879	
Net income (loss) for the year		(854,135)		(1,168,843)	(9,913,171)		(11,936,149)	
Property, plant and equipment		56,143,734		12,628,947	39,466		68,812,147	
Mineral properties		3,511,885		15,500,000	-		19,011,885	
Total capital assets		59,655,619		28,128,947	39,466		87,824,032	
Total assets		69,008,058		34,246,078	8,759,874		112,014,010	
Total liabilities		22,858,863		3,009,564	39,839,207		65,707,634	

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

15. Revenue from mining operations

Revenues:		Three moi	nths e	nded June 30,	Six months ended June 30,					
La Negra mine		2015 2014				2015	2014			
Gross revenues from mining operal ons	\$ \$	9,971,459	\$	12,407,361	\$	21,046,873	\$	29,546,009		
Deductions treatment charges, refining and smelting charges deducted by the customers		2,611,165		3,166,205		5,649,062		7,259,073		
Revenues from mining operations	\$	7,360,294	\$	9,241,156	\$	15,397,811	\$	22,286,936		
Net Revenues by customer:										
Customer "A"	\$	3,644,854	. \$	-	\$	8,010,513	\$	· -		
Customer "B"		3,715,440		9,241,156		7,387,298		22,286,936		
Revenues from mining operations	\$	7,360,294	\$	9,241,156	\$	15,397,811	\$	22,286,936		

16. Cost of Sales

	Three mor	iths e	nded June 30,	Six months ended June 3					
	 2015		2014		2015		2014		
Mine and mill supplies	\$ 2,801,558	\$	3,328,730	\$	5,582,594	\$	6,434,724		
Power	363,492		812,252		895,744		1,665,151		
Wages, salaries and benefits	2,750,344		3,949,797		5,480,759		7,659,008		
Profit sharing employees	-		(5,717)		-		166,253		
Royalties	-		262,473		-		612,581		
Freight and delivery	434,910		563,427		826,444		1,071,256		
Change in inventories	50,123		790,980		230,547		856,884		
Operating lease	272,514		•		552,084		-		
Depreciation and amortization	1,225,156		912,119		2,449,310		1,804,553		
Depletion of mineral properties	37,294		9,924		123,727		38,655		
Total cost of sales	\$ 7,935,391	\$	10,623,985	\$	16,141,209	\$	20,309,065		

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

17. General and administrative costs

	Three mo	nths en	ded June 30,	Six moi	nths e	nded June 30,
	 2015		2014	 . 2015		2014
Salaries and consulting fees	\$ 398,520	\$	323,846	\$ 748,695	\$	702,120
Professional fees	93,430		120,296	177,569		227,798
Investor relations	30,613		45,912	55,968		84,909
Marketing	6,272		14,408	14,181		60,801
Listing and filing fees	25,285		84,853	34,313		95,862
Other	165,567		192,942	297,395		354,014
	\$ 719,687	\$	782,257	\$ 1,328,121	\$	1,525,504

18. Financing expense and other

managa sapanas ana sanas	Three months ended June 30, onths ended June 30, 2015 2014					Six months ended June 30, nths ended June 30, 2015 2014				
Accretion of provision for environmental rehabilitation Accretion of Orion loan (Note 8)	\$	25,804 514,364	\$	23,397 824,940	\$	50,538 1,012,059	\$	44,233 2,609,062		
Financing expense and bank charges		757,471		786,647		1,364,361		1,729,062		
	\$	1,297,639	\$	1,634,984	\$	2,426,958	\$	4,382,357		

19. Impairment

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

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

As at June 30, 2015, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver and copper metals constituted impairment indicators for the La Negra mine.

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

19. Impairment (continued)

La Negra mine

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

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(i) Weighted average cost of capital

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

(ii) Pricing assumptions

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

	2015	20115	2017	2013	11
Precious Metals					
Silver Price (US\$/oz)	\$17.03	\$17.70	\$18.31	\$18.93	\$19.15
Base & Other Metals					·
Copper Price (US\$/lb)	\$2.76	\$2.90	\$3.04	\$3.21	\$3.02
Lead Price (US\$/lb)	\$0.89	\$0.96	\$0.99	\$1.01	\$0.95
Zìnc Price (US\$/lb)	\$1.01	\$1.12	\$1.21	\$1.26	\$1.06

(iii) Life of mine ("LOM")

As a result of an updated LOM which included revised levels of mineralization, the projected LOM for La Negra was reduced to five years for the purposes of the impairment test.

(iv) Sensitivity

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

The Company determined that a reduction in metal prices of 4.1% would cause the recoverable amount to equal the carrying value, although, this could be partially offset by the impact on prices of certain other inputs. An increase of 6.9% in production cost assumptions would also cause the recoverable amount to equal the carrying value.

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

20. Fair Value Measurements

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

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

The following table summarizes the fair value hierarchy, as of June 30, 2015:

Recurring measurements	T	Fair Value hrough Profit or Loss		ns and vables	0	ther Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities								
Derivative liabilities	\$	(2,627,929)	\$	-	\$		\$ (2,627,929)	Level 3
	\$	(2,627,929)	\$ 	-	\$	-	\$ (2,627,929)	

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

Recurring measurements	Т	Fair Value hrough Profit or Loss	Loans and Receivables	0	ther Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities		_	 				
Derivative liabilities	\$	(2,690,031)	\$ -	\$	-	\$ (2,690,031)	Level 3
	\$	(2,690,031)	\$ -	\$	-	\$ (2,690,031)	,

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of June 30, 2015 are approximately the same. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

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

TAB K

THIS IS EXHIBIT "K"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solicitor
Suite 910 - 800 West Pender Street
Vancouver, BC V6C 2V6
Phone: 604-685-6100 Fast 604-692-4900



October 15, 2015

The Special Independent Committee of the Board of Directors of Aurcana Corporation Suite 250 1090 West Georgia Street Vancouver BC, Canada V6E 3V7

To the Special Independent Committee of the Board of Directors:

Primary Capital Inc. ("Primary") understands that Aurcana Corporation ("Aurcana" or the "Company") and which term shall, to the extent required or appropriate in the context, include the affiliates of Aurcana) has entered into a Support Agreement dated October 15, 2015 (the "Support Agreement") with Orion Mine Finance (Master) Fund I L.P. (the "Lender") as lender under the amended and restated senior secured credit facility dated April 29, 2014 (the "Facility") to effect a restructuring transaction in connection with the debt obligations under the Facility and certain amendments to the Facility (the "Restructuring Transaction"). The terms of the Restructuring Transaction are described in detail in the Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement dated October 15, 2015 (the "Second Amendment to the Amended and Restated Loan Agreement") and posted on the System for Electronic Document Analysis and Retrieval (SEDAR). The Lender is a shareholder of Aurcana, holding a 19.5% interest in the common shares of Aurcana, as of the date of this opinion.

We understand that a significant component of the Restructuring Transaction is to be implemented by way of a plan of arrangement (the "Arrangement") under section 192 of the Canada Business Corporations Act (the "CBCA") and that the completion of the Arrangement is subject to court approval.

Engagement

By an engagement letter effective October 9, 2015 (the "Engagement Letter"), the Special Independent Committee of the Board of Directors of Aurcana (the "Special Committee") retained Primary to act as independent financial advisor to Aurcana and the Special Committee in connection with the Restructuring Transaction and to, among other things, prepare and deliver an opinion as to the fairness, from a financial point of view, of the consideration offered by the Lender in connection with the Restructuring Transaction (the "Fairness Opinion"). Following a review of the terms of the Restructuring Transaction and the Support Agreement by Primary, Primary rendered its oral opinion to the Special Committee as to the fairness, from a financial point of view, of the consideration offered by the Lender in connection with the Restructuring Transaction. This Fairness Opinion confirms the oral opinion rendered by Primary to the Special Committee on the date hereof.

The terms of the Engagement Letter provide that Primary is to be paid a fee for its services in connection with this Fairness Opinion, whether or not the Restructuring Transaction is completed. In addition, Aurcana has agreed to reimburse Primary for any reasonable out-of-pocket expenses and to indemnify Primary and its directors, officers, employees, direct and indirect shareholders and its affiliated entities in certain circumstances.

Credentials of Primary

Primary is a privately-owned exempt market dealer based in Toronto, Canada. Primary's principal activities include providing strategic financial advice to exploration, development and production resource companies as well as financing resource companies requiring development capital for growth. The opinion expressed herein is the opinion of Primary and the form and content herein have been approved for release by a committee of its senior management and legal counsel, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Relationship with Interested Parties

Neither Primary nor any of its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of Aurcana or the Lender or of any of their respective associates or affiliates.

Primary has been retained by Aurcana as an independent financial advisor to provide the Fairness Opinion to the Special Committee in respect of the Restructuring Transaction.

Scope of Review

In connection with preparing this presentation, Primary has reviewed and relied upon, or carried out, among other things, the following:

- a) The Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement;
- b) Public filings of Aurcana, and other companies available on SEDAR deemed relevant to the Restructuring Transaction;
- Other public information relating to the business, operations, and financial performance
 of Aurcana and other companies deemed relevant to the Restructuring Transaction,
 including published research and industry reports;
- d) The Company's National Instrument 43-101 Technical Report prepared by AMC Mining Consultants (Canada) Ltd. titled "Minera La Negra Property" effective date September 30, 2014;
- e) Certain internal information, including capital and operating budgets and projections, conceptual models and other reports prepared or provided by or on behalf of management of Aurcana;
- f) The status and prospects of a process run by the Company, including with and by its financial advisor BMO Capital Markets, to identify feasible alternative transactions to the Restructuring Transaction including a sale of the Company;

- g) A review of current debt capital market and equity capital market conditions;
- h) Discussions with representatives of the Special Committee, senior management of Aurcana, and legal counsel to Aurcana;
- i) Current and historic trading information relating to common shares of Aurcana, and other companies;
- j) Information with respect to other transactions considered by Primary;
- k) A certificate of representation as to certain factual matters provided by senior management of Aurcana addressed to Primary; and
- Such other information, analyses, investigations and discussions as considered relevant, necessary or appropriate by Primary in the circumstances.

Primary has not, to the best of its knowledge, been denied access by Aurcana to any information requested by Primary.

Assumptions and Limitations

This Fairness Opinion is subject to the assumptions, qualifications and limitations set forth below.

