



## **AURCANA CORPORATION**

### **Condensed Interim Consolidated Financial Statements**

**March 31, 2017**

Expressed in United States dollars unless otherwise stated

850-789 West Pender Street, Vancouver BC V6C 1H2 Canada

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*NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS*

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of financial statements by an entity's auditor.

*"Kevin Drover"*  
**President and CEO**

*"Salvador Huerta"*  
**CFO**

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

	Notes	March 31 2017	December 31 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	\$ 2,711,113	\$ 663,566
Trade and other receivables	3	198,871	198,962
Prepaid expenses and advances	4	48,217	71,962
Prepaid income tax		39,563	36,011
Assets held for sale		95,500	95,500
		<b>3,093,264</b>	<b>1,066,001</b>
<b>Non Current assets</b>			
Non-current prepaid expenses	4	19,616	19,445
Property, plant and equipment	5	6,863,833	6,864,610
Mineral Properties	6	9,500,000	9,500,000
		<b>\$ 19,476,713</b>	<b>\$ 17,450,056</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 557,445	\$ 563,804
Deferred revenue	14	124,937	124,937
		<b>682,382</b>	<b>688,741</b>
<b>Non Current liabilities</b>			
Deferred revenue	14	160,878	191,684
Provision for environmental rehabilitation	8	300,838	300,838
		<b>1,144,098</b>	<b>1,181,263</b>
<b>Equity</b>			
Share capital	9	182,963,237	181,833,880
Contributed surplus		36,143,617	34,837,262
Accumulated other comprehensive income		2,732,494	2,682,160
Deficit		(203,517,761)	(203,096,130)
		<b>18,321,587</b>	<b>16,257,172</b>
<b>Total equity attributable to equity holders of the parent</b>		<b>18,321,587</b>	<b>16,257,172</b>
<b>Non-controlling interest</b>		<b>11,028</b>	<b>11,621</b>
<b>Total equity</b>		<b>18,332,615</b>	<b>16,268,793</b>
		<b>\$ 19,476,713</b>	<b>\$ 17,450,056</b>

Nature of Operations and Going Concern (Note 1)  
Commitments and Contingencies (Note 11)  
Subsequent Events (Note 17)

*See accompanying notes to these consolidated financial statements.*

Approved on behalf of the Board of Directors:

*“Jerry Blackwell”*

**Director**

*“Adrian Aguirre”*

**Director**

**Aurcana Corporation**

**Condensed Interim Consolidated Statements of Comprehensive Income**  
(Un audited and expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended March 31,	
		2017	2016
<b>Continuing Operations</b>			
<b>Revenues</b>			
Management Fees		\$ 120,000	\$ 80,000
Oil & Gas lease	14	30,806	-
		150,806	80,000
<b>Other items</b>			
General and administrative costs	15	327,051	321,081
Financing expense and others	16	1,185	1,612
Stock-based compensation		-	353,387
Shafter mine care & maintenance costs		178,922	99,616
Foreign exchange (income) loss		66,250	(103,282)
Restructuring transaction cost		-	22,630
Gain on settlement of debt		-	(2,282,964)
Other income		(378)	(693)
		573,030	(1,588,613)
<b>Net income (loss) for the period before other comprehensive items</b>		\$ (422,224)	\$ 1,668,613
<b>Items of other comprehensive income</b>			
Currency translation adjustment		50,334	191,288
<b>Comprehensive income (loss) for the Period</b>		\$ (371,890)	\$ 1,859,901
<b>Total net Income (loss) attributable to:</b>			
Non-controlling interest		(593)	(15,120)
Equity holders of the Company		(421,631)	1,683,733
		\$ (422,224)	\$ 1,668,613
<b>Total comprehensive income (loss) attributable to:</b>			
Non-controlling interest		(593)	(15,120)
Equity holders of the Company		(371,297)	1,875,021
		\$ (371,890)	\$ 1,859,901
Weighted average number of shares – basic		88,972,278	84,644,973
Adjustment for:			
Share options		2,162,355	-
Weighted average number of shares diluted		91,134,633	84,644,973
<b>Loss per share</b>			
<b>From continuing and discontinued operations - basic &amp; diluted</b>			
		\$ -	\$ 0.02
<b>From continuing operations - basic &amp; diluted</b>		\$ -	\$ 0.02

See accompanying notes to these consolidated financial statements.

