Management Discussion and Analysis for the quarter ended September 30, 2016

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") condensed interim consolidated financial statements for the Nine months ended September 30, 2016 and 2015 (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, strategic plans, exploration budgets and mineral resource estimates. The information in this MD&A is current to November 23, 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. 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 "Preliminary Economic Assessment and Updated Technical Report on the Shafter Project, Presidio County, Texas", dated September 13, 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, and a director of and a technical advisor to the Company.

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 development 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, which is currently on "care and maintenance". The Shafter Project is owned by Rio Grande Mining Company ("RGMC") through the Company's 100% owned US subsidiary, Silver Assets Inc.

During the financial year ended December 31, 2015, the Company's principal asset was the La Negra mine, located in Mexico. On January 7, 2016, 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 September 30, 2017. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption. The Company had current assets of $1.5 million, a consolidated working capital of $0.7 million, consolidated deficit of $202.6 million and net income of $0.5 million as at and for the period ended on September 30, 2016.

During the last quarter of 2015, the Company entered into a support agreement and an arrangement agreement to implement a restructuring transaction (the "Restructuring Transaction") under which all of the Company's senior secured debt obligations were extinguished in exchange for the Company's interest in the Mexican subsidiary that owns the La Negra mine. The Restructuring Transaction 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 Restructuring Transaction under which all of the Company's debt obligations to Orion Mine Finance (Master) Fund I L.P. (the "Orion"), as lender under the Company's amended and restated senior secured credit facility dated April 29, 2014 (the "Facility"), were extinguished pursuant to proceedings under the *Canada Business Corporations Act* (the "CBCA Proceedings") commenced and announced by the Company on October 30, 2015.

The Restructuring Transaction had the following key elements:

a) All of the debt obligations due and in default under the Facility were exchanged for the Company's interests in the La Negra mine, resulting in the elimination of $40.2 million of principal amount of secured debt;

b) A newly incorporated affiliate of Orion ("Newco") purchased certain non-core equipment from the Company's Shafter property for a total purchase price of $3.5 million. As of the date hereof Orion owes to the Company $140 thousand and will be paid in 2017.

c) Newco will pay the Company US$40,000 per month for a total period of 12 months for certain consulting services to be provided to Newco by specified officers of the Company in connection with the operation of the La Negra mine; and

d) The Company retained all of its other assets, including the Shafter mine, with no dilution to shareholders.

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 has excellent infrastructure, with water and power immediately available, is in a good location with road access and a labour pool nearby.
- Prior mining activity has allowed for an improved, more refined resource model; development issues were identified and a realistic plan has been developed.
- Much of the technical risk of the Shafter Project has now been identified and dealt with; what remains is manageable.
- The Shafter Project is highly leveraged to the price of silver, and that is key to any future re-development.
- The Shafter Project remains fully permitted for operation.
- The Company is debt free, with a favourable share structure.
- Recently, a modified discharge permit was granted by the Texas Commission on Environmental Quality that allows the Company to de-water the underground workings of the Shafter Project, to use it at site or to discharge it at previously permitted locations on the Shafter property, or potentially sell it to a third party for industrial uses.
- The Company is evaluating its options with regard to the Shafter Project and potential strategic transactions. The Company has completed a Preliminary Economic Assessment and is planning its drill campaign. The Company has also received enquiries from third-parties seeking a joint venture at Shafter or a possible merger

or business combination involving the Company; discussions with such parties remain ongoing. The management and the Board of Directors of the Company are considering all available options.

CORPORATE DEVELOPMENTS

During the Period ended September 30, 2016:

