Management Discussion and Analysis for the year ended December 31, 2015

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") consolidated financial statements for the years ended December 31, 2015 and 2014 (the "**Consolidated Financial Statements**"), and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral resource estimates. The information in this MD&A is current to April 29, 2016.

Cautionary Statement Regarding Forward-Looking Information

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

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

This document includes disclosure of scientific and technical information, as well as information in relation to the estimation of resources, with respect to the Shafter Project. Aurcana's disclosure of mineral resource information is governed by National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM.

Certain information in this presentation is derived from a report titled "Technical Report on the Shafter Silver Project, Presidio County, Texas", and dated January 11, 2016. A copy of the report is available on the SEDAR website under Aurcana's profile at www.sedar.com. The scientific and technical information contained in this presentation has been reviewed and approved by J. Blackwell (P. Geol.), a Qualified Person as defined by NI 43-101.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources:
Disclosure herein uses use the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" are considered too speculative geologically to have economic considerations applied to them. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies except in limited circumstances. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

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QUALIFIED PERSON

A Director of the Company, Mr. Jerry Blackwell, (PGeo.) acts as a technical advisor to Aurcana and is a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. He has reviewed and approved the technical information contained herein. Disclosure documents, including technical reports filed by Aurcana can be found under the Company's profile on SEDAR at www.sedar.com.

NATURE OF BUSINESS AND COMPANY DESCRIPTION

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

Aurcana is engaged in the operation, development and operation of natural resource properties. The Company's principal exploration and development property is the Shafter Silver property (the "Shafter Project"), located in Presidio County, southwest Texas through the Company's 100% owned US subsidiary, Silver Assets Inc., which is currently on "care and maintenance".

During the financial year ended December 31, 2015, the Company's principal asset was the La Negra mine, located in Mexico. Subsequent to the completion of the financial year, the Company disposed of its interest in the La Negra Mine in the Restructuring Transaction (as defined below). See the section titled "Restructuring Transaction" for more information.

Basis of presentation and going concern

The accompanying 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 until at least December 31, 2016. Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. As at December 31, 2015, the Company had working capital of $1.4 million after the effects of the Restructuring Agreement are taken into consideration compared with a deficiency of $11.5 million as at December 31, 2014. The major components of working capital at December 31, 2015 after the effects of the Restructuring Agreement are taken into consideration included $0.4 million of current assets, $3.5 million of assets held for sale as noted in note 27(b) of the Consolidated Financial Statements and $2.5 million in accounts payable.

During the last quarter of 2015, the Company entered into support agreement and an arrangement agreement to effect a restructuring transaction (the "Restructuring Transaction") under which all of the debt obligations due and in default under the Company's senior secured debt facility (the "Orion Credit Facility") were extinguished in exchange for the Company's interest in the Mexican subsidiary that owns the La Negra mine, which arrangement was implemented on January 7, 2016. As a result of the Restructuring Transaction, this MD&A states the financial and operational information from "Discontinued Operations". Readers are cautioned that on a going-forward basis the Company's principal property and asset is the Shafter Project.

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

RESTRUCTURING TRANSACTION

On January 7, 2016, the Company completed the implementation of the previously announced Restructuring Transaction under which the Company's secured debt obligations due and in default to Orion Mine Finance (Master) Fund I L.P ("Orion") under the Orion Credit Facility, were extinguished in exchange for the Company's interest in Minera La Negra S.A de C.V., the owner and operator of the La Negra mine. The Restructuring Transaction was approved by the Ontario Superior Court of Justice on November 13, 2015 pursuant to arrangement proceedings under the Canada Business Corporations Act. The Restructuring Transaction was implemented pursuant to an amended Plan of Arrangement, a copy of which is posted under the Company's profile on SEDAR (www.sedar.com).

Other pertinent facts of the restructuring agreement are:

- The Company sold certain non-core mining equipment located at the Shafter Project to an affiliate of Orion for $3.5 million, of which $2,500,000 was paid on the completion of the Restructuring Transaction, and $1,000,000 will be paid on the earlier of April 30, 2016 and the date the equipment is resold by Orion for greater than its purchase price.
- The Company will receive $40,000 per month for a total period of 12 months for certain consulting services to be provided by specified officers of Aurcana in connection with the operation of the La Negra mine.
- The Company retained all of its other assets, including the Shafter mine, with no dilution to shareholders.

Subsequent to the year ended December 31, 2015:

On January 7, 2016, the Company completed the implementation of the Restructuring Transaction. See the section titled "Restructuring Transaction" for more information.

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

The following table sets out the pro forma balance sheet of the Company as at December 31, 2015 after giving effect to the Restructuring Transaction.

Aurcana Corporation	
"Pro forma balance sheet of the Company as at December 31, 2015 after giving effect to the Restructuring Transaction" in the table below	
Assets	
Current assets	
Cash and cash equivalents	$ 236,301
Trade and other receivables	3,692,842
Prepaid expenses and advances	46,013
Prepaid income tax	39,929
Assets held for sale	95,500
	4,110,585
Non Current assets	
Non-current prepaid expenses	19,509
Property, plant and equipment	6,866,181
Mineral Properties	9,500,000
Total assets	**$ 20,496,275**
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	$ 2,422,623
Non Current liabilities	
Provision for environmental rehabilitation	479,838
Total liabilities	2,902,461
Non-controlling interest	28,175
Equity attributable to shareholders	$ 17,565,639
Total liablilities and equity	**$ 20,496,275**

OUTLOOK

As a result of the Restructuring Transaction, the Company has sufficient working capital to meet its near-term obligations and continue with the Shafter Project as its principal project, with the following factors considered important by the Company's management:

- Aurcana has a strong asset in Shafter.
- The Shafter Project is in a good location, with a serviced site and is essentially "built".
- Prior mining activity has allowed for an improved, more refined resource model; development issues were identified and a realistic plan can now be developed.

- Much of the technical risk of the Shafter Project has now been identified and dealt with; what remains is manageable.
- Project is highly leveraged to the price of silver, and that is key to any future re-development.
- The Company is debt free, with a favourable share structure.
- Aurcana has sufficient cash to pay-down receivables, maintain the Shafter Project and has a strong technical team under proven leadership.

