Management Discussion and Analysis for the Quarter Ended June 30, 2022

This Management Discussion and Analysis ("MD&A") should be read in conjunction with Aurcana Silver Corporation (referred to herein collectively with its subsidiaries as the "Company" or "Aurcana")'s Unaudited Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2022 and 2021, (the "Unaudited Condensed Interim Consolidated Financial Statements"), and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities laws, including, but not limited to, statements regarding the Company's expectations, strategic plans, exploration budgets and mineral resource and mineral reserve estimates. The information in this MD&A is current to August 26, 2022.

Cautionary Statement Regarding Forward-Looking Information

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

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

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

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QUALIFIED PERSON

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

NATURE OF BUSINESS AND COMPANY DESCRIPTION

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

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

Ouray Silver Mines is under receivership, and Shafter is currently under care and maintenance.

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

As first announced in the press release dated March 21, 2022, and further to the Company's press releases dated April 11, 2022 and May 19, 2022, May 31, 2022, June 3, 2022, June 20, 2022, June 24, 2022 and June 30, 2022, certain indirect, wholly owned subsidiaries of Mercuria Energy Group ("Mercuria") entered into certain standstill and restructuring agreements with Aurcana with effect as of March 8, 2022, which agreements included the grant to Aurcana of a waiver of all current events of default and a standstill agreement (a "Waiver and Standstill) under the Company's five-year, $28 million term loan (and an associated hedging package) . The Revenue-Virginius Mine (the "RV Mine") owned and maintained by Ouray Silver Mine Inc., a subsidiary of the Company is subject to a mortgage and security agreement in favor of Mercuria to secure amounts due to Mercuria with respect to the term loan noted above.

On July 7, 2022, the District Court for Ouray County, Colorado appointed Alliance Management, Inc. as Receiver for the RV Mine. The Receiver now has control and custody of the RV Mine and the appointment has stayed all civil legal proceedings against Ouray Silver Mine Inc. and the RV Mine, including all arbitration proceedings and foreclosure actions.

Basis of presentation

The accompanying Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies included on the audited consolidated financial statements as at and for the year ended December 31, 2021.

These unaudited 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 including the process of dissolving the Mexican subsidiaries not in operations since January 2016. 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 metal prices, may cast significant doubt upon the Company's ability to continue as a going concern. As at June 30, 2022, the Company had a negative working capital of $41.6 million, compared with negative $14.4 million as at December 31, 2021. The major components of working capital at June 30, 2022 included $28.0 of current portion of borrowings, $4.3 of private financing, and $13.3 million in accounts payable. Consolidated deficit of $177.3 million as at June 30, 2022, compared with $148.5 million at December 31, 2021.

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

OVERVIEW AND OVERALL PERFORMANCE

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

Revenue-Virginius Mine

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

The Revenue-Virginius mine is a historic mining operation which produced over 25 million ounces of silver during its initial period of operations from the 1870's to approximately 1912. The mine was operated again for short periods of time during the 1920s and 1930s.

In the 1960s and 1980s, exploration and development along with some select production was conducted by Federal Resources and Ranchers Exploration/Hecla respectively. Rancher's exploration work was the most extensive and much of the drilling and development conducted in the 1980s by those companies formed the basis for developing interest by later operators. In 1994, Sunshine Mining began development and exploration work. Star Resources acquired the property in 2011and spent an estimated $40-$50 million advancing the project, including the construction of a new mill located underground.

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

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

The Revenue Virginius mine is fully permitted. Please click on the following link to see the Company's website for the 2021 feasibility study:

http://www.aurcana.com/_resources/reports/NI-43-101-Technical-Report-Feasibility-Study-Revenue-Virginius-Mine.pdf?v=0.695

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

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

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

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

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

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

During the first quarter of 2021 the Company began the process of restarting the Revenue Virginius Mine with a target of reaching initial production in the third quarter of 2021.

In the third quarter of 2021 the Company initiated commissioning of the milling process, crushing, grinding and flotation circuits and began to process development ore and produce lead concentrate.