- As part of the Restructuring Transaction, the Company provides Orion certain consulting services by specified officers in connection with the operation of the La Negra mine in consideration for $40,000 per month for a total period of 12 months starting February 2016.
- During the period ended September 30, 2016 the Company continued to meet its obligations to maintain its land holdings at Shafter, all necessary permits were maintained and the Company succeeded in obtaining a new water discharge permit.
- Trans-Pecos Pipeline, LLC ("Trans Pecos") is constructing a pipeline that will transport natural gas between the Permian Basin and Presidio, Texas for delivery to customers in Chihuahua, Mexico. The route of the pipeline crosses the Shafter property and, as currently surveyed, may impact upon some aspects of mining-related activities if and when they resume. The pipeline project may have an additional impact on longer-term exploration and development. The Company had 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 alternate routes for the pipeline easement. In March 2016 the Company was made aware that Trans Pecos filed a lawsuit against RGMC to acquire the proposed easement through exercise of its alleged power of eminent domain. The Company has engaged counsel to challenge the public use of the pipeline project and to ensure it receives fair compensation for the impact of the proposed pipeline on the market value of the property and the Company's Shafter operations.
- The Company initiated a Preliminary Economic Assessment ("PEA") of the Shafter Silver Project. The PEA provides a base-case assessment for the development of the existing mineral resource utilizing current mining infrastructure, including the existing shaft and permitted mill and tailings facilities. The objective of the study is to determine the potential economic viability of the mineral resources at Shafter along with a level of cost indication sufficient to proceed to the next level of evaluation.
- Silver Assets, Inc. ("SAI") a subsidiary of Aurcana Corporation, entered into a term assignment agreement (the "Assignment") with a privately-owned, Texas-based oil and gas firm (the "Assignee") in July 2016. Under the Assignment, three contiguous oil and gas leases (the "Leases") have been assigned by SAI to the Assignee for a three-year term, plus any further period during which oil or gas production takes place on the Leases. SAI has retained a Net Revenue Interest Royalty in respect of the Leases that may provide up to 25% of the net revenues therefrom. In consideration of the Assignment, the Assignee made a cash payment of US$374,469.41 to SAI. The Leases total 564 "mineral acres" and are located approximately 200 miles northeast of the Company's Shafter project, in the Permian Basin of West Texas, near Midland.

REVIEW OF FINANCIAL RESULTS

Revenue

During the quarter ended September 30, 2016, the Company generated revenues from consulting services in connection with the operation of the La Negra mine, for a total of $120,000. (2015: $nil). Revenues from mining operations $nil (2015: $6,804,543, from discontinued operations). The revenues for the nine months ended September 30, 2016 from consulting services to the La Negra mine was $320,000 in addition that the Company received $374,469 from Oil & Gas lease. (2015: $nil). Revenues from mining operations 2016 $nil (2015: $22,202,354 from discontinued operations).

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

Cost of Sales

During the quarter ended September 30, 2016, the Company had $nil cost of sales. (2015: $7,800,734, from discontinued operations). The cost of sales for the nine months ended September 30, 2016 was $nil (2015: $23,941,944 from discontinued operations).

Administrative Costs

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Salaries and consulting fees	**$ 142,111**	$ 244,971	**$ 513,500**	$ 993,666
Professional fees	**22,546**	63,776	**99,726**	241,345
Investor relations	**24,381**	17,954	**43,988**	73,922
Marketing and road shows	**92,555**	298	**97,248**	14,479
Listing and filing fees	**122**	2,307	**7,419**	36,620
Other	**76,379**	100,597	**191,657**	397,992
	$ 358,094	$ 429,903	**$ 953,538**	$ 1,758,024

Rent and overhead	**11,605**	23,245	**45,353**	90,522
Travel and accommodation	**8,131**	20,732	**10,323**	104,810
Office	**13,166**	16,737	**41,677**	68,196
Other	**43,477**	39,883	**94,304**	134,464
Total Other	**$ 76,379**	$ 100,597	**$ 191,657**	$ 397,992

(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	September 30 2016	June 30 2016	March 31 2016	December 31 2015
	$	$	$	$
Total Revenues from mining operations	-	-	-	5,220,369
Losses from mininng operations	-	-	-	(2,949,969)
Revenues from management fees and oil & gas lease	494,469	120,000	80,000	-
Net loss after tax from continuing operations	(314,050)	(401,563)	(614,351)	(11,346,853)
Net income (loss) after discontinuing operations	(354,297)	(766,101)	1,668,613	(11,346,853)
Income (loss) per share	-	(0.01)	0.02	(0.13)

Quarter Ended	September 30 2015	June 30 2015	March 31 2015	December 31 2014
	$	$	$	$
Total Revenues from mining operations	6,804,543	7,360,294	8,037,517	9,094,317
Losses from mine operations	(996,191)	(575,098)	(168,301)	(349,735)
Net loss after tax	(6,550,700)	(1,774,297)	(4,101,593)	(5,537,288)
Net loss after discontinuing operations	(6,550,700)	(1,774,297)	(4,101,593)	(5,537,288)
Loss per share	(0.08)	(0.02)	(0.05)	(0.07)

- During the three months ending September 30, 2016, the Company received $120,000 for consulting fees in connection with the operation of the La Negra mine, and $374,469 for oil and gas lease.