HIGHLIGHTS:

	Q4 2015	Q32015	Q4 2014	YTD 2015	YTD 2014
Revenues ($ million) [1] [6]	$ 5.2	$ 6.8	$ 9.1	$ 27.4	$ 42.7
Earnings (loss) from mine operations ($ million) [6]	($2.9)	($1.0)	($0.3)	($4.7)	$ 2.5
Net loss from continuing operations ($ million)	($8.2)	($6.5)	($5.5)	($20.6)	($22.8)
Net loss after discontinued operations ($ million) [5] [6]	($11.3)	($6.5)	($5.5)	($23.8)	($21.0)
Operating cash flow before movements in working capital items ($ million) [5] [6]	($2.5)	($0.9)	($0.9)	($3.4)	($0.4)
Average price per silver oz sold [6]	$ 14.19	$ 14.79	$ 16.12	$ 15.41	$ 18.70
Cash cost of sales per silver equivalent oz sold [2] [3] [6]	$ 17.68	$ 13.97	$ 14.89	$ 14.81	$ 15.93
All-in sustaining cost per silver equivalent oz sold [2] [5] [6]	$ 19.77	$ 16.67	$ 16.43	$ 17.72	$ 18.08
Silver equivalent ounces produced [4] [6]	699,137	842,334	1,000,213	3,145,670	3,704,237
Total equivalent silver oz sold (after TCRC) [4] [6]	367,891	460,077	564,164	1,779,541	2,285,868
Cash cost per silver eq. oz produced (before TCRC) [2] [3] [6]	$ 8.34	$ 7.25	$ 7.38	$ 7.73	$ 8.48
All-in sustaining cost per silver equivalent oz produced [2] [5] [6]	$ 11.60	$ 9.30	$ 9.25	$ 10.23	$ 10.37
Mineralization mined (tonnes) [6]	230,746	244,492	213,299	883,447	846,785
Mineralization milled (tonnes) [6]	223,630	241,382	236,452	880,190	961,840
Average tonnes milled per day [6]	2,570	2,775	2,782	2,627	2,897
Cash cost per milled tonne [2] [3] [6]	$ 26.08	$ 25.29	$ 31.21	$ 27.61	$ 32.66
Silver ounces produced [6]	334,084	348,764	374,507	1,293,943	1,476,729
Copper, lead and zinc concentrates produced (tonnes) [6]	6,138	7,591	8,335	28,233	34,461

[1] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).
[2] A non IFRS financial measure - See additional information on non-IFRS financial measures located herein.
[3] Depreciation and amortization not included.
[4] Difference between silver ounces equivalent produced vs sold is mainly due to change in concentrates inventory and percentage payable for each metal after (TCRC).
[5] From Continuing Operations
[6] From Discontinued Operations

Note: Revenues, costs, and earnings from mine operations and production and selling disclosures relate to the La Negra mine only.

Ag Eq or silver equivalent is the sum of [(price of zinc/price of silver) x 2,204.6 x % tonnes payable zinc produced] + [(price of copper/price of silver) x 2,204.6 x % tonnes payable copper produced] + [(price of lead/price of silver) x 2,204.6 x % tonnes payable lead produced] + [ounces of silver produced]

The following figures include Assets held for sale and discontinued operations

- Net loss for the year decreased to ($23.8) million or ($0.28) per share, compared with a net loss of ($21.0) million or ($0.28) per share in 2014. Other key financial metrics include:
  - Loss from mining operations of ($4.7) million (2014 – Earnings of $2.5 million).
  - Operating cash flow before changes in working capital of ($3.4) million (2014 – ($0.4) million).

- Working capital of $1.4 million after the effects of the Restructuring Agreement are taken into consideration at December 31, 2015, compared to a deficiency of $11.5 million at December 31, 2014.

- Key production metrics for the years 2015 and 2014:
  - Silver ounces produced in 2015 decreased 12% to 1,293,943 ounces compared to 1,476,729 ounces of silver in 2014.
  - Silver equivalent production decreased by 15% to 3,145,670 ounces in 2015, compared to 3,704,237 ounces in 2014.
  - Cash cost per silver equivalent ounce produced (before Treatment, Refining and Smelting Charges, "TCRC") decreased 9% to $7.73, compared to $8.48 in 2014.
  - All-in sustaining cost ("AISC") per silver equivalent ounce produced decreased 1% to $10.23 from $10.37 in 2014.
  - AISC per silver equivalent ounce sold decreased 2% to $17.72 from $18.08 in 2014.
  - Mineralized material mined was 883,447 tonnes in 2015, compared to 846,785 tonnes in 2014, a 4% increase.
  - Mineralized material milled was 880,190 tonnes in 2015 compared to 961,840 tonnes in 2014, a 8% decrease.

CORPORATE DEVELOPMENTS

During the year ended December 31, 2015:

- To improve the Company's short term liquidity, Orion, 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 Orion Credit Facility. The Company was unable to meet its payment obligations to Orion for the months of August and September 2015, resulting in a breach of the terms of the Orion Credit Facility. During the last quarter of 2015, the Company entered into the agreements to effect the Restructuring Transaction and termination of the Orion Credit Facility. See the section titled "Restructuring Transaction" for more information.

- 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 provided 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 CDN$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.

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

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.

- Effective June 25, 2015, the Company changed its auditors from PricewaterhouseCoopers LLP (the "Former Auditors") to Deloitte, LLP (the "Successor Auditors"). There were no reservations in the Former Auditor's reports in connection with the most recently completed fiscal year (2014) or for any period subsequent to the most recently completed period for which an audit report was issued preceding the date of the Former Auditor's resignation. There are no "reportable events" (as that term is defined in National Instrument 51-102 Continuous Disclosure Obligations) between the Company and the Former Auditor. In accordance with National Instrument 51-102, the notice of change of auditor, together with the required letters from the former auditor and the successor auditor, have been reviewed by the audit committee and the board of directors and have been filed on SEDAR.

REVIEW OF FINANCIAL RESULTS

Revenue from discontinued operations

During the year 2015, the Company generated revenues from the sale of 1,004,136 ounces of silver (2014: 1,212,868 ounces); 745,835 tonnes of copper concentrate (2014: 948,784 tonnes); 567,692 tonnes of zinc concentrate (2014: 693,914 tonnes); and 172,893 tonnes of lead concentrate (2014: 190,320 tonnes); for total net revenues of $27.5 million (2014: $42.7 million). The decline in revenue primarily resulted from the significant decrease in the price of silver and copper as well as decreased average grades during the quarter compared to prior periods.