During the fourth quarter of 2021 mine development and mill commissioning activity commenced. First stope ore was produced from the 1800 level in early October. Commissioning of the mill with ore from development stopes continued to progress and throughput volumes have been tested in excess of the targeted production of 270 tpd.

On the 8th of November 2021 a rock movement in the #2 Alimak Raise required management to reassess the safety and efficiency of moving miners and material to the working faces on the 1800 level. Due to this event, and based on cash resources available to the Company, management decided to temporarily halt ongoing development activities, other than those relating to the continued development work on the #1 Hoist facility, to evaluate potential changes to the mine plan to address productivity.

On March 21, 2022, the Company announced the completed an updated feasibility study for the Revenue Virginius ("RV") Mine (the "Updated Feasibility Study") prepared by SRK Consulting (US) ("SRK") with an effective date of December 31, 2021 and in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The Updated Feasibility Study re-affirms the substantial value of the Revenue-Virginius Mine with an after-tax net present value 5% (NPV) of US$108.8 million. As part of preparation of the Updated Feasibility Study, SRK conducted site visits, reviewed the current status of the Revenue-Virginius Mine, and completed a detailed review of all geologic and operational data. The Updated Feasibility Study contemplates total production at the Revenue-Virginius Mine of approximately 17.7 million payable silver equivalent ounces (including approximately 13 million payable ounces of silver) over the approximately 6.25 year life for the current mineral reserve base at an "All In Sustaining Cost" (AISC) net of by-product credits equal to US$12.55 per ounce over the life of mine. The Updated Feasibility Study assumes five months of operations to complete the #1 Hoist facility to be followed by finalization of development of four full mining faces, and then ramping up production thereafter. The Updated Feasibility Study contemplates total costs to cash flow positive of approximately US$20 million, with the significant majority being pre-production operating costs associated with completing the underground development.

On March 21, 2022, the Company announced a loan standstill and restructuring with Mercuria Energy Group ("Mercuria") in order to fund the restart of the Revenue-Virginius Mine. In recognition of the Company's previously announced efforts to reset operations, the Company and Mercuria have agreed to certain standstill and restructuring agreements (collectively, the "Restructuring Agreements") with effect as of March 8, 2022.

On July 7, 2022, the District Court for Ouray County, Colorado appointed Alliance Management, Inc. as Receiver for the RV Mine. The Receiver now has control and custody of the RV Mine and the appointment has stayed all civil legal proceedings against Ouray Silver Mine Inc. and the RV Mine, including all arbitration proceedings and foreclosure actions.

Shafter Silver Project

In 2008 Aurcana acquired the Shafter Silver Project which is 375 miles southeast of El Paso, in Presidio County, southwest Texas, within a historic mining district, known as the Shafter Mining District. The site has excellent infrastructure, both in terms of year-round access via a paved highway, upgraded utility power and mine site facilities.

Silver was mined from the Presidio Mine from 1883 until 1942 when Presidio mine was closed due to declining silver prices and the War Powers Act of 1941. In the late 1970s Gold Fields discovered a previously unknown deep extension to the Presidio, which remains un-mined and is the primary objective of Aurcana's development plans. The total recorded production was 2.307 million tons of ore containing 35.153 million ounces of silver at an average grade of 15.24oz Ag/ton.

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

In September 2018, an updated preliminary economic assessment was released. The Shafter Silver Project is fully permitted. Aurcana's website and the preliminary economic assessment can be accessed by clicking on the following link http://www.aurcana.com/_resources/Shafter_2018_43-101_v13_pea.pdf.

OUTLOOK

Near Term Outlook

2022 Revenue Virginius Mine

As noted in the Company's press releases from the 4th quarter 2021 and 1st quarter 2022, the Company has moved into a "reset mode" to focus on raising additional capital to implement the updated mine plan and Feasibility Study announced in March 2022 (http://www.aurcana.com/_resources/reports/NI-43-101-Technical-Report-Feasibility-Study-Revenue-Virginius-Mine.pdf?v=0.695). In addition to its focus on the required financing, the Company continues to work to optimize the mine development and restart plan for the Revenue-Virginius Mine to reduce time and capital requirements. The #1 Hoist facility installation remains the critical path item followed by completing underground development to attain four available working faces to resume mining activities on the 1800 level.