Primary has not been engaged to provide, and has not provided: (i) an opinion as to the relative fairness of the Restructuring Transaction among and between all securityholders, and (ii) a formal valuation or appraisal of any of the assets or securities of Aurcana, the Lender, or any of their respective affiliates, and this Fairness Opinion should not be construed as such. We have assumed, with your agreement, that the Restructuring Transaction is not an "insider bid", "issuer bid", "business combination" or "related party transaction" for the purposes of Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*.

With permission from the Special Committee, Primary has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by Primary from public sources, or provided to Primary by Aurcana or its affiliates or advisors or otherwise obtained by Primary pursuant to Primary's engagement by Aurcana, and this Fairness Opinion is conditional upon such completeness, accuracy and fair presentation. Primary has not been requested to, or attempted to, independently verify the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions or representations. Primary has not met separately with the independent auditors of Aurcana in connection with preparing this Fairness Opinion and, with permission from the Special Committee, Primary has assumed the accuracy and presentation of, and relied upon, Aurcana's audited financial statements and interim unaudited financial statements and the respective reports of the auditors.

With respect to the historical financial data, operating and financial forecasts and budgets provided to Primary concerning Aurcana and relied upon in Primary's financial analyses, Primary has assumed that they have been reasonably prepared on bases reflecting the most

reasonable assumptions, estimates and judgement of management of Aurcana, giving regard to Aurcana's business plans, financial condition and prospects.

We have also assumed that all of the representations and warranties contained in the Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement are correct as of the date hereof and that the Restructuring Transaction will be completed substantially in accordance with terms of the Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement and all applicable laws and that the Company will publically disclose all material facts relating to the Restructuring Transaction.

Aurcana has represented to Primary, in a certificate signed by two of its senior officers and dated the date hereof, among other things, that the information, data and other material (financial or otherwise) provided to Primary in writing by or on behalf of Aurcana, including the written information concerning Aurcana referred to above under the heading "Scope of Review" (collectively, the "Information"), is complete and correct in all material respects as at the date the Information was provided to Primary and that, since the date of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Aurcana or any of its affiliates and there has been no change in material fact or no new material fact which is of a nature as to render the Information or any part thereof untrue or misleading in any material respect or which could reasonably be expected to have a material effect on this Fairness Opinion.

Primary is not a legal, tax or accounting expert and it expresses no opinion concerning any legal, tax or accounting matters concerning the Restructuring Transaction or the sufficiency of this letter for the purpose it is intended by Aurcana. In preparing the Fairness Opinion, we have made several assumptions, including that all of the conditions required to complete the Restructuring Transaction will be met and any disclosure provided with respect to Aurcana, the Lender and their respective subsidiaries and affiliates and the Restructuring Transaction will be accurate in all material respects.

This Fairness Opinion is rendered on the basis of: securities markets; economic, general business and financial conditions prevailing as at the date hereof; and the conditions and prospects, financial and otherwise, of Aurcana as they are reflected in the Information and as they were represented to Primary in Primary's discussions with management of Aurcana and its affiliates and advisors. In Primary's analyses and in connection with the preparation of this Fairness Opinion, Primary made numerous assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Restructuring Transaction.

This Fairness Opinion is being provided to the Special Committee and Aurcana for their exclusive use only in considering the Restructuring Transaction and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of Primary. This Fairness Opinion is not intended to be and does not constitute a recommendation to any shareholder of Aurcana to approve the Restructuring Transaction. Furthermore, this Fairness Opinion is not, and should not be construed as, advice as to the price at which the common shares of Aurcana (before or after the announcement of Restructuring Transaction) may trade at any future date.

Primary believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and

analyses together, could create a misleading view of the process underlying this Fairness Opinion. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry out such could lead to undue emphasis on any particular factor or analysis.

This Fairness Opinion is given as of the date hereof and, although Primary reserves the right to change or withdraw this Fairness Opinion, if Primary learns that any of the information that it relied upon in preparing this Fairness Opinion was inaccurate, incomplete or misleading in any material respect, Primary disclaims any obligation to change or withdraw this Fairness Opinion or to advise any person of any change that may come to Primary's attention.

Approach to Fairness

For the purposes of the Fairness Opinion, we considered that the Restructuring Transaction would be fair, from a financial point of view, to shareholders of Aurcana other than the Lender if the Restructuring Transaction:

- Materially improves the Company's capital structure, by eliminating the total amount of debt outstanding;
- Reduces the risk that the Company's cash flow from operations and available liquidity would be insufficient to permit continued operations in the near-term and service its debt;
- Provides the Company with the opportunity to regain access to capital to execute its business plan should such capital be available in an improved commodity price environment; and
- Based on these criteria, is better than other known, feasible alternatives.

Approach to Fairness - Analysis

In preparing the Fairness Opinion, we have relied upon the discussions, documents and materials referred to under "Scope of Review", reviewed with Aurcana's management the alternatives reasonably available to the Company, and considered the following matters:

- In the current commodity price environment Aurcana is not able to produce sufficient cash flow from its operations at the La Negra mine or otherwise to meet its internal capital needs or its debt obligations;
- Aurcana, with its current capital structure, is unable to execute its business plan or service its debt:
- The Company is currently in default under the Facility and the Lender is in a position to take enforcement proceedings against the Company and all of its assets;
- The Company has been unable to attract a buyer for itself or its assets;
- The Company has been unable to arrange additional debt or equity;

- The Restructuring Transaction allows the Company to retain the Shafter mine, eliminate its negative working capital position and continue as a going concern without disruption; and
- Primary and the Company are not aware of any feasible alternatives that are better than the Restructuring Transaction.

Opinion

Based upon and subject to the foregoing and such other matters as Primary considers relevant, it is Primary's opinion that, as of the date hereof, the Restructuring Transaction is fair, from a financial point of view, to the Company.

Yours truly,

PRIMARY CAPITAL INC.

PRIMARY CAPITAL LUC.

TAB L

THIS IS EXHIBIT "L"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Sath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solictor
Suite 910 - 800 West Pender Street
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Phone: 604-685-6100 Pax: 604-692-4900



October 15, 2015

The Special Independent Committee of the Board of Directors of Aurcana Corporation Suite 250 1090 West Georgia Street Vancouver BC, Canada V6E 3V7

To the Special Independent Committee of the Board of Directors:

Primary Capital Inc. ("Primary") understands that Aurcana Corporation ("Aurcana" or the "Company") and which term shall, to the extent required or appropriate in the context, include the affiliates of Aurcana) has entered into a Support Agreement dated October 15, 2015 (the "Support Agreement") with Orion Mine Finance (Master) Fund I L.P. (the "Lender") as lender under the amended and restated senior secured credit facility dated April 29, 2014 (the "Facility") to effect a restructuring transaction in connection with the debt obligations under the Facility and certain amendments to the Facility (the "Restructuring Transaction"). The terms of the Restructuring Transaction are described in detail in the Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement dated October 15, 2015 (the "Second Amendment to the Amended and Restated Loan Agreement") and posted on the System for Electronic Document Analysis and Retrieval (SEDAR). The Lender is a shareholder of Aurcana, holding a 19.5% interest in the common shares of Aurcana, as of the date of this opinion.

We understand that a significant component of the Restructuring Transaction is to be implemented by way of a plan of arrangement (the "Arrangement") under section 192 of the Canada Business Corporations Act (the "CBCA") and that the completion of the Arrangement is subject to court approval.

Engagement

By an engagement letter effective October 9, 2015 (the "Engagement Letter"), the Special Independent Committee of the Board of Directors of Aurcana (the "Special Committee") retained Primary to act as independent financial advisor to Aurcana and the Special Committee in connection with the Restructuring Transaction and to, among other things, the provision to the Special Committee this opinion (the "CBCA Opinion").

The terms of the Engagement Letter provide that Primary is to be paid a fee for its services in connection with this CBCA Opinion, whether or not the Restructuring Transaction is completed. In addition, Aurcana has agreed to reimburse Primary for any reasonable out-of-pocket expenses and to indemnify Primary and its directors, officers, employees, direct and indirect shareholders and its affiliated entities in certain circumstances.

Credentials of Primary

Primary is a privately-owned exempt market dealer based in Toronto, Canada. Primary's principal activities include providing strategic financial advice to exploration, development and production resource companies as well as financing resource companies requiring development capital for growth. The opinion expressed herein is the opinion of Primary and the form and content herein have been approved for release by a committee of its senior management and legal counsel, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Relationship with Interested Parties

Neither Primary nor any of its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of Aurcana or the Lender or of any of their respective associates or affiliates.

Primary has been retained by Aurcana as an independent financial advisor to provide the CBCA Opinion to the Special Committee in respect of the Restructuring Transaction.

Scope of Review

In connection with preparing this presentation, Primary has reviewed and relied upon, or carried out, among other things, the following:

- a) The Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement;
- b) Public filings of Aurcana, and other companies available on SEDAR deemed relevant to the Restructuring Transaction;
- Other public information relating to the business, operations, and financial performance of Aurcana and other companies deemed relevant to the Restructuring Transaction, including published research and industry reports;
- d) The Company's National Instrument 43-101 Technical Report prepared by AMC Mining Consultants (Canada) Ltd. titled "Minera La Negra Property" effective date September 30, 2014;
- e) Certain internal information, including capital and operating budgets and projections, conceptual models and other reports prepared or provided by or on behalf of management of Aurcana;
- f) The status and prospects of a process run by the Company, including with and by its financial advisor BMO Capital Markets, to identify feasible alternative transactions to the Restructuring Transaction including a sale of the Company;
- g) A review of current debt capital market and equity capital market conditions:
- h) Discussions with representatives of the Special Committee, senior management of Aurcana, and legal counsel to Aurcana;

- i) Current and historic trading information relating to common shares of Aurcana, and other companies;
- j) Information with respect to other transactions considered by Primary;
- k) A certificate of representation as to certain factual matters provided by senior management of Aurcana addressed to Primary; and
- l) Such other information, analyses, investigations and discussions as considered relevant, necessary or appropriate by Primary in the circumstances.

Primary has not, to the best of its knowledge, been denied access by Aurcana to any information requested by Primary.

Assumptions and Limitations

This CBCA Opinion is subject to the assumptions, qualifications and limitations set forth below.

Primary has not been engaged to provide, and has not provided: (i) an opinion as to the relative fairness of the Restructuring Transaction among and between all securityholders, and (ii) a formal valuation or appraisal of any of the assets or securities of Aurcana, the Lender, or any of their respective affiliates, and this CBCA Opinion should not be construed as such. We have assumed, with your agreement, that the Restructuring Transaction is not an "insider bid", "issuer bid", "business combination" or "related party transaction" for the purposes of Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions.