	Twelve months ended December 31,	
La Negra mine	**2015**	2014
Gross revenues from mining operations	**$ 37,921,616**	$ 57,333,808
Treatment, refining and smelting charges	**10,498,893**	14,588,077
Revenues from mining operations	**$ 27,422,723**	$ 42,745,731
Net Revenues by customer:		
Customer "A"	**$ 13,137,655**	$ -
Customer "B"	**14,285,068**	42,745,731
Revenues from mining operations	**$ 27,422,723**	$ 42,745,731

Treatment, refining and smelting charges ("TCRC") totalled 28% and 25% of gross revenues for the year ended December 31, 2015 and 2014 respectively.

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

Revenues derived from:	Twelve months ended December 31, **2015**	2014
Silver	41%	40%
Copper	31%	30%
Zinc	22%	24%
Lead	6%	6%
Total	**100%**	**100%**

*Revenues are recorded net of TCRC.

TCRC deducted from revenues for each concentrate is as follows (TCRC as a percentage of revenue):

	Twelve months ended December 31, **2015**	2014
TCRC:		
Copper/Silver Concentrate	24%	20%
Zinc Concentrate	38%	40%
Lead/Silver Concentrate	26%	22%

*Metals payable before TCRC at: Silver 95%, Copper 96.5% and Zinc 85%.

The average prices for sales of zinc, copper, silver and lead before metals' payable and TCRC deductions are as follows:

Price of metals sold:	Twelve months ended December 31, **2015**	2014
Silver ($/oz)	$ 15.41	$ 18.70
Copper ($/lb)	$ 2.48	$ 3.06
Zinc ($/lb)	$ 0.83	$ 0.99
Lead ($/lb)	$ 0.80	$ 0.94

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

Cost of Sales from discontinued operations

	Twelve months ended December 31, 2015	2014
Mine and mill supplies	**$ 11,852,490**	$ 13,719,144
Power	**1,695,528**	2,958,294
Wages, salaries and benefits	**10,752,542**	13,551,095
Profit sharing employees	**-**	40,056
Royalties	**569,495**	1,147,963
Freight and delivery	**1,445,905**	2,062,116
Change in inventories	**35,309**	2,946,543
Operating lease		-
Depreciation and amortization	**5,507,358**	3,644,963
Depletion of mineral properties	**253,655**	221,365
Total cost of sales	**$ 32,112,282**	$ 40,291,539

The decrease in total cost of sales primarily resulted from changes in inventory, cost savings intitiatives, reduced capital spending and a decline in the value of the Mexican Peso. These decreases were offset by an increase in depreciation, depletion and amortization resulting from an updated mineral resource estimate and its effect on the depletion of mineral resources.

The production cash cost per milled tonne for the year 2015 was $27.61 (2014: $32.66). (*For a discussion of this non-IFRS financial measure, please see the related section below*).

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

Administrative Costs

	Twelve months ended December 31, 2015	2014
Salaries and consulting fees	$ 1,312,335	$ 1,560,586
Professional fees	283,949	627,512
Investor relations	102,140	121,983
Marketing	14,479	74,799
Listing and filing fees	42,548	107,551
Other	496,664	726,776
	$ 2,252,115	$ 3,219,207

Rent and overhead	113,397	$ 149,948
Travel and accommodation	123,266	140,045
Office	85,142	113,094
Other	174,859	323,689
Total Other	$ 496,664	$ 726,776

Market trend for metal prices

Market Average Price	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Silver ($/oz)	14.77	14.91	16.39	16.71	16.27	19.76	19.62	20.48
Copper ($/lb)	2.22	2.38	2.74	2.64	3.00	3.17	3.08	3.19
Zinc ($/lb)	0.73	0.84	0.99	0.94	1.01	1.05	0.94	0.92
Lead ($/lb)	0.76	0.78	0.88	0.82	0.91	0.99	0.95	0.96

* Source: London Metal Exchange

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

Quarterly Financial Information

The Company's financial statements are reported under IFRS issued by the IASB. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters inclusive of discontinued operations:

Quarter Ended	**December 31 2015**	**September 30 2015**	**June 30 2015**	**March 31 2015**
	$	$	$	$
Total Revenues	5,220,369	6,804,543	7,360,294	8,037,517
Losses from mine operations	(2,949,969)	(996,191)	(575,098)	(168,301)
Net (loss) after tax	(11,346,853)	(6,550,700)	(1,774,297)	(4,101,593)
(Loss) per share	(0.13)	(0.08)	(0.02)	(0.05)

Quarter Ended	**December 31 2014**	**September 30 2014**	**June 30 2014**	**March 31 2014**
	$	$	$	$
Total Revenues	9,094,317	11,364,478	9,241,156	13,045,780
Earnings (losses) from mine operations	(349,735)	551,549	(1,382,829)	3,360,700
Net Income (loss) after tax	(5,537,288)	(3,650,343)	(7,439,537)	(4,496,612)
(Loss) per share	(0.07)	(0.04)	(0.11)	(0.08)

- In the quarter ended December 31, 2015 losses from mining operations (figures include results from discontinued operations) increased $1,953,778 compared to the quarter ended September 30, 2015. The decrease in earnings resulted primarily from weaker metals prices. Net loss increased $4.8 million from the third to fourth quarter of 2015. In addition to mining earnings, this resulted from an impairment loss on Shafter mineral properties of $4.5 million and deferred income tax expense of $2.5, partially offset by a decrease in financing expense due to the Restructuring transaction.

- In the quarter ended September 30, 2015 losses from mining operations decreased ($421,093) or 73% compared to the quarter ended June 30, 2015. The decrease in earnings resulted primarily from weaker metals prices. Net loss increased $4.8 million from the second to third quarter of 2015. In addition to mining earnings, this resulted from an increase in financing expense due to the adjustment in the fair value of the Orion Credit Facility resulting from the Company's default position and an impairment loss on plant and equipment of $1.4 million.

- In the quarter ended June 30, 2015, earnings from mine operations decreased $406,797 or 242% compared to the quarter ended March 31, 2015, primarily due to weaker metals prices and lower grades of mineralization in mined material. Net loss for the second quarter was ($1,774,297) compared to ($4,101,593) in the previous quarter, resulting primarily from a reduction in unrealized foreign exchange losses and an increase in deferred income tax benefit.