- During the three months ending June 30, 2016, the Company received $120,000 for consulting fees in connection with the operation of the La Negra mine.

- In the quarter ended March 31, 2016, the Company finalized the Restructuring Transaction with Orion. The net income after discontinuing operations for the first three months of the year is $1,668,613.

- 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.

(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. On January 12, 2016 the Company announced 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, 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 Mine Development Associates, Inc. ("MDA") of Reno, Nevada, 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.
- Readers are advised that a Technical Report containing the foregoing resource estimate is available on SEDAR (www.sedar.com). The report titled "Preliminary Economic Assessment and Updated Technical Report on the Shafter Project, Presidio County, Texas", dated September 13, 2016 (the "Technical Report"). The Technical Report was prepared for Aurcana by Paul Tietz, CPG, Neil Prenn, P.E., Edwin Peralta, P.E of Mine Development Associates, Inc., George Burgermeister, P.E of Samuel Engineering, Inc. and Stephen Glass of Gault Group, LLC. Mssrs. Tietz, Prenn, Peralta, Burgermeister and Glass are Qualified Persons as defined under National Instrument 43-101."

In September 2016 the Company completed a Preliminary Economic Assessment ("PEA") of Shafter.

Highlights of the PEA include:

- Base Case* post-tax NPV (5% discount rate) of $18 million, internal rate of return ("IRR") of 40.9%.
- Initial capital costs of approximately $13.2 million, including $1.1 million contingency.
- Pre-production development of less than one year.
- Mine production of just over 6 years.
- Net average post-tax undiscounted operating cash flow of approximately $5.5 million per year.
- Life of Mine payable production of 9.3 million ounces of silver
- Average annual silver production during first six years of operation of 1.5 million ounces
- Life of mine average silver recovery of 81.73%
- Payback is approximately 1.7 years
  *Base Case uses $20/oz silver.

The PEA contemplates an underground mine using existing underground development and feeding the existing mill at a rate of 600 tons per day (TPD). Mining will use conventional mechanized methods. The total mill throughput in the PEA is estimated to be 1.3 million tons, of which 59% are currently classified in the Resource Estimate as Measured and Indicated material, and 41% are currently classified as Inferred material. A 5 oz/t breakeven cutoff grade was reflected in the underground mine design. The breakeven cut-off incorporates grade, mine and process plant operating costs and recovery data.

Note that the PEA is preliminary in nature and includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the economic results described in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Base Case discounted cash flows in the PEA are provided both pre-tax and post-tax, and are prepared in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators. The PEA was completed by Mine Development Associates ("MDA"), and Samuel Engineering, Inc. ("Samuel"), both independent engineering firms. Readers are advised that a Technical Report containing the foregoing resource estimate is available on SEDAR (www.sedar.com). The report titled "Preliminary Economic Assessment and Updated Technical Report on the Shafter Project, Presidio County, Texas", dated September 13, 2016 (the "Technical Report"). The Technical Report was prepared for Aurcana by Paul Tietz, CPG, Neil Prenn, P.E., Edwin Peralta, P.E of Mine Development Associates, Inc., George Burgermeister, P.E of Samuel Engineering, Inc. and Stephen Glass of Gault Group, LLC. Mssrs. Tietz, Prenn, Peralta, Burgermeister and Glass are Qualified Persons as defined under National Instrument 43-101."