Shafter

In the immediate future the Company will be focusing its efforts on the Shafter Project, located near Presidio Texas. The Shafter Project is fully permitted, has a 1,500 ton per day (tpd) processing facility on-site and significant underground development accessing the deposit. Managements intends to conduct a drill program with the goal of increasing the size of the deposit. Specific details of the drill program will be released under separate cover in the near future.

The Shafter project is currently in care and maintenance and potential development and/or re-start activities will be evaluated once the results of the drill program have been evaluated and as commodity prices permit.

CORPORATE DEVELOPMENTS

During the Quarter ended June 30, 2022:

The Company's primary focus during the quarter was to continue updating the project plan to bring the Revenue Virginius Mine back into production based on the updated Feasibility Study announced on March 21, 2022.

The Company continued to maintain its obligations for its land holdings at both the Revenue-Virginius mine in Colorado and the Shafter mine in Texas. All necessary permits have been maintained and are in good standing.

In March the Company restructured the financing agreements with Mercuria and eliminated the hedging obligation while maintaining the ability to re-establish a hedge program upon restarting.

The Company continued its water quality improvement initiatives begun in 2018 including the Supplemental Environmental Project to address historic mill tailings in Sneffels Creek, which was completed in 2020 and the Governor Basin historic mine site restoration, which is planned for construction in 2022. These projects are being completed in partnership with Trout Unlimited and the Uncompahgre Watershed Partnership and reinforce the Company's commitment to environmental stewardship and social license.

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

REVIEW OF FINANCIAL RESULTS

General and Administrative Costs

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Salaries and consulting fees	$ 413,295	$ 335,333	$ 936,147	$ 663,867
Financing cost	-	(1,479)	-	59,440
Professional fees	404,005	158,395	600,401	272,821
Investor relations	537	52,520	39,994	76,379
Marketing and road shows	-	74,362	-	163,245
Listing and filing fees	30,082	37,251	74,000	136,527
Other	159,506	32,866	336,046	72,874
	$ 1,007,425	$ 689,248	$ 1,986,588	$ 1,445,153

Other break down:	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Rent and overhead	$ 45,355	$ 2,593	$ 121,833	$ 6,651
Travel and accommodation	-	3,764	3,681	6,827
Office	114,151	26,509	210,532	59,396
Total Other	$ 159,506	$ 32,866	$ 336,046	$ 72,874

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

Quarterly Financial Information

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

	June 30 2022	March 31 2022	December 31 2021	September 30 2021
	$	$	$	$
Costs and expenses:				
General and administrative costs *	1,007,425	979,163	581,168	608,484
Financing expense and others	1,800,643	5,795,535	909,285	4,626
Maintenance costs *	1,244,544	4,658,594	6,109,893	182,006
Depreciation and amortization property, plant and equipment *	123,811	153,205	156	156
Amortization of right-of-use asset *	-	4,271	29,139	4,472
Stock-based compensation	376,777	516,540	524,472	259,484
Impairment of property, plant and equipment assets and mining interests	-	-	30,986,655	-
Foreign exchange loss (gain)	(2,741,755)	(2,498)	(7,648)	(133,256)
Total costs and expenses	1,811,445	12,104,810	39,133,120	925,972
Gain (loss) of change in derivatives fair value estimate	-	(14,977,405)	(2,856,274)	9,966,151
Other Income	(18,662)	113,452	60,632	2,681
Net income (loss) before other comprehensive items	(1,830,107)	(26,968,763)	(41,928,762)	9,042,860
Currency translation adjustment	(2,625,729)	(101,623)	79,556	(140,525)
Comprehensive income (loss) for the period	$ (4,455,836)	$ (27,070,386)	$ (41,849,206)	$ 8,902,335
Income (loss) per share	(0.01)	(0.09)	(0.15)	0.03

* During the year ending December 31, 2021 OSMI reclassified to mine development costs certain costs and expenses related to pre-production development.