- In the quarter ended March 31, 2015, earnings from mine operations increased $181,434 or 52% compared to the quarter ended December 31, 2014, due to decreases in costs of sales, particularly wages, salaries and benefits, partially offset by lower revenue. Net loss for the first quarter was ($4,101,593) compared to ($5,537,288) in the previous quarter, resulting primarily from a significant reduction in derivative fair value changes, offset by unrealized foreign exchange losses.

- In the quarter ended December 31, 2014, earnings from mine operations decreased $901,283 or 163% compared to the quarter ended September 30, 2014, primarily due to weaker metal prices and lower grades of mineralization in mined material. Net income for the fourth quarter was ($5,537,288) compared to ($3,650,343) in the previous quarter, resulting from impairment charges to the carrying value of the Shafter project offset by changes in the fair value of the Company's derivative liability and unrealized gains on foreign exchange.

- Earnings from mining operations were $551,549 in the third quarter of 2014, compared to a loss of $1,108,322 in the second quarter. The increase in earnings resulted from significantly improved metal grades. Net loss decreased $3.5 million from the second to third quarter of 2014. In addition to mining earnings, this resulted from changes in the fair value of the Company's derivative liability and the loss on the loan restructuring that occurred in the quarter ended June 30, 2014.

- In the quarter ended June 30, 2014, earnings from mine operations decreased $4,469,022 or 133% compared to the quarter ended March 31, 2014, primarily due to decreased metal prices and decreased tons milled due to mill down-time. Net loss for the second quarter was ($7,165,030) compared to ($4,496,612) in the previous quarter, mainly due to foreign exchange, changes in the fair value of the Company's derivative liability and mining earnings.

- Earnings from mining operations were $3,360,700 in the first quarter of 2014 compared to $1,569,125 in the fourth quarter of 2013. The gain resulted from significant increases in tonnes milled. Net loss decreased from ($126,833,875) to ($4,496,612) primarily due to the impairment of the Shafter Project recognized in the quarter ended December 31, 2013.

Selected Annual Information

Fiscal Year Ended	December 2015	December 2014	December 2013
	$	$	$
Total revenues	27,422,723	42,745,731	44,972,176
Cost of sales	32,112,282	40,291,539	33,492,907
Administrative expenses	2,252,115	3,219,207	3,238,923
Depletion, depreciation and amortization	5,761,013	3,866,328	2,971,089
Stock - based compensation	4,026	95,721	2,682,612
Earnings (loss) from mining operations	(4,689,559)	2,454,192	11,479,269
Net loss from continuing operations	(20,619,162)	(22,844,391)	(134,842,510)
Net loss after discontinued operations	(23,773,443)	(21,022,925)	(134,842,510)
Operating cash flow after taxes before movements in working capital ($ million)	(3.4)	(0.4)	(5.0)
Basic loss per share	(0.28)	(0.28)	(2.31)
Fully diluted loss per share	(0.28)	(0.28)	(2.31)
Total assets	77,254,767	97,589,494	124,067,687
Current assets	7,254,052	14,794,332	29,190,963
Property, Plant & Equipment	57,000,900	62,087,730	69,965,516
Mineral properties	12,575,521	17,329,176	19,050,541
Current liabilities	55,037,493	26,342,353	32,932,944
Total liabilities	61,946,852	61,322,351	82,664,601
Cash dividends declared	Nil	Nil	Nil

Above table includes figures from continued and discontinued operations.

NON-IFRS FINANCIAL MEASURES

The Company has included certain non-IFRS financial measures including from discontinued operations: "Cash cost per silver equivalent ounce produced (before TCRC)", "Cash cost per milled tonne", Cash cost of sales per silver equivalent ounce sold". "All-in sustaining cost per silver equivalent ounce produced" and "All-in sustaining cost per silver equivalent ounce sold" include continuing and discontinuing operations; to supplement its Condensed Interim Consolidated Financial Statements, which are presented in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with useful information to evaluate the underlying performance of the Company. Non-IFRS financial measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures employed by other companies. The data are intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS.

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

a) Cash cost per silver equivalent ounce produced (before TCRC)

The Company uses cash cost per silver equivalent ounce to describe its cash production costs on an overall basis. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, depreciation, amortization and depletion of mineral properties. TCRC are recorded and deducted from the revenues.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. This performance measure is commonly utilized in the mining industry.

Cash cost per silver equivalent ounce produced at La Negra Mine (before TCRC):	Three months ended December 31, 2015	Three months ended December 31, 2014	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014
Production cash cost:				
Cost of sales per financial statements	$ 8,170,338	$ 9,444,052	$ 32,112,282	$ 40,291,539
Less royalties	(569,495)		(569,495)	
Less changes in inventories	170,652	(545,933)	(35,309)	(2,946,543)
Less freight and delivery	(272,854)	(471,590)	(1,445,905)	(2,062,116)
Less non-cash lease operating costs	212,414	-	-	-
Less depreciation and amortization	(1,824,035)	(905,787)	(5,507,358)	(3,644,963)
Less depletion of mineral properties	(55,391)	(140,485)	(253,655)	(221,365)
Total production cash cost	5,831,629	7,380,257	24,300,560	31,416,552
Silver equivalent oz. produced	699,137	1,000,213	3,145,670	3,704,237
Cash cost per silver equivalent oz. produced	$ 8.34	$ 7.38	$ 7.73	$ 8.48

Management continued its focus on cost reductions and efficiency improvements started in Q3, 2014. These efforts have allowed the Company to keep the cash cost per silver equivalent ounce produced at reduced levels compared to prior periods. During Q4 2015 the cash cost increased due to lower volume milled mainly of the crusher maintenance as well as lower accrual of Christmas bonus and other benefits paid in December.

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

b) Cash cost per milled tonne

The Company uses cash costs per milled tonne to describe its cash production costs based on tonnes of mineralization milled. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its cash costs per milled tonne internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. This performance measure is commonly utilized in the mining industry.