With permission from the Special Committee, Primary has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by Primary from public sources, or provided to Primary by Aurcana or its affiliates or advisors or otherwise obtained by Primary pursuant to Primary's engagement by Aurcana, and this CBCA Opinion is conditional upon such completeness, accuracy and fair presentation. Primary has not been requested to, or attempted to, independently verify the accuracy, completeness or fairness of presentation of any such information, data, advice, opinions or representations. Primary has not met separately with the independent auditors of Aurcana in connection with preparing this CBCA Opinion and, with permission from the Special Committee, Primary has assumed the accuracy and presentation of, and relied upon, Aurcana's audited financial statements and interim unaudited financial statements and the respective reports of the auditors.

With respect to the historical financial data, operating and financial forecasts and budgets provided to Primary concerning Aurcana and relied upon in Primary's financial analyses, Primary has assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgement of management of Aurcana, giving regard to Aurcana's business plans, financial condition and prospects.

We have also assumed that all of the representations and warranties contained in the Support Agreement and the Second Amendment to the Amended and Restated Loan Agreement are correct as of the date hereof and that the Restructuring Transaction will be completed substantially in accordance with terms of the Support Agreement and the Second Amendment

to the Amended and Restated Loan Agreement and all applicable laws and that the Company will publically disclose all material facts relating to the Restructuring Transaction.

Aurcana has represented to Primary, in a certificate signed by two of its senior officers and dated the date hereof, among other things, that the information, data and other material (financial or otherwise) provided to Primary in writing by or on behalf of Aurcana, including the written information concerning Aurcana referred to above under the heading "Scope of Review" (collectively, the "Information"), is complete and correct in all material respects as at the date the Information was provided to Primary and that, since the date of the Information, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Aurcana or any of its affiliates and there has been no change in material fact or no new material fact which is of a nature as to render the Information or any part thereof untrue or misleading in any material respect or which could reasonably be expected to have a material effect on this CBCA Opinion.

Primary is not a legal, tax or accounting expert and it expresses no opinion concerning any legal, tax or accounting matters concerning the Restructuring Transaction or the sufficiency of this letter for the purpose it is intended by Aurcana. In preparing the CBCA Opinion, we have made several assumptions, including that all of the conditions required to complete the Restructuring Transaction will be met and any disclosure provided with respect to Aurcana, the Lender and their respective subsidiaries and affiliates and the Restructuring Transaction will be accurate in all material respects.

This CBCA Opinion is rendered on the basis of: securities markets; economic, general business and financial conditions prevailing as at the date hereof; and the conditions and prospects, financial and otherwise, of Aurcana as they are reflected in the Information and as they were represented to Primary in Primary's discussions with management of Aurcana and its affiliates and advisors. In Primary's analyses and in connection with the preparation of this CBCA Opinion, Primary made numerous assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Restructuring Transaction.

This CBCA Opinion is being provided to the Special Committee and Aurcana for their exclusive use only in considering the Restructuring Transaction and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of Primary. This CBCA Opinion is not intended to be and does not constitute a recommendation to any shareholder of Aurcana to approve the Restructuring Transaction. Furthermore, this CBCA Opinion is not, and should not be construed as, advice as to the price at which the common shares of Aurcana (before or after the announcement of Restructuring Transaction) may trade at any future date.

Primary believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this CBCA Opinion. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry out such could lead to undue emphasis on any particular factor or analysis.

This CBCA Opinion is given as of the date hereof and, although Primary reserves the right to change or withdraw this CBCA Opinion, if Primary learns that any of the information that it

relied upon in preparing this CBCA Opinion was inaccurate, incomplete or misleading in any material respect, Primary disclaims any obligation to change or withdraw this CBCA Opinion or to advise any person of any change that may come to Primary's attention.

Terms of Reference

Industry Canada's Policy Statement 15.1 – "Policy concerning Arrangements Under Section 192 of the CBCA" recommends that corporations seeking to implement a plan of arrangement pursuant to s. 192 of the CBCA that contemplates the compromise of debt securities obtain an opinion as to whether "each class of security holders would be in a better position under the arrangement than if the corporation were liquidated".

For the purposes of the CBCA Opinion, Primary considered that the shareholders of Aurcana (the "Shareholders") would be in a better financial position under the Arrangement than if the Company were liquidated if the estimated aggregate trading value of the consideration made available to the Shareholders pursuant to the Arrangement exceeds the estimated value such Shareholders would receive if the Company were liquidated.

Approach to Fairness – Analysis

In preparing the CBCA Opinion, we have relied upon the discussions, documents and materials referred to under "Scope of Review", reviewed with Aurcana's management the alternatives reasonably available to the Company, and considered the following matters:

- In the current commodity price environment Aurcana is not able to produce sufficient cash flow from its operations at the La Negra mine or otherwise to meet its internal capital needs or its debt obligations;
- Aurcana, with its current capital structure, is unable to execute its business plan or service its debt:
- The Company is currently in default under the Facility and the Lender is in a position to take enforcement proceedings against the Company and all of its assets;
- The Company has been unable to attract a buyer for itself or its assets;
- The Company has been unable to arrange additional debt or equity;
- In a liquidation process, prospective buyers or investors will be aware that the Company is compelled to sell the assets, which may have a negative impact on the value realized;
- Additional legal and financial advisory costs would be incurred to implement the liquidation and engage in the associated legal proceedings. These costs would be recovered out of sale proceeds that would otherwise be available to the Shareholders:
- The Restructuring Transaction allows the Company to retain the Shafter mine, eliminate its negative working capital position and continue as a going concern without disruption.
- Primary and the Company are not aware of any feasible alternatives that are better than the Restructuring Transaction.

Page 6

Opinion

Based upon and subject to the foregoing and such other matters as Primary considers relevant, it is Primary's opinion that, as of the date hereof, the Shareholders would be in a better financial position under the Arrangement than if the Company were liquidated.

Yours truly,

PRIMARY CAPITAL INC.

PRIMARIS CAPITAL INC.

TAB M

THIS IS EXHIBIT "M"
TO THE AFFIDAVIT OF KEVIN DROVER
SWORN BEFORE ME ON OCTOBER 30, 2015

A Commissioner of Oath

J. MORGAN HAY
AXIUM LAW CORPORATION
Barrister and Solitor
Suite 910 - 800 West Pender Sweet
Vancouver, BC V6C 2V6
Phones 604-663-6100 Fast 604-692-4900

PRIMARY

Primary Capital Inc.

Primary Capital Inc. (PCI) is a privately owned exempt market dealer with offices in Toronto and Vancouver. PCI finances, and provides IM&A advice to exploration, development and production companies involved in most natural resource sectors. We focus mainly on public companies that are active worldwide. PCI's principals draw on decades of experience in the Canadian capital markets. The PCI team has a respected corporate finance team.







imigoleliceitea

Since 2006, Primary Capital Inc. has been dedicated to serving companies in the Mining Sector. 2015 marks Primary Capital's 9th year serving companies in the Mining Sector.

Our focus on the Mining Sector is supported by a veteran team of seasoned Industry professionals with backgrounds in Canadian Capital Markets, Exploration, Development and Mining Operations.

Our professionals offer clients financing options and merger and acquisition advice.

Primary's Mining Team consists of 9 professionals all with expertise in Canadian Capital Markets and combined extensive operational experience in Metallurgical Engineering, Geology, and Construction and Operations.

We invite you to get to know us a little better and allow us to assist you in your strategic growth.

Our Business

As your business evolves so do your needs. Primary Capital's team approach gives you access to our entire team of professionals.

As an *independent* Exempt Market Dealer we leverage off our relationships fostered over decades of experience in the Canadian Capital Markets to provide you with access to both equity and debt funding options.

When your firm is considering a strategic transformation our Mining Team provides an *independent* perspective backed by individuals providing deep bench strength in Capital Markets, Exploration, Development and Operations.

We offer comprehensive *independent* solutions to your strategic needs:

Access to Capital

- Equity financing
- Private equity financing
- Debt

Strategic Solutions

- Mergers
- Acquisitions
- Valuations
- Fairness Opinions
- Divestures

Our Capabilities

Primary Capital has an intimate understanding of the capital markets influence on the Mining Sector. Our Mining Team's network allows access to a variety of financing sources.

Access to Capital

We understand that growth requires capital. Our network provides a wide array of financing options depending on your corporate situation.

Our team members have decades of experience in the private placement market and public equity issuance.

Market Presence

Providing marketing support through our Sales Team has been one of Primary Capital's core business values since our inception. Our network has the ability to put you in front of interested institutional and high net worth investors.

Primary Capital has been involved in raising over C\$500M in the Mining

Sector since 2009.

Our Capabilities

Primary Capital's Mining
Team's members have been
involved in structuring
transactions with junior
explorers to producers for
decades.

Advisory

The core of our Mining Team has been working together for over 20 years providing strategic advice from minor asset sales to highly transformational transactions.

Backed by strong Capital Markets experience and education, our team's strength comes from our experience in Mining and Exploration. Our team's background includes Mining Engineering, Mechanical Engineering and Geology. We bring this experience in industry and Capital Markets to every transaction. We are proud of this competitive advantage. Let us put it to work for you.

Services

- Mergers & Acquisitions
- Strategic Advisory
- Valuations & Fairness
 Opinions
- Takeover Bids & Defenses
- Joint Ventures

Primary Capital has been involved in over 20 public and private transactions exceeding C\$2 Billion in value since 2009.

Our Track Record

Primary Capital's Mining Team bring our experience in Industry and Capital Markets to every transaction. We are proud of this competitive advantage. Let us put it to work for you.

Select Advisory Transactions

Bayfield

newgold

Financial Advisor & Fairness Opinion to Bayfield on sale to New Gold Inc.