Significant fluctuations in quarterly activity is summarized as follows:

Comprehensive income (loss) for the period

- During the period ending Jun 30, 2022, loss for $4,455,836 (2021: gain of $3,806,373):
  - The Unrealized foreign exchange gain was $2,741,755; (2021 gain: $564,558).
  - The Financing expense was $1,800,643 (2021: $4,661). The main components are related to the restructuration loan agreement with Mercuria.
  - The Maintenance cost was $1,244,544; (2021: $60,624). The main reason for this change was the capitalization of the mine development cost stop on the impairment testing date.

- During the period ending March 31, 2022, loss for $27,070,386 (2021: gain of $2,038,886):
  - The Company recognized loss of $14,977,405 (2021: gain of $ 3,132,967) from change in derivative fair value estimation. The driving factor is the restructuration loan agreement with Mercuria.
  - The Unrealized foreign exchange gain was $2,498; (2021 loss: $1,578,058).
  - The Financing expense was $5,795,535 (2021: $7,849). The main components are related to the restructuration loan agreement with Mercuria.
  - The Maintenance cost was $4,658,594; (2021: $45,347). The main reason for this change was the capitalization of the mine development cost stop on the impairment testing date.

- During the period ending December 31, 2021, loss for $41,849,206 (2020: loss of $9,007,189):
  - The Company recognized loss of $2,856,274 (2020: loss of $ 3,887,253) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the beginning of the quarter versus December 31, 2021. The COMEX silver future price (oz) range is from $22.33 to $24.44. The COMEX silver spot price (oz) opening on September 30 was $21.525 and the closing price on December 31 was $22.488. Also, the silver volatility contributed to the loss.
  - The Unrealized foreign exchange gain was $7,684; (2020 gain: $2,741,520).
  - The Maintenance cost was $5,998,698; (2020: $2,223,788). The main reason for this change was the increase on expenses in OSMI, due to the capitalization of the mine development cost stop on the impairment testing date.
  - The company recognized an impairment of the mine development in the amount of $30,986,655 (2020: $nil).

- During the period ending September 30, 2021, gain for $8,902,335 (2020: loss of $3,060,677):
  - The Company recognized gain of $9,966,151 (2020: $ Nil) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the beginning of the quarter versus September 30, 2021. The COMEX silver future price (oz) range is from $21.525 to $26.610. The COMEX silver spot price (oz) opening on June 30 was $26.194 and the closing price on September 30 was $21.525. Also, the silver volatility contributed to the gain.
  - The Unrealized foreign exchange gain was $133,256; (2020 loss: $2,604,210).

- During the period ending June 30, 2021, loss for $3,806,373 (2020: loss of $2,267,243):
  - The Company recognized loss of $2,814,629 (2020: $ Nil) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the beginning of the quarter versus June 30, 2021. The COMEX silver future price (oz) range is from $26.165 to $28.950. The COMEX silver spot price (oz) opening on March 31 was $25.03 and the closing price on June 30 was $26.194. Also, the increase in silver volatility contributed to the loss.
  - The Unrealized foreign exchange gain was $564,558; (2020 loss: $1,231,126).

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

	June 30 2021	March 31 2021	March 31 2021	December 31 2020
	$	$	$	$
Costs and expenses:				
General and administrative costs	689,248	755,905	755,905	1,923,926
Financing expense and others	4,661	7,849	7,849	402,019
Maintenance costs	60,624	45,347	45,347	2,223,788
Depreciation and amortization property, plant and equipment	160	155	155	340,211
Stock-based compensation	648,570	63,570	63,570	95,775
Amortization of right-of-use asset	4,586	4,450	4,450	28,986
Foreign exchange loss (gain)	(564,558)	1,578,058	1,578,058	(2,741,520)
Total costs and expenses	843,291	2,455,334	2,455,334	2,273,185
Change in derivatives fair value estimate	(2,814,629)	3,132,967	3,132,967	(3,887,253)
Other Income	404,169	7,752	7,752	9,568
Net income (loss) before other comprehensive items	(3,253,751)	685,385	685,385	(6,150,870)
Currency translation adjustment	(552,622)	1,353,501	1,353,501	(2,856,319)
Comprehensive income (loss) for the period	$ (3,806,373)	$ 2,038,886	$ 2,038,886	$ (9,007,189)
Loss per share	(0.02)	0.00	0.00	(0.03)