Trans-Pecos Pipeline, LLC ("Trans Pecos") is constructing a pipeline that will transport natural gas between the Permian Basin and Presidio, Texas for delivery to customers in Chihuahua, Mexico. The route of the pipeline crosses the Shafter property and, as currently surveyed, may impact upon some aspects of mining-related activities if and when they resume. The pipeline project may have an additional impact on longer-term exploration and development. The Company had 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 alternate routes for the pipeline easement. In March 2016 the Company was made aware that Trans Pecos filed a lawsuit against RGMC to acquire the proposed easement through exercise of its alleged power of eminent domain. The Company has engaged counsel to challenge the public use of the pipeline project and to ensure it receives fair compensation for the impact of the proposed pipeline on the market value of the property and the Company's Shafter operations.

Through the administrative phase of this proceeding, Trans Pecos has obtained a statutory right of possession to move forward with construction of its project. This administrative determination is not binding on the Company’s right to contest Trans Pecos’s project or the amount of compensation owed. The Company will continue to vigorously defend its rights.

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 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 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.

Working capital

The Company had current assets of $1.5 million, a consolidated working capital of $0.7 million, consolidated deficit of $202.6 million and net income of $0.5 million as at and for the period ended on September 30, 2016.

During the last quarter of 2015, the Company entered into a support agreement and an arrangement agreement with Orion to effect in the Restructuring Transaction under which all of the senior secured debt obligations of the Company were extinguished in exchange for the Company’s interest in the Mexican subsidiary that owns the La Negra mine. The Restructuring Transaction was implemented on January 7, 2016.

Current assets

As at September 30, 2016, the Company had current assets in the total amount of total $1.5 million which includes $0.7 million as cash and cash equivalents.

Mineral properties, plant and equipment (“PP&E”)

PP&E, net of accumulated amortization, of $6.9 million at September 30, 2016, was in the same amount at December 31, 2015. Mineral properties (being Shafter) remain the same as at December 2015, in the amount of$9.5 million.

(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 August 26, 2016, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	84,744,973
Warrants (Exercise price C$0.80)	9,732,908
Stock options (average exercise price C$0.39)	5,006,250
Total common shares (fully diluted)	**99,484,131**

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	**September 30 2016**	September 30 2015
Technical and consulting fees	(i)	$ 36,347	$ 28,953

i) To companies controlled by officers or directors.

Compensation of key management personnel:

	September 30 2016	September 30 2015
Consulting fees (as above)	$ 36,347	$ 28,953
Directors' fees	22,224	159,748
Officer salaries	340,574	357,200
Stock-based compensation	353,387	4,026
	$ 752,532	$ 549,927

Officer salaries Includes the salaries of the President and CEO, and CFO

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

Transactions with Orion, the Company's principal lender:

	September 30 2016	September 30 2015
Repayment of loan principal (Note 18)	$ 40,223,056	$ -
Payment of interest	-	1,374,157
Accrued interest	-	393,680
	$ 40,223,056	$ 1,767,837

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

On January 7, 2016, the Company completed the Restructuring Transaction under which all of the Company's debt obligations to Orion, as lender under the Facility, were extinguished pursuant to proceedings under the *Canada Business Corporations Act* (the "CBCA Proceedings") commenced and announced by the Company on October 30, 2015.

COMMITMENTS AND CONTINGENCIES:

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 $0.4 million in property taxes owed on the Shafter property for 2013, 2014 and accrual for 2016. 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.

SUBSEQUENT TO THE PERIOD ENDED SEPTEMBER 30, 2016:

As of November 2016, Trans Pecos has obtained a statutory right of possession to move forward with construction of its project. This administrative determination is not binding on the Company's right to contest Trans Pecos's project or the amount of compensation owed. The Company will continue to vigorously defend its rights.

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 September 30, 2016, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		September 30, 2016
Cash and cash equivalents	USD$	359,908
Accounts payable		(16,912)
	USD$	342,997
CAD$ Equivalent		**449,909**

At September 30, 2016, 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:

		September 30, 2016
Cash and cash equivalents	MXP$	3,275
Other receivable		-
Accounts payable		(4,641,425)
	MXP$	(4,638,150)
USD$ Equivalent		**(237,851)**

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. The carrying values of these 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.

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, 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 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 September 30, 2016, 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.

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

The Shafter Project remains permitted for operation.

Aurcana's property 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.

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**.**