**Aurcana Corporation**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Unaudited and expressed in United States dollars, unless otherwise stated)**

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity Attributable to Shareholders of the Company	Non- controlling Interest	Total Equity
	#	\$						
<b>Balance, December 31, 2015</b>	84,644,973	\$ 181,814,354	\$ 34,260,229	\$ 2,338,478	\$ (203,133,321)	\$ 15,279,740	\$ 28,175	\$ 15,307,915
Currency translation adjustment	-	-	-	191,288	-	191,288	-	191,288
Net income for the period	-	-	-	-	1,683,733	1,683,733	(15,120)	1,668,613
Stock-based compensation	-	-	-	-	-	-	-	-
<b>Balance, March 31, 2016</b>	84,644,973	181,814,354	34,260,229	2,529,766	(201,449,588)	17,154,761	13,055	17,167,816
Currency translation adjustment	-	-	-	152,394	-	152,394	-	152,394
Net income for the Period	-	-	-	-	(1,646,542)	(1,646,542)	(1,434)	(1,647,976)
Shares issued for:								
Exercise of options	100,000	19,526	(7,139)	-	-	12,387	-	12,387
Stock-based compensation	-	-	584,172	-	-	584,172	-	584,172
<b>Balance, December 31, 2016</b>	84,744,973	181,833,880	34,837,262	2,682,160	(203,096,130)	16,257,172	11,621	16,268,793
Currency translation adjustment	-	-	-	50,334	-	50,334	-	50,334
Net income for the Period	-	-	-	-	(421,631)	(421,631)	(593)	(422,224)
Shares issued for:								
Private Placement	11,529,014	1,306,355	1,306,355	-	-	2,612,710	-	2,612,710
Share Issue Costs	-	(176,998)	-	-	-	(176,998)	-	(176,998)
<b>Balance, March 31, 2017</b>	96,273,987	\$ 182,963,237	\$ 36,143,617	\$ 2,732,494	\$ (203,517,761)	\$ 18,321,587	\$ 11,028	\$ 18,332,615

*See accompanying notes to these consolidated financial statements.*

Aurcana Corporation

**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited and expressed in United States dollars, unless otherwise stated)**

	Three months ended March 31,	
	2017	2016
<b>Cash flows from operating activities</b>		
<b>Net income (loss) for the period</b>	<b>\$ (422,224)</b>	<b>\$ 1,668,613</b>
Items not involving cash:		
Gain on settlement of debt	-	(2,282,964)
Depreciation, depletion and amortization	777	755
Stock-based compensation	-	353,387
Unrealized foreign exchange (income) loss	80,785	(87,840)
Deferred revenue	(30,806)	-
Deferred income tax	-	40,247
<b>Operating cash flow before changes in working capital</b>	<b>(371,468)</b>	<b>(307,802)</b>
Net changes to non-cash working capital balances		
Trade and other receivables	91	(1,571,444)
Prepaid expenses and advances	23,745	18,372
Accounts payable and accrued liabilities	(6,359)	(1,031,949)
<b>Cash provided by (used in) operating activities</b>	<b>(353,991)</b>	<b>(2,892,823)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of equipment	-	3,315,000
Purchase of property, plant and equipment	-	(71,248)
<b>Cash provided by (used in) investing activities</b>	<b>-</b>	<b>3,243,752</b>
<b>Cash flows from financing activities</b>		
Share capital issued, net of share issue costs	2,612,710	-
Share Issue Costs	(176,998)	-
Financing cost and bank charges	-	1,612
<b>Cash provided by (used in) financing activities</b>	<b>2,435,712</b>	<b>1,612</b>
Increase (decrease) in cash and cash equivalents	2,081,721	352,541
Effect of exchange rate changes on cash	(34,174)	(2,127)
Cash and cash equivalents, beginning of the period	663,566	236,301
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,711,113</b>	<b>\$ 586,715</b>

Supplemental Cash Flow information (Note 12)

*See accompanying notes to these consolidated financial statements.*

## AURCANA CORPORATION

### Notes to Condensed Interim Consolidated Financial Statements

(Unaudited and expressed in United States dollars, unless otherwise stated)