Significant fluctuations in quarterly activity is summarized as follows:

Comprehensive loss for the period

- During the period ending March 31, 2021, gain for $2,038,886 (2020: loss of $1,935,979):
  - The Company recognized gain $3,132,967 (2020: $ Nil) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the beginning of the quarter versus March 31, 2021. The COMEX silver future price (oz) range is from $24.6499 to $27.5590. The COMEX silver spot price (oz) opening on January 2nd was $27.02 and the closing price on March 31st was $25.03. Also, the increase in silver volatility contributed to the gain.
  - The Unrealized foreign exchange loss was $11,211,210; (2020: $572,900).

- During the period ending December 31, 2020, for $9,007,189 (2019: $2,279,022):
  - The Company recognized $3,887,253 (2019: $ Nil) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the closing transaction date versus December 31, 2020. Also, the increase in silver volatility contributed.
  - The maintenance cost $2,223,788 (2019: $645,076). The increase is related to non-capitalizable development expenses of OSMI.
  - The Unrealized foreign exchange gain was $2,741,520; against a negative result of $83,677 in the same period of 2019.

LIQUIDITY AND FINANCIAL POSITION

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

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

Working capital

As at June 30, 2022, the Company had a negative working capital of $41.6 million, compared with negative $14.4 million as at December 31, 2021. The major components of working capital at June 30, 2022 included $28.0 of current portion of borrowings, $4.3 of private financing, and $13.3 million in accounts payable. Consolidated deficit of $177.3 million as at June 30, 2022, compared with $148.5 million at December 31, 2021.

Current assets

As at June 30, 2021, the Company had current assets in the total amount of total $4.3 million, which includes $0.05 million as cash and cash equivalents.

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

PP&E, net of accumulated amortization, increased from $70.5 million as at December 31, 2021 to $70.9 million as at June 30, 2022. This increase of $0.4 million is integrated as follows:
• Decrease of $0.1 million related to the depreciation.
• Decrease of $0.2 million related to disposal of vehicles.
• Increase of $0.7 million related to Plant and equipment additions.

As of June 30, 2022, Mineral properties kept the same value of $40.9 as of December 31, 2021.

Borrowings

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

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

On March 21, 2022, the Company announced a loan standstill and restructuring with Mercuria Energy Group ("Mercuria") in order to fund the restart of the Revenue-Virginius Mine. In recognition of the Company's previously announced efforts to reset operations, the Company and Mercuria have agreed to certain standstill and restructuring agreements (collectively, the "Restructuring Agreements") with effect as of March 8, 2022.

On July 7, 2022, the District Court for Ouray County, Colorado appointed Alliance Management, Inc. as Receiver for the RV Mine. The Receiver now has control and custody of the RV Mine and the appointment has stayed all civil legal proceedings against Ouray Silver Mine Inc. and the RV Mine, including all arbitration proceedings and foreclosure actions.

OUTSTANDING SHARE CAPITAL

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

As at August 26, 2022, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	309,131,509
Stock options (average exercise price CDN$0.90)	6,555,000
Warrants (average exercise price CDN$0.79)	124,855,881
Total common shares (fully diluted)	**440,542,390**

The weight average exercise price is CDN$0.78

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

TRANSACTIONS WITH RELATED PARTIES

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

a) Trading transactions

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

		Six months ended June 30,	
	Note	2022	2021
General and administrative expenses - Consulting Fees	(i)	$ 89,277	$ 90,660

(i) To company controlled by the Corporate Secretary, and Directors for services performed.

b) Compensation of key management personnel

	Six months ended June 30,	
	2022	2021
Consulting fees (as above)	$ 89,277	$ 90,660
Stock-based compensation expensed	326,901	880,782
Officer salaries	246,843	498,644
	$ 663,021	$ 1,470,086

At August 26, 2022, the Company balance in accounts payable for related parties is $196,950.

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

LEASES

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

The Vancouver lease was for three years with an option to renew expired on March 31, 2022. The Ouray lease was for three years with an option to renew expired on December 31, 2021.