2015

Anthem



Financial Advisor & Fairness Opinion to Anthem on merger with Boss

2015

Corona Gold Corporation



Financial Advisor & Fairness Opinion to Corona on merger with Oban

2015



OBAN

Financial Advisor & Faimess Opinion to Ryan on merger with Oban

2015



LAKELAND

Fairness Opinion to Alpha on merger with Lakeland

2015



AURYN

Financial Advisor and Fairness Opinion to NCG on merger with Auryn

2015



Financial Advisor

2015



(Dunay

Financial Advisor & Falmess Opinion to Avala on the merger with Dunav

2014





Financial Advisor & Faimess Opinion to Elgin on sale to Mandalay

2014



Fairness Opinion on \$944M Production Financing Transaction

2014

Financial Advisor &

Fairness Opinion to Kimber

on sale to Invecture Group

2014



PRIMERO

Financial Advisor to Brigus on sale to Primero

2014



Fairness Opinion to Bear Lake Gold on sale to Kerr Mines

2014



KIMBER RESOURCES

Canada Lahium Ca



Financial Advisor & Fairness Opinion to Canada Lithium on Acquisition of Sirocco

2014



Financial Advisor & Fairness Opinion to San Gold on merger with Kerr Mines

Select Advisory Transactions

Our Track Record

Primary Capital's Mining Team bring our experience in Industry and Capital Markets to every transaction. We are proud of this competitive advantage. Let us put it to work for you.



Financial Advisor on sale of company to Denison Mines

2013



Fairness Opinion on acquisition by Chalice Gold

2013



QUEENSTOR

Financial Advisor to Osisko on Purchase of Queenston

2012

CH MPION

Financial Advisor

2012

IVANHOE NICKEL & PLATINUM

Financial Advisor

2011

Fission Energy Corp

PITCHSTONE EXPLORATION FIR.

Financial Advisor to Fission
Energy on Purchase of
Pitchstone Exploration

2012

ST. EUGENE

Defense Mandate, Fairness Opinion and sale of company to Claude

2012

QUEENSTON

Financial Advisor & Fairness Opinion

Sale of SMC JV Interest to Kirkland Lake

2012

GOLDS TONE

RESOURCES INC.

Financial Advisor, Fairness Opinion and sale of company to Premier Gold

2011



Defense Mandate, Faimess Opinion and sale of company to NovaGold Resources

Our Track Record

Since 2006, Primary Capital has shown an unwavering commitment to the Mining Sector with the ability to bring together quality companies and capable investors.

Select Mining Sector Financings

Units

Agent

2012

\$50,000,000 \$8,000,000 \$1,939,000 NEGHTHAWK Common and FT Shares Flow Through Units Flow Through Units Lead Agent Agent Lead Agent 2014 2015 2014 \$43,450,000 \$8,000,000 \$5,750,000 Athabasca Avala Canada Lithium Corp. Units Convert Units Co - Lead Lead Agent Agent 2013 2014 2013 \$10,000,000 \$10,048,445 \$15,000,000 STRATECO Dunav resources Itd. Flow Through Shares Flow.Through Shares Units Lead Agent Agent Agent 2012 2013 2012 \$20,100,000 \$34,500,575 \$10,000,000 **NORTHERN** Sabina Flow Through Shares Flow Through Shares Flow Through Shares Lead Agent Underwriter Lead Underwriter 2012 2012 2010 \$33,100,000 \$10,515,990 \$44,000,000 **MIAMGOLD** M MAG Silver Corp UNIGOLD

Common Shares

Agent

2012

Flow Through Shares Lead Underwriter

Our Team

n Vancouver

The heart of our business is solid advice backed by years of experience in both the Capital Markets and Industry regardless of market conditions. Our combined experience stretches back through many business cycles beginning in the late-1970's.

We believe a good partner adds value through fully understanding your business. Because our roots are in Mining, we see things others miss.



Rick Cohen Managing Director

+1-604-566-8722 rcohen@primarycapital.ca



Rob Klassen Managing Director

+1-604-566-8721 rklassen@primarycapital.ca

Rick Cohen joined Primary Capital as a Managing Director in 2011. Prior to that he was with Dundee Securities from 1998-2010 as a Managing Director in Investment Banking. Rick was also a mining analyst with Goepel McDermid (1991-1998), BBN James Capel (1986-1991) and Prudential Bache Securities (1983-1986). From 1979 to 1981, Rick worked as a mill metallurgist for Utah Mines Ltd. at their Island Copper Mine. He has traveled to more than 50 countries looking at mining projects over his career.

Rick received his B.A.Sc. in Mineral Engineering from the University of British Columbia in 1979 and his MBA from the University of Western Ontario in 1983. Mr. Cohen is designated as a Professional Engineer in the Provinces of British Columbia and Ontario.

He is currently a director of Peregrine
Diamonds Ltd. and a former director of
Peregrine Metals Ltd. which was acquired by
Stillwater Mining Company in 2011.

Rob Klassen served as the Managing
Director of Investment Banking at Dundee
Securities from 2001 to 2010. Prior to that,
he was Vice President of Mining Research
with Goepel Shields from 1996 to 2001.
Rob worked as an exploration geologist
from 1987 until transitioning to the Capital
Markets in 1996. He earned a Bachelor of
Science (Geology) from the University of
Saskatchewan and MBA from the
University of Western Ontario. He's also a
Member of the Association of Professional
Engineers and Geoscientists of British
Columbia and the Canadian Institute of
Mining, Metallurgy and Petroleum (CIM).

Out Team



Olav Langelaar Managing Director

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Justin Ginetz Executive Vice President

+1-604-566-8724 jginetz@primarycapital.ca

Olav Langelaar served as a Director, Dundee Securities Investment Banking from 2007 to 2011. Prior to that, he had industry roles with OspraieGold and Amerigo Resources (VP Corporate Development), Placer Dome (Manager of Corporate Finance and Insurance), Cameco, Cominco, and Agrium (Engineer, Maintenance and Construction). Olav has 15 years in the Canadian capital markets with specific expertise in mining operations and investment banking. He earned his BASc in Mechanical Engineering from the University of Waterloo, and a MBA from the Richard Ivey School of Business. He is also a member of the Association of Professional Engineers and Geoscientists of British Columbia.

Justin Ginetz joined Primary Capital in early 2011. Prior to that he advanced through several roles in Investment Banking and Advisory at Dundee Securities between 2001 and 2011. Justin was appointed to the **Investment Banking Mining Team in 2004** starting as an associate and later promoted to Vice President in 2007 until his departure in 2011. Between 2001 and 2004 he worked as an advisor to both retail and institutional investors. Justin began his career at Canadian Western Capital as a Research Associate in 1999 until moving to Dundee Securities in 2001. He has earned multiple undergraduate degrees, holds the Chartered Financial Analyst designation and the Canadian Investment Manager Designation. Justin continues to leverage his years of experience in Mining Finance and M&A to create value for our clients.

Our Team

Barry Gordon

Chairman

+1-416-619-3169

bgordon@primarycapital.ca

Barry Gordon's career began in 1966, when he joined Playfair & Company as a research assistant. By age 26, Barry was retail sales manager and a shareholder. During the 1970s, Barry worked as an institutional salesman. In 1979, he joined BBN in Toronto, and became President of the company eight years later. By 1994, Barry had founded a new brokerage firm called Eagle and Partners Inc., an equal partnership with Dundee Bancorp Inc. In 1998, Barry expanded the firm by purchasing Deacon and Company. Dundee eventually purchased Barry's interest in Eagle and Partners and changed the name of the firm to Dundee Securities Inc., where Barry assumed the role of Vice-Chairman and Director of Dundee Securities. In the spring of 2006, Barry founded Primary Capital Inc. as a limited market dealer. He continues to leverage his decades of experience in the Canadian Capital Markets and relationships with investors to create value for his clients.

Robert Pollock

CEO

+1-416-619-3166

rpollock@primarycapital.ca

Rob Pollock served as Senior Vice
President of Quest Capital Corp from
September 2003 to October 2006. Rob
was formerly Vice President —
Investment Banking at Dundee
Securities Corporation and has many
years of experience in the Canadian
capital markets with specific experience
in merchant banking, institutional sales
and investment banking. Rob holds an
MBA from St. Mary's University and BA
from Queen's University.

Toronto

Oud Ieana

Tim Sorensen President

+1-416-619-3163 tsorensen@primarycapital.ca

Tim Sorensen served as the Head of Institutional Sales, Macquarie Capital Markets Canada, from January 2008 until September 2010. Prior to that, he was an institutional sales person with Orion Financial Inc., which became Macquarie Group in 2007. He has a CFA designation and holds an MBA and BComm from the University of Windsor.

Joe Hamilton Managing Director

+1-416-619-3164 jhamilton@primarycapital.ca

Joe Hamilton served as the CEO of exploration/development companies (London AIM/TSX listed) in Africa and Canada from 2005 to 2010. As well as, being a Corporate Director (Aurelian Resources Inc, Mirabela Nickel Limited, Noront Resources Ltd, Unigold Inc. Malbex Resources Inc, African Copper Plc, Atikwa Resources Inc., GA capital Corp) from 2005 to 2010. Prior to that, he was a Senior Mining Analyst at Eagle and Partners, **Dundee Securities and RBC Capital Markets** from 1997 to 2004. He earned his Bachelor of Science (Geology) from the University of Toronto, M.Sc. (Applied) in Mineral Exploration from Queen's University.

Toronto

Our Team

Chris Naprawa Managing Director

+1-416-705-1144 cnaprawa@primarycapital.ca

Prior to joining Primary, Chris was EVP and Head of Institutional Equity Sales at Dundee Capital Markets from 2011 to 2013. He was previously Co-Head, Institutional Equity Sales at Macquarie Capital Markets, having been promoted from Senior Vice-President, Institutional Equity Sales a position he held from 2004 to 2011. Before entering the capital markets arena, Chris founded and was CEO of Startcast Solutions, an Internet software company that was sold to Bell Canada in 2003 and also served as President of GDI Global Data Wireless from 1998 to 2000. Chris has a Bachelor of Arts degree from Queens University.