Total cash cost per milled tonne at La Negra Mine:	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	2015	2014
Cash cost				
Cost of sales per financial statements	$ 8,170,338	$ 9,444,052	$ 32,112,282	$ 40,291,539
Less royalties	(569,495)		(569,495)	
Less changes in inventories	170,652	(545,933)	(35,309)	(2,946,543)
Less freight and delivery	(272,854)	(471,590)	(1,445,905)	(2,062,116)
Less non-cash lease operating costs	212,414	-	-	-
Less depreciation and amortization	(1,824,035)	(905,787)	(5,507,358)	(3,644,963)
Less depletion of mineral properties	(55,391)	(140,485)	(253,655)	(221,365)
Total production cash cost	5,831,629	7,380,257	24,300,560	31,416,552
Tonnes milled	223,630	236,452	880,190	961,840
Production cash cost per milled tonne	$ 26.08	$ 31.21	$ 27.61	$ 32.66

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

c) Cash cost of sales per silver equivalent ounce sold:

The Company uses this performance measure to monitor its cash costs of sales per silver equivalent ounce internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of sales. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

Cash cost of sales per silver equivalent ounce sold at La Negra Mine:	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	2015	2014
Revenues per financial statement	$ 5,220,369	$ 9,094,317	$ 27,422,723	$ 42,745,731
Price of silver sold ($/oz.)	14.19	16.12	15.41	18.70
Total equivalent silver net payable ounces (after TCRC)	367,891	564,164	1,779,541	2,285,868
Cost of sales per financial statements	8,170,338	9,444,052	32,112,282	40,291,539
Less royalties	(569,495)		(569,495)	
Less non-cash lease operating costs	212,414	-	-	-
Less depreciation and amortization	(1,824,035)	(905,787)	(5,507,358)	(3,644,963)
Less depletion of mineral properties	(55,391)	(140,485)	(253,655)	(221,365)
Total cash cost of sales	5,933,831	8,397,780	25,781,774	36,425,211
Total equivalent silver oz sold (after TCRC)	367,891	564,164	1,779,541	2,285,868
Cash cost of sales per silver equivalent ounce sold	$ 16.13	$ 14.89	$ 14.49	$ 15.93

During Q4 2015 the cash cost increased due to lower volume milled mainly of the crusher maintenance as well as lower accrual of Christmas bonus and other benefits paid in December.

d) All-in sustaining costs:

All-In Sustaining Cost ("AISC") is a non-IFRS measure and is intended to provide additional information only and does not have a standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures.

The Company believes that AISC will better meet the needs of analysts, investors, and other stakeholders of the Company in understanding the costs associated with producing silver, the economics of silver mining, the Company's operating performance, and the Company's ability to generate free cash flow from current operations and on an overall company basis.

AISC includes total production cash costs incurred at the Company's La Negra mine, which forms the basis of the Company's co-product cash costs. Additionally, the Company includes sustaining capital expenditures (equal to depreciation, depletion and amortization at the La Negra mine), corporate selling, general and administrative expenses, share-based payments and reclamation cost accretion. The Company believes that this measure represents the total sustainable costs of producing silver, copper, lead and zinc, and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project capital and expansionary capital are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

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

The following table provides a reconciliation of these measures to our cost of sales, as reported in the Condensed Interim Consolidated Financial Statements:

AISC per silver equivalent ounce produced at La Negra Mine	Three months ended December 31, 2015	2014	Twelve months ended December 31, 2015	2014
Production cash cost:				
Cost of sales per financial statements	$ 8,170,338	$ 9,444,052	$ 32,112,282	$ 40,291,539
Less royalties	(569,495)		(569,495)	
Less changes in inventories	170,652	(545,933)	(35,309)	(2,946,543)
Less freight and delivery	(272,854)	(471,590)	(1,445,905)	(2,062,116)
Less non-cash lease operating costs	212,414	-	-	-
Less depreciation and amortization	(1,824,035)	(905,787)	(5,507,358)	(3,644,963)
Less depletion of mineral properties	(55,391)	(140,485)	(253,655)	(221,365)
Total production cash cost	5,831,629	7,380,257	24,300,560	31,416,552
Corporate expenses	402,297	829,419	2,131,366	3,136,963
Sustaining capital	1,879,426	1,046,272	5,761,013	3,866,328
All-in sustaining costs of production	8,113,352	9,255,948	32,192,939	38,419,843
Silver equivalent oz. produced	699,137	1,000,213	3,145,670	3,704,237
All-in sustaining cost per silver eq. oz. produced	$ 11.60	$ 9.25	$ 10.23	$ 10.37

During Q4 2015 the AISC increased due to lower volume milled mainly of the crusher maintenance as well as lower accrual of Christmas bonus and other benefits paid in December.

AISC per silver equivalent ounce sold at La Negra Mine	Three months ended December 2015	2014	Twelve months ended December 31, 2015	2014
Cash cost of sales:				
Cost of sales per financial statements	$ 8,170,338	$ 9,444,052	$ 32,112,282	$ 40,291,539
Less royalties	(569,495)		(569,495)	
Less non-cash lease operating costs	212,414	-	-	-
Less depreciation and amortization	(1,824,035)	(905,787)	(5,507,358)	(3,644,963)
Less depletion of mineral properties	(55,391)	(140,485)	(253,655)	(221,365)
Total cash cost	5,933,831	8,397,780	25,781,774	36,425,211
Plus TCRC	2,289,878	3,344,930	10,498,893	14,588,077
Total cash cost	8,223,709	11,742,710	36,280,667	51,013,288
Less change in inventories	170,652	(545,933)	(35,309)	(2,946,543)
Corporate expenses	402,297	829,419	2,131,366	3,136,963
Sustaining capital	1,879,426	1,046,272	5,761,013	3,866,328
All-in sustaining costs of sales	$ 10,676,084	$ 13,072,468	$ 44,137,737	$ 55,070,036
Silver equivalent ounces payable after TCRC	539,906	795,874	2,490,556	3,045,886
All-in sustaining cost per silver eq. ounce sold	$ 19.77	$ 16.43	$ 17.72	$ 18.08

During Q4 2015 the AISC increased due to lower volume milled mainly of the crusher maintenance as well as lower accrual of Christmas bonus and other benefits paid in December.