#### 1. Nature of Operations and Going Concern

Aurcana Corporation (the “Company” or “Aurcana”) was originally incorporated in Canada under the laws of Ontario in 1917 and on September 14, 1998 was continued under the *Canada Business Corporations Act* (“CBCA”). The Company is currently engaged in the exploration, development and operation of natural resource properties. The Company’s principal development property is the Shafter silver property (“Shafter”), located in Presidio County, Texas through the Company’s 100% owned US subsidiary, Silver Assets Inc, which is currently on “care and maintenance”. Prior to the Restructuring Agreement referenced below and in Note **Error! Reference source not found.**, the Company was also engaged in the production and sale of silver, copper, lead, and zinc concentrates at the La Negra Mine located in Queretaro State, Mexico

The Company’s shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 850-789 West Pender Street, Vancouver, B.C., V6C 1H2, Canada.

These condensed Interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Several adverse conditions and material uncertainties, including low metal prices, may cast significant doubt upon the Company’s ability to continue as a going concern. As at March 31, 2017, the Company had working capital of \$2.3 million, compared with \$0.4 million as at December 31, 2016. The major components of working capital at March 31, 2017 included \$3.1 million of current assets, and \$0.6 million in accounts payable.

#### 2. Basis of Preparation

These 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”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016.

These consolidated financial statements were approved for issue by the Board of Directors on May 25, 2017.

**AURCANA CORPORATION****Notes to Condensed Interim Consolidated Financial Statements****(Unaudited and expressed in United States dollars, unless otherwise stated)****3. Trade and Other Receivables**

	<b>March 31 2017</b>	December 31 2016
Equipment sales receivable	<b>140,000</b>	140,000
Other receivables	<b>58,871</b>	58,962
	<b><u>\$ 198,871</u></b>	<b><u>\$ 198,962</u></b>

Equipment sales receivable were amounts held in escrow at March 31, 2017.

**4. Prepaid expenses and advances**

	<b>March 31 2017</b>	December 31 2016
Prepaid expenses	<b>\$ 47,010</b>	\$ 70,521
Other	<b>1,207</b>	1,441
Current portion	<b>48,217</b>	71,962
Non-current portion	<b>19,616</b>	19,445
	<b><u>\$ 67,833</u></b>	<b><u>\$ 91,407</u></b>



**AURCANA CORPORATION**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Unaudited and expressed in United States dollars, unless otherwise stated)**

**5. Property, Plant and Equipment**

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Total
<b>Cost</b>							
Balance at December 31, 2015	875,000	2,462,649	3,500,000	16,944	88,698	538,419	7,481,710
Reclassification	-	21,235	-	-	-	(21,235)	-
Discontinued operations	-	-	-	-	-	(479,838)	(479,838)
Balance at December 31, 2016 & March 31, 2017	\$ 875,000	\$ 2,483,884	\$ 3,500,000	\$ 16,944	\$ 88,698	\$ 37,346	\$ 7,001,872
<b>Accumulated depreciation</b>							
Balance at December 31, 2015	-	-	-	16,944	88,698	509,887	615,529
Charge for the year	-	-	-	-	-	1,571	1,571
Discontinued operations	-	-	-	-	-	(479,838)	(479,838)
Balance at December 31, 2016	-	-	-	16,944	88,698	31,620	137,262
Charge for the period	-	-	-	-	-	777	777
Balance at March 31, 2017	-	-	-	16,944	88,698	32,397	138,039
<b>Net book value</b>							
Balance at December 31, 2015	\$ 875,000	\$ 2,462,649	\$ 3,500,000	\$ -	\$ -	\$ 28,532	\$ 6,866,181
Balance at December 31, 2016	\$ 875,000	\$ 2,483,884	\$ 3,500,000	\$ -	\$ -	\$ 5,726	\$ 6,864,610
Balance at March 31, 2017	\$ 875,000	\$ 2,483,884	\$ 3,500,000	\$ -	\$ -	\$ 4,949	\$ 6,863,833

Note: Mining and plant equipment and assets under construction, which are not in production, are not subject to amortization.