Vancouver

Main Line: 604-566-8720

Office Address: 1055 Dunsmuir St., Suite 2624

Vancouver, BC

Rick Cohen 🟸 - Managing Director

Robert Klassen Managing Director

Olav Langelaar Managing Director ::

Justin Ginetz Executive Vice President

3604-365-872R

604-566-8721

... 604-566-8723

604-566-8724

Tofenio

Office Address: 130 King St. W., Suite 2110

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Main Line: 416-214-9672

Barry Gordon Chairman Robert Pollock CEO

Tim Sorensen – President

Joe Hamilton — Managing Director Chris Naprawa — Managing Director 416-619-3169

416-619-3166

416=619-3163

416-619-3164 416-705-1144

Managing Director

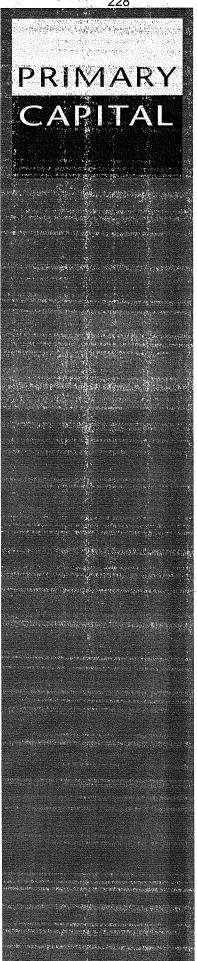












AURCANA CORPORATION AND 9490298 CANADA CORPORATION

CORPORATION
Applicants

N THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

Court File No: <u>CV-15-1</u>1157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

Proceeding commenced at Toronto

AFFIDAVIT OF KEVIN DROVER (Sworn October 30, 2015)

GOODMANS LLP

Barristers & Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7

Robert J. Chadwick LSUC#: 35165K Brendan D. O'Neill LSUC#: 43331J Caroline Descours LSUC#: 58251A

Tel: (416) 979-2211 Fax: (416) 979-1234

Lawyers for the Applicants

TAB 3

Court File No. CV-15-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

THE HONOURABLE ●)	FRIDAY, THE 13TH
)	
JUSTICE ●)	DAY OF NOVEMBER, 2015

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA, S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

ORDER

THIS APPLICATION made by Aurcana Corporation ("Aurcana") and 9490248 Canada Corporation (collectively, the "Applicants") pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"), for an Order approving the Plan of Arrangement dated October 30, 2015, attached to this Order as Schedule "A" (the "Plan"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application issued on October 30, 2015, the affidavit of Kevin Drover sworn October 30, 2015, together with the exhibits thereto, and

ON HEARING the submissions of counsel for the Applicants and Orion Mine Finance (Master) Fund I L.P., in its capacity as the Lender under the amended and restated credit facility agreement dated April 29, 2014 between Aurcana, the Lender and the guarantors thereto, and on being advised that the Director appointed under the CBCA does not consider it necessary to appear on this application, no-one appearing for any other person, including any shareholder of the Applicants, and having determined that the Arrangement, as described in the Plan attached as Schedule "A" to this Order, is an arrangement for the purposes of section 192 of the CBCA and is fair and reasonable in accordance with the requirements of that section,

- 1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall be as defined in the Plan.
- 2. **THIS COURT ORDERS** that the Arrangement, as described in the Plan attached as Schedule "A" to this Order, is an arrangement within the meaning of section 192 of the CBCA and is fair and reasonable.
- 3. **THIS COURT ORDERS** that the Arrangement, as described in the Plan attached as Schedule "A" to this Order, shall be and is hereby approved, subject to and in accordance with the terms of this Order.
- 4. **THIS COURT ORDERS** that the Applicants and the Lender are authorized to take all steps and actions necessary or appropriate to implement the Arrangement and the transactions contemplated thereby in accordance with and subject to the terms of the Arrangement (including to enter into any agreements or other documents which are to come into effect in connection with the Arrangement).

- 5. **THIS COURT ORDERS** that as of the Implementation Date, the Plan and all associated steps, transactions, arrangements, discharges and releases are approved, binding and effective as therein set out, and on the terms and conditions set forth in this Order, upon the Applicants, the Lender, Newco and all other Persons affected by the Plan or this Order.
- 6. **THIS COURT ORDERS** that the transactions contemplated by and to be implemented pursuant to the Plan, shall not be void or voidable under federal or provincial law and shall not constitute and shall not be deemed to be settlements, preferences, assignments, fraudulent conveyances, transfers at undervalue, or other reviewable transactions under any applicable federal or provincial legislation relating to preferences, settlements, assignments, fraudulent conveyances or transfers at undervalue.
- 7. THIS COURT ORDERS that from and after the Implementation Date, all Persons shall be deemed to have waived any and all defaults or events of default of any member of the Aurcana Companies then existing or previously committed by any of them or caused by any of them, any of the provisions of the Plan or steps contemplated in the Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with the Support Agreement, the Arrangement, the Arrangement Agreement, the Plan, the transactions contemplated thereunder and any proceedings commenced with respect to or in connection with the Plan, and any and all amendments or supplements thereto, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing in this paragraph shall be deemed to excuse any

member of the Aurcana Companies and their respective successors from performing its obligations under the Plan.

- 8. **THIS COURT ORDERS** that the Applicants shall be entitled to seek leave to vary this Order upon such terms and upon giving such notice as this Court may direct, to seek the advice and directions of this Court as to the implementation of this Order, and to apply for such further order or orders as may be appropriate.
- 9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or Mexico, to give effect to this Order and to assist the Applicants and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants as may be necessary or desirable to give effect to this Order or to assist the Applicants and their respective agents in carrying out the terms of this Order.

Page 5

SCHEDULE A

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

6504333

Court File No. <u>CV-1</u>5-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA, S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

PLAN OF ARRANGEMENT

October 30, 2015

Court File No. CV-15-11157-00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

AURCANA CORPORATION AND 9490248 CANADA CORPORATION

Applicants

TABLE OF CONTENTS

		Page
ARTICLE 1	INTERPRETATION	
1.1	Definitions	
1.2	Accounting Terms.	4
1.3	Currency.	5
1.4	Articles of Reference	
1.5	Interpretation Not Affected by Headings	5
1.6	Date for Any Action.	5
1.7	Time	5
1.8	Definitions in the CBCA	6
1.9	Statutory References	6
1.10	Successors and Assigns.	6
1.11	Governing Law.	6
ARTICLE 2	PURPOSE AND EFFECT OF THIS PLAN	6
2.1	Arrangement Agreement.	
2.2	Purpose.	
2.3	Effectiveness.	
2.4	Persons Not Affected	
ARTICI F 3	TREATMENT OF THE LENDER	7
3.1	Treatment of the Lender.	
3.1	reaction of the Lenger.	••••••
ARTICLE 4	IMPLEMENTATION	7
4.1	Corporate Authorizations	7
4.2	Implementation Date Transactions.	7
4.3	Payment in Full before Implementation	8
ARTICLE 5	RELEASES	9
5.1	Release of Aurcana Released Parties.	
5.2	Release of the Lender Released Parties	

	5.3	Intercompany Claims	9
ARTIC	CLE 6 C	COURT SANCTION, CONDITIONS PRECEDENT AND IMPLEMENTATION	9
	6.1	Application for a Final Order	9
	6.2	Application for a Final OrderConditions Precedent.	9
	6.3	Waiver of Conditions	1
	6.4	Implementation Provisions	1 1
		•	
ARTIC	CLE 7 G	ENERAL	11
	7.1	Binding Effect	11
	7.2	Waiver of Defaults based on the Arrangement.	12
	7.3	Deeming Provisions.	12
	7.4	Deeming Provisions	12
	7.5	Amendment.	12
	7.6	Severability of Plan Provisions.	12
	7.7	Paramountcy.	
	7.8	Notices	13
	7.9	Further Assurances.	14

ARTICLE 1 INTERPRETATION

1.1 Definitions.

In this Plan of Arrangement, unless otherwise stated:

- (a) "Applicable Law" means any law, statute, order, decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision of any Governmental Entity, and includes any securities or stock exchange rules or regulations;
- (b) "Amalgamation" means the amalgamation of Aurcana and Aurcana ArrangeCo to form Amalco pursuant to this Plan;
- (c) "Amalco" has the meaning given to such term in Section 4.2;
- (d) "Aurcana" means Aurcana Corporation;
- (e) "Aurcana Companies" means Aurcana and all of its direct or indirect subsidiaries in existence at this time or from time to time, including Silver Assets, Rio Grande, Shafter, Cane Silver, Cane Insurance, Real de Maconi, Minera La Negra, Minera Aurcana, Perforadora Aurcana and Aurcana ArrangeCo;
- (f) "Arrangement" means the arrangement under Section 192 of the CBCA, on the terms and subject to the conditions set forth in this Plan;
- (g) "Arrangement Agreement" means the arrangement agreement dated October 30, 2015 between Aurcana, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Perforadora Aurcana, Minera Aurcana, Minera La Negra, Real de Maconi, Aurcana ArrangeCo and the Lender, as amended or restated from time to time, pursuant to which such parties have agreed to implement the steps required to complete the Arrangement;
- (h) "Articles of Arrangement" means the articles of arrangement of Aurcana in respect of the Arrangement that are required to be filed with the Director after the Final Order is made in order for the Arrangement to become effective on the Implementation Date;
- "Aurcana ArrangeCo" means 9490248 Canada Corporation, a corporation incorporated under the laws of Canada;
- (j) "Aurcana Released Parties" means Aurcana and all of its direct and indirect subsidiaries, including Aurcana ArrangeCo, other than the Mexican Subsidiaries;
- (k) "Business Day" means any day, other than a Saturday or a Sunday or a statutory or civic holiday, that banks are open for business in Toronto, Ontario, Vancouver, British Columbia and New York, New York;
- (1) "Cane Insurance" means Cane Insurance Company Limited, a corporation incorporated under the laws of Barbados;
- (m) "Cane Silver" means Cane Silver Inc., a corporation incorporated under the laws of Barbados;
- (n) "CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended;
- (o) "Certificate" means the certificate of arrangement to be issued by the Director giving effect to this Plan:

- "Claim" means any right or claim of any Person that may be asserted or made in whole or in part (p) against any member of the Aurcana Companies, in any capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, whether at law or in equity, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, any legal, statutory, equitable or fiduciary duty) or by reason of any equity interest, right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and together with any security enforcement costs or legal costs associated with any such claim, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, by guarantee, warranty, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any claim arising from or caused by the termination, disclaimer, resiliation, assignment or repudiation by any member of the Aurcana Companies of any contract, lease or other agreement, whether written or oral, any claim made or asserted against any member of the Aurcana Companies through any affiliate, subsidiary, associated or related person, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future;
- (q) "Credit Agreement" means the amended and restated credit facility agreement dated April 29, 2014 entered into by Aurcana, the Lender and each of the Guarantors (as the same may have been and may further be amended, restated, modified or varied from time to time);
- (r) "Common Shares" means the common shares in the capital of Aurcana;
- (s) "Court" means the Ontario Superior Court of Justice (Commercial List);
- (t) "**Director**" means the Director appointed under Section 260 of the CBCA;
- (u) "Effective Time" means the time on the Implementation Date that the Transaction is implemented;
- (v) "**Equipment**" means certain equipment of Aurcana and/or certain of the Guarantors, as set out in the list attached as Schedule A to the Term Sheet;
- (w) "Final Order" means the Order of the Court approving the Plan;
- (x) "GAAP" has the meaning given to such term in Section 1.2;
- (y) "Guarantors" means, collectively, Silver Assets, Rio Grande, Shafter Properties, Cane Silver, Real de Maconi, Minera Aurcana, Minera La Negra and Perforadora Aurcana, as guarantors under the Credit Agreement;
- (z) "Governmental Entity" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, crown corporation, court body, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;
- (aa) "Implementation Date" means the date on which the Plan is implemented;