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

RESULTS OF OPERATIONS – LA NEGRA MINE (DISCONTINUED OPERATIONS)

Quarter Ended	Annual 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Annual 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Mine Production										
Mine Days	335	91	91	74	79	365	92	92	91	90
Mill Days	335	87	87	77	84	332	85	85	77	85
Mineralization mined (tonnes)	883,447	230,746	244,492	207,964	200,245	846,785	213,299	217,011	208,931	207,544
Mineralization milled (tonnes)	880,190	223,630	241,382	207,762	207,416	961,840	236,452	235,485	232,763	257,140
Average tonnes milled per day	2,627	2,570	2,775	2,698	2,469	2,897	2,782	2,770	3,023	3,025
Average Grade										
Silver (g/t)	55	56	55	52	58	58	59	65	55	55
Copper (%)	0.38%	0.32%	0.34%	0.41%	0.45%	0.41%	0.48%	0.41%	0.37%	0.39%
Zinc (%)	0.93%	0.78%	0.99%	1.02%	0.94%	1.10%	0.93%	1.14%	1.01%	1.31%
Lead (%)	0.25%	0.27%	0.26%	0.24%	0.22%	0.28%	0.25%	0.34%	0.27%	0.26%
Recovery										
Silver	82%	82%	82%	81%	83%	82%	83%	84%	81%	80%
Copper	77.9%	74.9%	75.4%	78.1%	83.4%	74.2%	77.6%	75.2%	71.9%	72.3%
Zinc	75.6%	73.7%	75.2%	73.6%	79.7%	77.4%	73.1%	80.3%	79.9%	76.5%
Lead	74.6%	75.7%	75.2%	71.3%	76.0%	74.3%	74.2%	77.7%	71.8%	73.4%
Metal Production (contained in concentrates)										
Silver (oz)	1,293,943	334,084	348,764	285,284	325,811	1,476,729	374,507	412,063	329,368	360,791
Copper (tonnes)	2,595	533	614	669	779	2,881	865	710	582	724
Zinc (tonnes)	6,209	1,291	1,803	1,560	1,555	8,058	1,602	2,118	1,759	2,579
Lead (tonnes)	1,643	456	482	354	351	1,956	432	607	421	496
Silver Equivalent (oz)	3,145,670	699,137	842,334	779,339	824,860	3,704,237	1,000,213	997,530	786,505	919,989
Concentrate grades										
Copper (%)	22%	21%	22%	22%	22%	22%	21%	23%	22%	22%
Zinc (%)	46%	46%	45%	46%	46%	45%	45%	46%	42%	46%
Lead (%)	60%	59%	59%	61%	62%	60%	63%	63%	55%	60%

Sales figures are before treatment and refining charges (TCRC).

Production

Silver equivalent ounces production decreased in the fourth quarter of 2015 compared to the third quarter of 2015 due to the reduction in tonnes milled from 241,382 to 223,630

Year to date December 31, 2015 silver equivalent ounces production decreased by 558,567 oz, or 15%, over the comparable 2014 period, mainly of a decrease in mineralized material milled of 81,650 tonnes as well as the lower grades in the metals. The decrease in silver grade during this period was due to increased throughput of lower grade mineralization, a result of higher internal waste at some zones and blending of different mineral-types in order to meet concentrate specifications.

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

Operations Overview at La Negra

During the first quarter of 2015, an in-house mining plan (the "Plan") was developed, based on the new mineral resource estimate which was announced by the Company in a news release dated December 3, 2014 (the "Estimate"). The Plan formed the basis on which daily, monthly and annual mine planning was carried out in 2015. Management continued to implement high-quality, industry-standard planning and management practices and to review all facets of the Company's operations including capital expenditures, staffing levels, and cost controls. At the La Negra mine the immediate focus was to be on cost reductions, productivity and efficiency improvements as the operation transitions to the new Plan, reducing mining dilution and improving grade estimation practices and control.

During the 2015, approximately 41% of the mill feed was mined from the resource model used in the Estimate, with the remainder coming from areas outside the model. The ratio of mill feed mined from outside the resource model, although higher than historical levels, is generally consistent with mining experience at La Negra and represents a possible extension to the life of mine at current rates of production.

As of December 31, 2015, the existing tailings facility currently had approximately nine months of capacity at a milling rate of 3,000 tonnes per day. An expansion of the existing tailings facility is planned and studies are being undertaken to support permitting of the expanded facility.

In December 2014, the Company released results from the new Estimate for the La Negra mining operation at Queretaro, Mexico. The objective in preparing the new Estimate was to provide shareholders with updated information on the grade, tonnages and metal potential at La Negra and to provide Aurcana's mine management with a reliable and current model for production planning.

AMC Mining Consultants (Canada) Limited ("AMC"), an independent mining consulting firm, prepared the Estimate. The Estimate is based on 14,578 assays comprised of 4,074 drill hole samples, 8,674 channel samples, and 1,829 longhole samples obtained by the Company during the period from 2006 through to 2014, and by Industriales Peñoles S.A. de C.V. from 1967 to 2000. A summary of the Estimate is tabulated below:

MEASURED AND INDICATED RESOURCES FOR ALL DEPOSITS AND ALL BLOCKS WITH A MINIMUM |
RECOVERED VALUE OF US$30 AS OF SEPTEMBER 30, 2014

Classification	Tonnes	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)	Silver Eq. (g/t)
Measured	1,977,000	107	0.61	0.50	2.23	203
Indicated	2,748,000	54	0.45	0.22	1.04	110
Measured & Indicated	4,724,000	76	0.52	0.34	1.54	149

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

Classification	*In Situ* Metal Quantities				
	Silver (oz.)	Copper (lb.)	Lead (lb.)	Zinc (lb.)	Silver Eq. (oz.)
Measured	6,821,600	26,777,200	21,869,800	97,347,600	12,907,200
Indicated	4,758,400	27,439,800	13,119,000	63,111,100	9,700,400
Measured & Indicated	11,577,700	54,205,800	34,982,000	160,427,200	22,607,600

Ounces and pounds of in situ metal are calculated using only resource blocks with a recovered value of $30 or greater, which corresponds generally with the $32/tonne operating cost achieved by Aurcana for the La Negra Mine from January to October 2014. Metal prices and recoveries used for value and silver equivalent estimates are: Silver - $21.50/83%; Copper - $3.10/75%; Lead - $0.95/78%; Zinc - $1.00/80%.