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

Right-of-use asset	Canada	USA	Total
Balance as at December 31, 2020	$ 22,249	$ 98,658	$ 120,907
Capitalization (mine development)	-	73,989	73,989
Amortization *	17,978	24,669	42,647
Balance as at December 31, 2021	4,271	-	4,271
Amortization	4,271	-	4,271
Balance as at June 30, 2022	$ -	$ -	$ -

* The 2021 amortization for OSMI has been reclassified to mine development cost due to pre-production ramp-up.

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 14%.

As of June 30, 2022, no future payments required under the Company's leases are as follow:

Lease liability	Canada	USA	Total
Balance as at December 31, 2020	$ 24,846	$ 112,676	$ 137,522
Payments	(22,124)	(121,404)	(143,528)
Accretion capitalized	-	7,019	7,019
Accretion expense	2,291	1,709	4,000
Currency translation adjustment	330	-	330
Balance as at December 31, 2021	5,343	-	5,343
Payments	(5,453)	-	(5,453)
Accretion capitalized	-	-	-
Accretion expense	126	-	126
Currency translation adjustment	(16)	-	(16)
Balance as at June 30, 2022	$ -	$ -	$ -

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.

On June 30, 2022, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

	June 30 2022	December 31 2021
Cash and cash equivalents	59,605	606,303
Accounts payable and accrued liabilities	(2,599)	-
	57,006	606,303
CDN$ Equivalent	73,458	768,671

Based on the above net exposures as at June 30, 2022, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN Dollar would result in a $5,701 change to the Company's net income for the year.

FAIR VALUE MEASUREMENTS

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

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

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

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

The following table summarizes the fair value hierarchy, as of June 30, 2022:

	Fair Value Through Profit or Loss	Amortized Costs	Fair Value		
			Level 1	Level 2	Level 3
Asset (Liability)					
Cash and cash equivalents	46,135		46,135		
Trade and other receivables		45,470			
Accounts payable and accrued liabilities		(13,342,522)			
Current portion of borrowings		(28,000,000)			
Long term accrued liabilities		(3,344,948)			
Private financing		(4,291,128)			
Borrowings		-			
Close-Out derivatives	(18,283,950)				(18,283,950)

The following table summarizes the fair value hierarchy, as of December 31, 2021:

	Fair Value Through Profit or Loss	Amortized Costs	Fair Value		
			Level 1	Level 2	Level 3
Asset (Liability)					
Cash and cash equivalents	1,535,841		1,535,841		
Trade and other receivables		90,058			
Accounts payable and accrued liabilities		(12,071,916)			
Current portion of borrowings		(5,992,676)			
Long term accrued liabilities		(3,344,948)			
Private financing		(3,525,436)			
Borrowings		(15,943,614)			
Derivatives	(3,306,545)				(3,306,545)

The continuity and valuation techniques that are used to determine the fair value of derivatives are described in Note 17 of the Unaudited Condensed Interim Consolidated Financial Statements. The carrying values of trade and other receivables and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

RISKS AND UNCERTAINTIES

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

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

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

Liquidity risk

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

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

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

The following table disclose the gross contractual obligations as of June 30, 2022:

	Total	2022	2023	2024	2025
	$	$	$	$	$
Accounts payable and accrued liabilities	16,687,470	13,342,522	3,344,948	-	-
Private Financing	4,291,128	4,291,128	-	-	-
Mercuria financing	310,000	310,000			
Borrowings	28,000,000	28,000,000	-	-	-
	49,288,598	45,943,650	3,344,948	-	-

Metals Price risk

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

Risks related to recommencing mining operations

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

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

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

Risks related to global financial conditions.

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

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

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below “A-” are reported to, and approved by, the Audit Committee. As of June 30, 2022, substantially all cash and short-term deposits are with counterparties with ratings “A-” or higher.

Shareholder Dilution

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

Mining risks and insurance

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

Uncertainty of mineral resources and reserves

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

Reclamation obligations

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

Exploration risks

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

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

Conflicting interests

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

Permitting and title

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

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

Market influences

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

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Disclosure controls and procedures

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

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

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

NON IFRS MEASURES

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

ADDITIONAL INFORMATION

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