- (bb) "Intercompany Claims" means all intercompany claims and indebtedness existing between (i) any of the Remaining Aurcana Entities, and (ii) any of the Mexican Subsidiaries, or between any of the Mexican Subsidiaries amongst themselves;
- (cc) "La Negra" means the La Negra silver-copper-zinc-lead mine located in Querétaro, Mexico, indirectly owned by Real de Maconi;
- (dd) "Lender" means Orion Mine Finance (Master) Fund I L.P., as lender under the Credit Agreement;
- (ee) "Lender Claims" means the Claims of the Lender in connection with the Obligations;
- (ff) "Lender Released Parties" means the Lender, Newco and their respective affiliates;
- (gg) "Material Adverse Change" means any change, development, effect, event, circumstance, fact or occurrence that individually or in the aggregate with other such changes, developments, effects, events, circumstances, facts or occurrences is or would reasonably be expected to be materially adverse to the assets, properties, business, operations or liabilities of the Mexican Subsidiaries except, any change, development, effect, event, circumstance, fact or occurrence resulting from or relating to: (a) any change in generally accepted accounting principles as applied in the relevant jurisdiction; (b) any change in currency exchange rates or commodity prices; (c) any adoption, proposal, implementation or change in Applicable Law or any interpretation thereof by any Governmental Entity (provided that in the case of (b) and (c) above, such conditions do not have a materially disproportionate effect on the Mexican Subsidiaries relative to other companies in their industry); (d) the execution, announcement or performance of the Support Agreement, the Term Sheet, the Plan or any other related agreement and the completion of the transactions contemplated thereby; (e) the failure, in and of itself, of any entity in the Aurcana Companies to meet any internal or public projections, forecasts or estimates of future revenues or future earnings; (f) any action taken by any entity in the Aurcana Companies which is contemplated in the Support Agreement or is consented to by the Lender; or (g) any change in the market price or trading volume of any securities of the Aurcana Companies (it being understood that the causes underlying such change in market price or trading volume (other than those in items (a) to (f) above) may be taken into account in determining whether a Material Adverse Change has occurred);
- (hh) "Mexican Subsidiaries" means, collectively, those of Real de Maconi, Minera La Negra, Minera Aurcana and Perforadora Aurcana as shall be designated by the Lender in writing prior to the Implementation Date;
- (ii) "Mexican Subsidiary Shares" means the shares and/or partners interests held, either directly or indirectly, by Aurcana of the Mexican Subsidiaries;
- (jj) "Minera Aurcana" means Minera Aurcana S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (kk) "Minera La Negra" means Minera La Negra S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (ll) "Newco" means an entity to be incorporated by the Lender in advance of the Implementation Date;
- (mm) "Newco Consultants" means, collectively, Kevin Drover, the President and Chief Executive Officer of Aurcana, and Salvador Huerta, the Chief Financial Officer of Aurcana;
- (nn) "Newco Consulting Agreements" means the agreements to be entered into by Newco and Aurcana, pursuant to which Aurcana shall agree to provide the Newco Consultants to provide

- services to Newco as consultants in connection with the operations of the Mexican Subsidiaries for a total period of twelve (12) months following the Implementation Date;
- (oo) "Obligations" has the meaning given to such term in the Credit Agreement;
- (pp) "Order" means any order of the Court in the CBCA proceedings;
- (qq) "Outside Date" means December 4, 2015 (or such other date as the Aurcana Companies and the Lender may agree);
- (rr) "**Perforadora Aurcana**" means Perforadora Aurcana S. de R.L. de C.V., a corporation incorporated under the laws of Mexico;
- (ss) "**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body;
- (tt) "Plan" means this plan of arrangement pursuant to Section 192 of the CBCA;
- (uu) "Purchase Price" means \$3,500,000, being the purchase price for the Equipment;
- (vv) "Real de Maconi" means Real de Maconi, S.A. de C.V., a corporation incorporated under the laws of Mexico;
- (ww) "Released Claims" has the meaning given to such term in Section 5.1;
- (xx) "Remaining Aurcana Entities" means, collectively, Aurcana or any of the Aurcana Companies other than the Mexican Subsidiaries:
- (yy) "Rio Grande" means Rio Grande Mining Company, a corporation incorporated in Nevada;
- (zz) "Shafter Properties" means Shafter Properties Inc., a corporation incorporated in Texas;
- (aaa) "Silver Assets" means Silver Assets, Inc., a corporation incorporated in California;
- (bbb) "Support Agreement" means the support agreement dated as of October 15, 2015 entered into by Aurcana, the Guarantors and the Lender;
- (ccc) "**Term Sheet**" means the term sheet dated as of October 15, 2015, attached as Schedule "A" to the Support Agreement;
- (ddd) "**Transaction**" means the transaction contemplated by this Plan;
- (eee) "Unaffected Claimholders" means holders, whether directly or indirectly, of Unaffected Claims; and
- (fff) "Unaffected Claims" means Claims other than the Lender Claims, the Released Claims and the Intercompany Claims.

1.2 Accounting Terms.

All accounting terms not otherwise defined herein shall have the meaning ascribed to them in accordance with Canadian generally accepted accounting principles including those prescribed by the Canadian Institute of Chartered Accountants ("GAAP").

1.3 Currency.

Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

1.4 Articles of Reference.

- (1) References to a specific article, section or subsection shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific article, section or subsection of this Plan, whereas the terms "this Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to this Plan and not to any particular article, section or subsection or other portion of this Plan and include any documents supplemental hereto.
- (2) A reference to an article, section, subsection, clause or paragraph shall, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of this Plan.
- (3) Unless otherwise expressly stated herein, any reference to an instrument, agreement or an Order or an existing document or exhibit filed or to be filed means such instrument, agreement, Order, document or exhibit as it may have been or may be amended, modified, or supplemented in accordance with its terms.
- (4) The use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of this Plan to such Person (or Persons) or circumstances as the context otherwise permits.
- (5) The words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.
- (6) Unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.
- (7) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends.
- (8) The word "or" is not exclusive.

1.5 Interpretation Not Affected by Headings.

The division of this Plan into articles, sections, subsections, clauses and paragraphs and the insertion of a table of contents and headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan.

1.6 Date for Any Action.

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.7 Time.

Time shall be of the essence in this Plan.

1.8 Definitions in the CBCA.

A word or words with initial capitalized letters used herein and not defined herein but defined in the CBCA shall have the meaning(s) ascribed thereto in the CBCA as of the date hereof unless the context otherwise requires.

1.9 Statutory References.

Except as provided herein, any reference in this Plan to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation.

1.10 Successors and Assigns.

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to herein, affected hereby or subject to this Plan.

1.11 Governing Law.

This Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF THIS PLAN

2.1 Arrangement Agreement.

This Plan is made pursuant to the Arrangement Agreement.

2.2 Purpose.

The purpose of this Plan is to effect the Arrangement, pursuant to which the Obligations will be compromised and extinguished in exchange for the Mexican Subsidiary Shares and other good and valuable consideration as contemplated by the Support Agreement and the Term Sheet, all pursuant to this Plan to be implemented pursuant to the CBCA, in order to allow the Aurcana Companies to retain sufficient liquidity to enable the Aurcana Companies to continue their business as a going concern.

2.3 Effectiveness.

Subject to the satisfaction, completion or waiver (to the extent permitted pursuant to Section 6.3) of the conditions precedent set out herein, this Plan will become effective in the sequence described in Section 4.2 from and after the Effective Time and shall be binding on and enure to the benefit of the Aurcana Companies, the Lender, Newco, past and present directors and officers of the Aurcana Companies, the Aurcana Released Parties, the Lender Released Parties and all other Persons named or referred to herein, affected hereby or subject to this Plan and their respective successors and assigns and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

2.4 Persons Not Affected.

For greater certainty, this Plan does not affect the Unaffected Claimholders with respect to and to the extent of their Unaffected Claims. Nothing in this Plan shall affect the Aurcana Companies' rights and defences, both legal and equitable, with respect to any Unaffected Claims, including but not limited to all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3 TREATMENT OF THE LENDER

3.1 Treatment of the Lender.

- (1) On the Implementation Date and in accordance with the steps and transactions set forth in this Plan, all of the Obligations shall be extinguished in consideration for the transfer by Aurcana to Newco of the Mexican Subsidiary Shares on an "as is, where is" basis as they shall exist on the Implementation Date.
- (2) After giving effect to the terms of Section 3.1(1) above, the Lender shall, and shall be deemed to, have irrevocably and finally extinguished all of its right, title and interest in and to the Obligations through the receipt of the Mexican Subsidiary Shares, and no payment of any kind in connection with the Obligations, including of principal, interest, default interest, any other interest of any kind, additional amounts, fees, expenses, costs, charges, make-whole payments, penalties or any other amounts, whether imposed in connection with a payment default, a prepayment or otherwise, shall be payable to or on behalf of the Lender or Newco.

ARTICLE 4 IMPLEMENTATION

4.1 Corporate Authorizations.

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Plan involving corporate action of any members of the Aurcana Companies will occur and be effective as of the Implementation Date (or such other date as Aurcana and the Lender may agree), and will be authorized and approved under this Plan and by the Court, where appropriate, as part of the Final Order, in all respects and for all purposes without any requirement of further action by shareholders, directors or officers of any member of the Aurcana Companies. All necessary approvals to take actions shall be deemed to have been obtained from the shareholders or directors of the Aurcana Companies.