Silver equivalence is calculated using the following formula:
Silver equivalent=[((grade silver g/t)x((US$price silver /Troy Ounce)/31.10348)x(recovery of silver))+((grade copper %)x(US$price of copper/poundx22.046)x(recovery of copper))+((grade lead %)x(US$price of lead/poundx22.046)x(recovery of lead))+ ((grade zinc %)x(US$price of zincpoundx22.046)x(recovery of zinc))] divided by the price of silver/ounce to calculate silver equivalent in ounces, or by the price of silver in grams to calculate gram equivalency

INFERRED RESOURCES FOR ALL DEPOSITS AND ALL BLOCKS WITH A
MINIMUM RECOVERED VALUE OF US$30 PER TONNE

Classification	Tonnes	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)	Silver Eq. (g/t)	Silver Eq. (oz.)
Inferred	642,000	55	0.55	0.18	1.54	130	2,676,800

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

SHAFTER PROJECT, TEXAS USA

The Company owns the Shafter Project through its subsidiary Rio Grande Mining Company ("RGMC"). The Company continues to maintain the mine, mill and processing equipment at Shafter. During the quarter ending December 31, 2015 the Company completed a new resource estimate of the mineralized zone.

MEASURED & INDICATED RESOURCES				
Class	**Cut-off Ounces Silver/Ton**	**Tons**	**Grade Ounces Silver/Ton**	**Ounces Silver**
Measured	4.0	100,000	8.73	888,000
Indicated	4.0	1,110,000	9.15	10,171,000
Measured + Indicated	4.0	1,210,000	9.14	**11,059,000**
INFERRED RESOURCES				
Class	**Cut-off Ounces Silver/Ton**	**Tons**	**Grade Ounces Silver/Ton**	**Ounces Silver**
Inferred	4.0	870,000	7.47	**6,511,000**

- Mine Development Associates ("MDA"), an independent mining consulting firm based in Reno, Nevada, prepared the resource estimate for Shafter, with an effective date of December 11, 2015. All units of measure are U.S. Customary.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- The Mineral Resource estimate was undertaken by Paul Tietz, CPG, of MDA, a qualified person ("QP") as defined under NI 43-101. The Mineral Resource was estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standards Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014.
- A Technical Report containing the foregoing resource estimate is available on SEDAR (www.sedar.com). The report titled "Technical Report on the Shafter Silver Project, Presidio County, Texas", and dated January 11, 2016, was prepared for Aurcana by Paul Tietz, CPG of Mine Development Associates, Inc. and Ross MacFarlane P.Eng of Watts, Griffis, and McQuat. Both Mr. Tietz and Mr. MacFarlane are Qualified Persons within the meaning of NI 43-101.

A pipeline development has been proposed by Trans-Pecos Pipeline, LLC ("Trans Pecos") that will transport natural gas between the Permian Basin and Presidio, Texas for delivery to customers in Chihuahua, Mexico. The proposed route of the pipeline passes through the Shafter property. As currently surveyed, the proposed route is not expected to materially impact upon any possible resumption of mining activities in the near-term, but its longer-term impact on mining and exploration is uncertain. The Company has been in discussions with representatives of Trans Pecos concerning safety, the near and long-term impacts of a pipeline on the Company and Shafter, and the route of the pipeline easement itself. On March 30 2016 the Company was made aware that Trans Pecos has launched a suit against RGMC in order to acquire the proposed right-of-way through eminent domain. The Company is surprised that Trans Pecos has chosen eminent domain instead of concluding the advanced negotiations between the parties, but intends to defend its rights to fair compensation and indemnification against any future cost or loss caused by the proximity of the proposed pipeline to the Company's Shafter operations.

LIQUIDITY AND FINANCIAL POSITION

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities; in particular, the prices of silver, copper, zinc and lead. In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions, including metals prices.

Several adverse conditions and material uncertainties, including lower metals prices, cast significant doubt upon the assumption that the Company will continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that future exploration and development of the Shafter property will result in profitable mining operations. The Company currently has finite sources of revenue, and will require cash to meet the necessary financing to acquire and complete the development of its mineral properties and for future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

Disclosure in this section relates to the Company's liquidity and financial position as at December 31, 2015, prior to the completion of the Restructuring Transaction. For a summary of the Restructuring Transaction and a pro forma balance sheet of the Company after giving effect to the Restructuring Transaction, see the section titled "Restructuring Transaction".

Working capital

As at December 31, 2015, the Company had working capital of $1.4 million after the effects of the Restructuring Agreement are taken into consideration compared with a deficiency of $11.5 million as at December 31, 2014. The major components of working capital at December 31, 2015 after the effects of the Restructuring Agreement are taken into consideration included $0.4 million of current assets, $3.5 million of assets held for sale as noted in note 27(b) of the Consolidated Financial Statements and $2.5 million in accounts payable.

Current assets

Current assets increased $45.7 million to $60.5 million at December 31, 2015, compared with $14.8 million at December 31, 2014. Contributing to the change was a $59.6 increase on assets held for sale. Offset by $4.0 million decrease in insurance proceeds receivable, a $1.4 million decrease in cash and equivalents, a $1.2 million decrease in prepaid taxes and a decrease in trade and other receivables of $4.6 million

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

PP&E, net of accumulated amortization, decreased to $6.9 million at December 31, 2015 from $62.1 million at December 31, 2014. This decrease of $55.2 million due to the restructuration transaction.

Mineral properties were reduced from $17.3 million to $9.5 million. $4.5 million as consequence of a Shafter impairment, and $3.3 million transferred to assets held for sale.

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

Assets held for sale

The restructuring transaction compromised all the Aurcana's Interest on the La Negra mine, and for December 31, 2015 were transferred to assets held for sale, in addition during the year ended December 31, 2015, The Company also reclassified some Shafter's plant and equipment to assets held for sale totalling $3.4 million, as part of the Restructuring Transaction.

Current liabilities

Current liabilities increased to $61.5 million at December 31, 2015 compared with $26.3 million at December 31, 2014. Contributing to the change was an increase in the current portion of borrowings of $31.1 million due to the Restructuring Transaction of the debt facility the full outstanding balance becoming current, and the$18.7 million of liabilities associated with assets held for sale. Offset by reductions Accounts payables and accrued liabilities of $10.4, equipment lease obligations of $0.3 million, and settlement claim payable of $4.0 million.