4.2 Implementation Date Transactions.

Commencing at the Effective Time, the following events or transactions will occur, or be deemed to have occurred and be taken and effected, in the following order and at the times set out in this Section 4.2 (or in such other manner or order or at such other time or times as the Aurcana Companies and the Lender may agree, acting reasonably), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) at the Effective Time, the Aurcana Companies shall transfer to Newco all of the Mexican Subsidiary Shares;
- (b) at the Effective Time, all rights of the Aurcana Companies in and to the Mexican Subsidiary Shares shall have been fully, finally and absolutely settled;
- (c) at two minutes after the Effective Time, the Aurcana Companies shall have been absolutely released and discharged of and from all Obligations arising under the Credit Agreement;
- (d) at two minutes after the Effective Time, the releases referred to in Article 5 shall become effective; and
- (e) as soon as reasonably possible upon completion of the foregoing, Aurcana and Aurcana ArrangeCo shall be amalgamated with the same effect as under Section 184 of the CBCA to form one corporation ("Amalco") in accordance with the following:
 - (i) Name: Aurcana Corporation;

- (ii) <u>Registered Office:</u> Suite 250 1090 West Georgia Street, Vancouver BC, V6E 4A2;
- (iii) Restrictions on Business: None;
- (iv) <u>Articles:</u> The articles of Aurcana amended prior to the Amalgamation shall be deemed to be the articles of amalgamation of Amalco;
- (v) <u>Number of Directors:</u> Amalco shall have the same number of directors and same first directors as that of Aurcana immediately prior to the Amalgamation;
- (vi) Shares: All shares of Aurcana ArrangeCo shall be cancelled without any repayment of capital in respect thereof; no shares will be issued by Amalco in connection with the Amalgamation and all shares of Aurcana prior to the Amalgamation shall be unaffected and continue as shares of Amalco;
- (vii) <u>Stated Capital:</u> The stated capital account of the shares of Amalco shall be equal to the stated capital account in respect of the Common Shares of Aurcana immediately prior to the Amalgamation;
- (viii) <u>By-laws:</u> The by-laws of Amalco shall be the same as those of Aurcana immediately prior to the Amalgamation; and
- (ix) <u>Effect of Amalgamation:</u> The provisions of Sections 186(a) to (g) of the CBCA shall apply to the Amalgamation with the result that:
 - (A) the amalgamation of the amalgamating corporations and their continuance as one corporation become effective;
 - (B) the property of each amalgamating corporation continues to be the property of the amalgamated corporation;
 - (C) the amalgamated corporation continues to be liable for the obligations of each amalgamating corporation;
 - (D) an existing cause of action, claim or liability to prosecution is unaffected;
 - (E) a civil, criminal or administrative action or proceeding pending by or against an amalgamating corporation may be continued to be prosecuted by or against the amalgamated corporation;
 - (F) a conviction against, or ruling, order or judgment in favour of or against, an amalgamating corporation may be enforced by or against the amalgamated corporation; and
 - (G) the articles of amalgamation are deemed to be the articles of incorporation of the amalgamated corporation and the certificate of amalgamation is deemed to be the certificate of incorporation of the amalgamated corporation.

4.3 Payment in Full before Implementation.

The Aurcana Companies shall at all times have the right to pay, in cash, all Obligations at any time prior to implementation of the Transaction.

ARTICLE 5 RELEASES

5.1 Release of Aurcana Released Parties.

On the Implementation Date, each of the Lender (in its capacity as lender and shareholder of Aurcana), Newco, the Mexican Subsidiaries, and their respective affiliates and present and former direct and indirect shareholders and limited partners shall and shall be deemed to forever irrevocably release and discharge the Aurcana Released Parties, and each of the Aurcana Released Parties' respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and agents from any and all present and future demands, claims, liabilities, actions, causes of action, counterclaims, suits, damages, judgments, executions, debts, sums of money, expenses, accounts, indebtedness, liens, recoveries, and obligations of whatever nature (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date (the "Released Claims"), including without limitation in connection with the Aurcana Released Parties, the business and affairs of the Aurcana Released Parties whenever or however conducted, the administration and/or management of the Aurcana Released Parties, any document, instrument, matter or transaction involving the Aurcana Released Parties, the Credit Agreement, and the Obligations.

5.2 Release of the Lender Released Parties.

On the Implementation Date, each of the Remaining Aurcana Entities and Aurcana ArrangeCo shall and shall be deemed to forever irrevocably release and discharge each of the Lender Released Parties and each of the Lender Released Parties' respective present and former officers, directors, employees, auditors, advisors (including, without limitation, financial advisors), legal counsel and agents from any and all Released Claims, including without limitation in connection with the Aurcana Released Parties, the business and affairs of the Aurcana Released Parties whenever or however conducted, the administration and/or management of the Aurcana Released Parties, any document, instrument, matter or transaction involving the Aurcana Released Parties, the Credit Agreement, the Loan Documents (as defined in the Credit Agreement) and the Obligations.

5.3 Intercompany Claims.

Unless transferred as directed by the Lender in writing in advance of the Implementation Date, all Intercompany Claims shall be deemed satisfied in full and forever irrevocably released and discharged on the Implementation Date.

ARTICLE 6 COURT SANCTION, CONDITIONS PRECEDENT AND IMPLEMENTATION

6.1 Application for a Final Order.

Aurcana shall apply for the Final Order on the date set for the hearing for the Final Order or such later date as the Court may set.

6.2 Conditions Precedent.

The implementation of the Plan shall be conditional upon the fulfilment, satisfaction or waiver (in accordance with Section 6.3) by the Aurcana Companies and/or the Lender of the following conditions precedent:

- (a) the Arrangement Agreement shall have been entered into and become effective, and shall not have been terminated in accordance with its terms;
- (b) the Lender shall have voted to approve the Arrangement consistent with its obligations under the Support Agreement;

- (c) the Plan shall have been approved by the Court in a form consistent with the Support Agreement or otherwise acceptable to Aurcana and the Lender, each acting reasonably;
- (d) the Implementation Date shall have occurred no later than the Outside Date;
- (e) the Aurcana Companies shall have taken all necessary or desirable corporate actions and proceedings in connection with this Plan;
- (f) no Applicable Law shall have been passed and become effective, the effect of which makes the consummation of this Plan illegal or otherwise prohibited;
- (g) all required stakeholder, regulatory and Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, on terms satisfactory to the Aurcana Companies and the Lender, each acting reasonably;
- (h) all documents necessary to give effect to all material provisions of the Plan shall have been executed and/or delivered by all relevant Persons in form and substance satisfactory to Aurcana and the Lenders;
- (i) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Transaction that restrains, impedes or prohibits (or if granted would reasonably be expected to restrain, impede or inhibit), the Transaction or any part thereof or requires or purports to require a variation of the Transaction;
- (j) the Support Agreement shall not have been terminated in accordance with its terms;
- (k) the Aurcana Companies and the Lender shall each have complied with their obligations under the Support Agreement;
- (l) all conditions set out in the Support Agreement, including the Term Sheet, shall have been satisfied or waived by the applicable parties pursuant to the terms of the Support Agreement or Term Sheet, as applicable;
- (m) Newco shall have entered into a joinder agreement to the Support Agreement;
- (n) Newco shall have assumed from the Remaining Aurcana Entities the contractual obligations and the contractual rights of the Remaining Aurcana Entities relating to, arising from, or in connection with La Negra that will be set out on a schedule to be agreed among Aurcana and Newco, and to the extent that any contract counterparty's consent for any such assumption and assignment is required, such consent shall have been obtained, including to the extent that any such consent is required to avoid triggering any change of control provision;
- (o) all matters set out in the Term Sheet under the headings Definitive Documents and Other Approvals and Conditions shall have been completed:
- (p) there shall have been no Material Adverse Change;
- (q) all Intercompany Claims shall either be transferred as may be directed by the Lender in writing in advance of the Implementation Date, or shall be deemed satisfied in full, in either case as agreed by the Lender and Aurcana, each acting reasonably;
- (r) Newco shall have purchased the Equipment on an "as is, where is" basis as it shall exist on the Implementation Date, for the Purchase Price (excluding the \$1,000,000 portion of the Purchase

Price to be paid on April 30, 2016) that shall have been paid in accordance with the Term Sheet to Aurcana ArrangeCo or Aurcana as Aurcana Arrangeco may direct;

- (s) the Newco Consulting Agreements shall have been agreed to and entered into;
- (t) Aurcana shall obtain, if not already obtained, and maintain in good standing directors' and officers' insurance coverage for the Newco Consultants (or any replacements provided by Newco pursuant to the terms and conditions agreed to by Newco and Aurcana) in respect of their respective capacities for Aurcana, and will enter into, if not already entered into, and maintain indemnification agreements with the Newco Consultants, in a form satisfactory to Aurcana and the Lender, acting reasonably, in respect of their respective capacities for Aurcana;
- (u) the Articles of Arrangement shall have been filed pursuant to Section 192 of the CBCA in form and substances satisfactory to the Lender, acting reasonably; and
- (v) the Director shall have issued the Certificate.

6.3 Waiver of Conditions.

Aurcana and the Lender may at any time and from time to time waive the fulfillment or satisfaction, in whole or in part, of the conditions set out herein, to the extent and on such terms as such parties may agree to in writing.

6.4 Implementation Provisions.

If the conditions contained in Section 6.2 are not satisfied or waived in accordance with Section 6.3 by the Outside Date, unless the Aurcana Companies and the Lender agree in writing to extend such period, this Plan and the Final Order shall cease to have any further force or effect and will not be binding on any Person.

ARTICLE 7 GENERAL

7.1 Binding Effect.

At the Effective Time:

- (a) the Plan will become effective;
- (b) the treatment of (i) the Aurcana Companies, (ii) the Lender and (iii) Newco shall be final and binding for all purposes and shall enure to the benefit of the Aurcana Companies, the Lender and Newco, all Aurcana Released Parties, past and present directors or officers of the Aurcana Companies, the Lender Released Parties and all other Persons and parties named or referred to herein, affected hereby or subject to this Plan and their respective heirs, executors, administrators, legal representatives, successors and assigns;
- (c) all rights of the Aurcana Companies in and to the Mexican Subsidiary Shares shall have been fully, finally and absolutely settled, and the Aurcana Companies shall have been absolutely released and discharged of and from all Obligations arising under the Credit Agreement;
- (d) the Lender shall be deemed to have consented and agreed to all of the provisions of this Plan in its entirety;
- (e) the Lender shall be deemed to have executed and delivered to the Aurcana Companies all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety; and

(f) all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety shall be deemed to have been executed and delivered to the Aurcana Companies.

7.2 Waiver of Defaults based on the Arrangement.

From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults or events of default of any member of the Aurcana Companies then existing or previously committed by any of them, or caused by any of them, any of the provisions in this Plan or steps contemplated in this Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with any Support Agreement, the Arrangement Agreement, this Plan, the Transaction contemplated hereunder and any proceedings commenced with respect to or in connection with this Plan, and any and all amendments or supplements thereto, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse any member of the Aurcana Companies and their respective successors from performing its obligations under this Plan.

7.3 Deeming Provisions.

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

7.4 Non-Consummation.

If the Implementation Date does not occur by the Outside Date, (a) this Plan shall be null and void in all respects, and (b) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against any of the Aurcana Companies or their respective successors or any other Person; (ii) prejudice in any manner the rights of the Aurcana Companies, their respective successors; or (iii) constitute an admission of any sort by the Aurcana Companies, their respective successors or any other Person.

7.5 Amendment.

- (1) Subject to the prior consent of the Lender, the Aurcana Companies reserve the right, at any time and from time to time, to amend, restate, modify and/or supplement this Plan, provided that any such amendment, restatement, modification or supplement must be contained in a written document which is filed with the Court and, to the extent that any such amendment substantively affects any Person other than the Lender, approved by the Court.
- (2) Notwithstanding Section 7.5(1), any amendment, restatement, modification or supplement may be made by the Aurcana Companies to this Plan at any time and from time to time with the consent of the Lender and without requiring filing with, or approval of, the Court, provided that it concerns a matter which is of an administrative nature and is required to better give effect to the implementation of this Plan and the Final Order or to cure any errors, omissions or ambiguities.
- (3) Any amended, restated, modified or supplementary plan or plans of arrangement and reorganization filed with the Court and, if required by this Section 7.5, approved by the Court with the prior consent of the Lender, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

7.6 Severability of Plan Provisions.

If, prior to the Effective Time, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, at the request of any member of the Aurcana Companies, made with the consent of the Lender, the Court shall have the power to either (a) sever such term or provision from the balance of this Plan and provide the

Aurcana Companies and the Lender with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Effective Time, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted, provided that the Lender has approved such alteration or interpretation. Notwithstanding any such holding, alteration or interpretation, and provided that this Plan is implemented, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

7.7 Paramountcy.

From and after the Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, by-laws or other agreement, written or oral, and any and all amendments or supplements thereto existing between the Lender and any of the Aurcana Companies as at the Implementation Date shall be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which shall take precedence and priority.

7.8 Notices.

Any notices or communications to be made or given hereunder shall be in writing and shall reflect this Plan and may, subject as hereinafter provided, be made or given by the Person making or giving it or by any agent of such Person authorized for that purpose by personal delivery, ordinary mail, email or by facsimile addressed to the respective parties as follows:

(i) if to any member of the Aurcana Companies:

Aurcana Corporation 1090 West Georgia Street, Suite 250 Vancouver, BC V6E 3V7 Canada

Attention: Chief Executive Officer

Facsimile No.: 604.633.9179

with a required copy (which shall not be deemed notice) to:

Goodmans LLP 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Canada

Attention: Robert J. Chadwick / Brendan O'Neill

Email: rchadwick@goodmans.ca / boneill@goodmans.ca

Facsimile No.: 416.979.1234

(ii) if to Orion or to Newco:

Orion Mine Finance (Master) Fund I LP c/o MUFG Fund Services Limited 26 Burnaby Street, Hamilton HM 11 Bermuda with a required copy (which shall not be deemed notice) to:

Orion Resource Partners 1211 Avenue of the Americas New York, NY 10036 U.S.A.

Attention: Limor Nissan, Chief Operating Officer and General Counsel

Email: lnissan@orionresourcepartners.com

and to:

Norton Rose Fulbright Canada LLP Royal Bank Plaza, South Tower 200 Bay Street, Suite 3800, P.O. Box 84 Toronto, ON M5J 2Z4 Canada

Attention: Geoffrey Gilbert / Evan Cobb

Email: geoffrey.gilbert@nortonrosefulbright.com/

evan.cobb@nortonrosefulbright.com

or to such other address as any party may from time to time notify the others in accordance with this Section 7.8. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or emailing, provided that such day in either event is a Business Day and the communication is so delivered, faxed, emailed or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

7.9 Further Assurances.

Notwithstanding that the Transaction shall occur and be deemed to occur in the order set out herein without any other additional act or formality, each of the Persons named or referred to herein, affected hereby or subject to, this Plan shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required to accomplish the purpose of the Plan or to assure other parties the benefits of this Plan.

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AURCANA CORPORATION AND 9490248 CANADA CORPORATION Applicants IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

Court File No: <u>CV-15-11157-00CL</u>

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

GOODMANS LLP

Barristers & Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7

Robert J. Chadwick LSUC#: 35165K Brendan D. O'Neill LSUC#: 43331J Caroline Descours LSUC#: 58251A

Tel: (416) 979-2211 Fax: (416) 979-1234

Lawyers for the Applicants

TAB 4

Court File No. — <u>CV-15-11157-</u>00CL

ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

THE HONOURABLE —— <u>●</u>)	WEEKDAY FRIDAY, THE # 13TH
~~~~	)	
JUSTICE — <u>●</u>	)	DAY OF MONTH NOVEMBER, 20YR 2015

IN THE MATTER OF an application under section 192 of the Canada Business Corporations Act, R.S.C. 1985 c. C-44, as amended; AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

#### AND IN THE MATTER OF Rule 14.05(2) of the Rules of Civil Procedure

AND IN THE MATTER OF a proposed arrangement of ABC COMPANY [involving its shareholders and XYZ COMPANY.]A PROPOSED ARRANGEMENT OF AURCANA CORPORATION AND 9490248 CANADA CORPORATION AND INVOLVING SILVER ASSETS, INC., CANE SILVER INC., PERFORADORA AURCANA S. DE R.L. DE C.V., MINERA AURCANA S.A. DE C.V., RIO GRANDE MINING COMPANY, SHAFTER PROPERTIES INC., MINERA LA NEGRA, S.A. DE C.V. AND REAL DE MACONI, S.A. DE C.V.

#### **AURCANA CORPORATION AND 9490248 CANADA CORPORATION**

**Applicants** 

#### **ORDER**

THIS APPLICATION made by <u>Aurcana Corporation ("Aurcana")</u> and 9490248 Canada Corporation (collectively, the Applicant ABC Company ("ABC" Applicants") pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended; (the "CBCA"), for an Order approving the Plan of Arrangement dated October 30, 2015, attached to this Order as Schedule "A" (the "Plan"), was heard this day at 330 University Avenue, Toronto, Ontario.

Page 2

Applicants and Orion Mine Finance (Master) Fund I L.P., in its capacity as the Lender under the amended and restated credit facility agreement dated April 29, 2014 between Aurcana, the Lender and the guarantors thereto, and on being advised that the Director appointed under the CBCA does not consider it necessary to appear on this application, no-one appearing for any other person, including any shareholder of ABCthe Applicants, and having determined that the Arrangement, as described in the Plan—of—Arrangement attached as Schedule "A" to this orderOrder, is an arrangement for the purposes of section 192 of the CBCA and is fair and reasonable in accordance with the requirements of that section,

- 1. THIS COURT ORDERS that the Arrangement, as described all capitalized terms not otherwise defined herein shall be as defined in the Plan-of Arrangement attached as Schedule "A" to this order, shall be and is hereby approved.
- 2. THIS COURT ORDERS that the Arrangement, as described in the Plan attached as Schedule "A" to this Order, is an arrangement within the meaning of section 192 of the CBCA and is fair and reasonable.
- 3. THIS COURT ORDERS that the Arrangement, as described in the Plan attached as Schedule "A" to this Order, shall be and is hereby approved, subject to and in accordance with the terms of this Order.

- 4. THIS COURT ORDERS that the Applicants and the Lender are authorized to take all steps and actions necessary or appropriate to implement the Arrangement and the transactions contemplated thereby in accordance with and subject to the terms of the Arrangement (including to enter into any agreements or other documents which are to come into effect in connection with the Arrangement).
- 5. THIS COURT ORDERS that as of the Implementation Date, the Plan and all associated steps, transactions, arrangements, discharges and releases are approved, binding and effective as therein set out, and on the terms and conditions set forth in this Order, upon the Applicants, the Lender, Newco and all other Persons affected by the Plan or this Order.
- 6. THIS COURT ORDERS that the transactions contemplated by and to be implemented pursuant to the Plan, shall not be void or voidable under federal or provincial law and shall not constitute and shall not be deemed to be settlements, preferences, assignments, fraudulent conveyances, transfers at undervalue, or other reviewable transactions under any applicable federal or provincial legislation relating to preferences, settlements, assignments, fraudulent conveyances or transfers at undervalue.
- THIS COURT ORDERS that from and after the Implementation Date, all Persons shall be deemed to have waived any and all defaults or events of default of any member of the Aurcana Companies then existing or previously committed by any of them or caused by any of them, any of the provisions of the Plan or steps contemplated in the Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, licence, guarantee, agreement for sale or other agreement, written or oral, in each case relating to, arising out of, or in connection with the Support

Agreement, the Arrangement, the Arrangement Agreement, the Plan, the transactions contemplated thereunder and any proceedings commenced with respect to or in connection with the Plan, and any and all amendments or supplements thereto, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any of the foregoing shall be deemed to have been rescinded and of no further force or effect, provided that nothing in this paragraph shall be deemed to excuse any member of the Aurcana Companies and their respective successors from performing its obligations under the Plan.

- <u>8.</u> <u>2. THIS COURT ORDERS</u> that the <u>Applicant Applicants</u> shall be entitled to seek leave to vary this <u>orderOrder</u> upon such terms <u>and</u> upon giving such notice as this <u>courtCourt</u> may direct, to seek the advice and directions of this <u>courtCourt</u> as to the implementation of this <u>orderOrder</u>, and to apply for such further order or orders as may be appropriate.
- 9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or Mexico, to give effect to this Order and to assist the Applicants and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants as may be necessary or desirable to give effect to this Order or to assist the Applicants and their respective agents in carrying out the terms of this Order.

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## **SCHEDULE A**

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

## **[REPRODUCE PLAN OF ARRANGEMENT]**

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AURCANA CORPORATION
AND 9490248 CANADA
CORPORATION
Applicants

IN THE MATTER OF AN APPLICATION UNDER SECTION

192 OF THE CANADA BUSINESS CORPORATIONS ACT,

R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2)

AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

# ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

Proceeding commenced at Toronto

### **ORDER**

### **GOODMANS LLP**

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Lawyers for the Applicants

**Applicants** 

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE* 

Court File No: CV-15-11157-00CL

# ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST

Proceeding commenced at Toronto

# APPLICATION RECORD (Returnable November 13, 2015)

#### **GOODMANS LLP**

Barristers & Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7

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