Long-term debt

a) The Company has commitments as of December 31, 2015 related to capital equipment contracts due as follows:

Schedule of principal repayments is as follows:	**December 31 2015**	December 31 2014
2015	**$** -	340,445
2016	-	14,813
	$ -	$ 355,258

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b) The Company has transferred the commitments for operating expenditures to liabilities associated with assets held for sale. As of December 31, 2015 related to leased equipment due as follows:

Operating Leasing	**December 31 2015**	December 31 2014
2015	**$** -	1,368,744
2016	-	1,101,942
2017	-	835,140
	$ -	$ 3,305,826

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

OUTSTANDING SHARE CAPITAL

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

As at April 29, 2016, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	84,644,973
Warrants (Exercise price C$0.79)	10,265,816
Stock options (average exercise price C$0.50)	5,381,250
Total common shares (fully diluted)	**100,292,039**

TRANSACTIONS WITH RELATED PARTIES

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

	Note	December 31 2015	December 31 2014
Technical and consulting fees	(i)	$ 41,318	$ 110,102
Management fees	(ii)	-	920,502
Consulting fees		$ 41,318	$ 1,030,604

i) To companies controlled by officers or directors.
ii) To a Company controlled by the former President & CEO for management services performed.

Compensation of key management personnel:

	December 31 2015	December 31 2014
Consulting fees (as above)	$ 41,318	$ 1,030,604
Directors' fees	193,406	178,055
Officer salaries	469,300	407,387
Stock-based compensation	4,026	95,721
	$ 708,050	$ 1,711,767

Officer salaries Includes the salaries of the President and CEO, and CFO of the Company for the year 2015.

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

Transactions with Orion, the Company's principal lender:

	December 31 2015	December 31 2014
Repayment of loan principal	$ -	$ 4,384,780
Additional advance under loan facility	$ (3,000,000)	$ -
Payment of interest	$ 1,374,157	$ 1,047,191
Accrued interest	$ 981,540	$ -

As partial consideration for an amendment to the Orion Credit Facility in April 2014, the Company issued shares to Orion, resulting in Orion becoming a significant shareholder and related party to the Company.

The Orion Credit Facility was secured against the assets of the company.

During 2015, Orion advanced the Company $185,000 with respect to the sale of Shafter mobile equipment. The total consideration for Shafter mobile equipment to be sold is $3,500,000. Subsequent to the completion of the financial year ended December 31, 2015, the Orion Credit Facility was terminated as part of the Restructuring Transaction. For more information, see the section titled "Restructuring Transaction".

COMMITMENTS AND CONTINGENCIES:

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 settlement, 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 December 31, 2015 was $70,000.

Class action

In February 2015, the Company entered into the Settlement Agreement to settle the Action commenced by Nunzio Cardillo and John Witiluk in the Ontario Superior Court of Justice against the Company and two former executives of the Company. 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 has agreed to pay the Settlement Amount of CDN$4,000,000, 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.

Property taxes

Included in accounts payable is $0.7 million in property taxes owed on the Shafter property for 2013, 2014, and 2015. During the quarter ended September 30, 2015, the Company and state officials agreed on a payment plan to settle the outstanding 2013 and 2014 balances through 24 equal monthly payments of $28,000 commencing July 30, 2015. For the year 2015 the amount of property taxes owed is $172,000

Claims by the Company

The Company Mine had commenced a claim against a third party with regards to royalty payments made between 2007 and 2012. The Company asserts these payments were made in error and did not make any payments for 2013, 2014 and 2015. An amount payable of $4.5 million, inclusive of interest, is included in accounts payable and accrued liabilities as part of discontinue operations.

Off Balance sheet arrangements

None applicable other than the operating lease commitments disclosed herein.

FINANCIAL INSTRUMENTS

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

At December 31, 2015, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		December 31, 2015
Cash and cash equivalents	USD$	84,889
Accounts payable		(112,553)
Loan payable		(40,223,056)
	USD$	(40,250,720)
CAD$ Equivalent		**(55,706,997)**

At December 31, 2015, the Company's Mexican operations (U.S. dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		December 31, 2015
Cash and cash equivalents	MXP$	1,883,923
Other receivable		-
Accounts payable		(8,137,829)
	MXP$	(6,253,906)
USD$ Equivalent		**(363,462)**

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities, borrowings, embedded derivative liabilities and long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances 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 tables summarize the fair value hierarchy, as of December 31, 2015:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ -	$ -	$ -	$ -	
	$ -	**$ -**	**$ -**	**$ -**	

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

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other 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 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.

RISKS AND UNCERTAINTIES

The operations of Aurcana are speculative due to the high risk nature of its business which the exploration and development of mining properties. The following is a brief discussion of the distinctive or special characteristics of Aurcana's operations and industry which may have a material impact on, or constitute risk factors in respect of, Aurcana's financial performance. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial may also impair the Company's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption. The Company restructured its debts with Orion, its principal lender, (see above Restructuring Transaction) in order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company's growth options (see Note 1 of the Consolidated Financial Statements - Nature of operations and going concern).

The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

Following the completion of the Restructuring Transaction, the Company no longer holds any assets that are currently generating revenue, and will therefore be solely reliant on debt or equity financing to meet its ongoing working capital needs.

Metals Price risk

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

Risks related to recommencing mining operations

The Shafter Project is currently on care and maintenance, and would require significant expenditures before production can be recommenced. The economic feasibility of the Shafter Project is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future metals prices, and anticipated capital and operating costs. Many of these factors have changed since the Shafter Project was last in production, and the prior operation of the Shafter Project does not guarantee that future operation will be economically viable. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from prior operational results.

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

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

Risks related to global financial conditions.

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

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

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2015, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

Shareholder Dilution

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

Mining risks and insurance

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

Uncertainty of mineral resources and reserves

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

Replacement of mineral resources

There are a number of uncertainties inherent in any program relating to the location of mineral resources and reserves, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities and the appropriate financing thereof. Accordingly, there can be no assurance that the Company's programs will yield new mineral resources or expand current mineral resources.

Reclamation obligations

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

Exploration risks

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

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

Conflicting interests

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

Permitting and title

Aurcana's operations may require licenses and permits from various governmental authorities. There can be no assurance that Aurcana will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and production operations on Aurcana's properties.

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

Management services

The success of Aurcana depends to a large extent, on the ability and judgment of the senior management of Aurcana and upon Aurcana's ability to retain the services of senior management. The loss of their services may have a material adverse effect on Aurcana.

Market influences

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

Mining risks and insurance

The business of mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurcana's financial performance and results of operations.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Controls and procedures

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument 52-109 – Certification of disclosure in an Issuer's Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Disclosure controls and procedures

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

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

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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