**AURCANA CORPORATION****Notes to Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****6. Mineral Properties**

	<u>Shafter, Texas, USA, in Care &amp; Maintenance</u>
<b>Cost</b>	
<b>Balance at December 31, 2015</b>	\$ 15,500,000
Expenditures	-
<b>Balance at December 31, 2016 &amp; March 31, 2017</b>	<u>\$ 15,500,000</u>
<b>Accumulated depletion</b>	
<b>Balance at December 31, 2015</b>	\$ 6,000,000
Charge for the period	-
<b>Balance at December 31, 2016 &amp; March 31, 2017</b>	<u>\$ 6,000,000</u>
<b>Balance at December 31, 2015</b>	<u>\$ 9,500,000</u>
<b>Balance at December 31, 2016 &amp; March 31, 2017</b>	<u>\$ 9,500,000</u>

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

**7. Accounts Payable and Accrued Liabilities**

	<u>March 31 2017</u>	<u>December 31 2016</u>
Property taxes	\$ 145,000	\$ 204,329
Salaries, payroll deductions and employee benefits	-	-
Employees' statutory profit sharing	-	-
Mine suppliers - operating	-	2,248
Mine suppliers - C&M	10,726	-
Value added tax	306,597	279,077
Restructuring Transaction	-	-
Other	95,122	78,150
	<u>\$ 557,445</u>	<u>\$ 563,804</u>

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

**8. Provision for Environmental Rehabilitation**

In the current period the reclamation liability was not discounted due to the fact that the Shafter project is still in care and maintenance. In 2016, the Company discounted the reclamation cost to its estimated fair value using a 10% discount rate over the estimated 8 years life of mine. The discounted liability has been recorded at \$300,838 as at December 31, 2016 and no changes for the current period.

The environmental remediation liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates such as inflation and discount rates.

The provision for environmental rehabilitation for the period ended March 31, 2017 and the year ended December 31, 2016 is as follows:

	<b>March 31 2017</b>	December 31 2016
	<u>                    </u>	<u>                    </u>
Environmental rehabilitation, beginning of the year	\$ 300,838	\$ 479,838
Change in estimates	-	(179,000)
Environmental rehabilitation, end of period	<u>\$ 300,838</u>	<u>\$ 300,838</u>

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

**9. Equity**

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

Share issuance details:

	Number of Common Shares	Amount
<b>Balance, December 31, 2011</b>	53,845,618	146,556,711
<b>Balance, December 31, 2013</b>	58,412,564	\$ 168,678,333
Debt restructuring	16,499,501	10,333,333
Private placement	9,732,908	3,525,944
Share Issue Costs	-	(723,256)
<b>Balance, December 31, 2014 and 2015</b>	84,644,973	181,814,354
Exercised options	100,000	19,526
<b>Balance, December 31, 2016</b>	84,744,973	181,833,880
Private placement	11,529,014	1,306,355
Share Issue Costs	-	(176,998)
<b>Balance, March 31, 2017</b>	96,273,987	182,963,237

Stock options

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

<u>Stock options</u>	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share (\$CDN)
<b>Balance, December 31, 2014</b>	2,415,625	6.23
Expired	(1,031,250)	6.22
<b>Balance, December 31, 2015</b>	1,384,375	6.24
Granted	5,350,000	0.19
Exercised	(100,000)	0.17
Expired	(493,750)	6.55
Forfeited	(734,375)	5.80
<b>Balance, December 31, 2016 &amp; March 31, 2017</b>	5,406,250	0.39

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

**9. Equity (continued)**

<b>Outstanding</b>	<b>Vested</b>	<b>Exercise Price (\$CDN)</b>	<b>Expiry Date</b>
87,500	87,500	\$ 8.16	June 11, 2017
68,750	68,750	\$ 6.32	February 28, 2018
4,850,000	4,850,000	\$ 0.17	March 2, 2021
400,000	400,000	\$ 0.40	March 2, 2021
<b>5,406,250</b>	<b>5,406,250</b>	<b>\$ 0.39</b>	

On August 10<sup>th</sup>, 100,000 options were exercised.

Stock based compensation

For the period ended March 31, 2017 the stock-based compensation expense was \$nil (2015: \$353,387). Fair value of stock options granted as above is calculated using the following weighted average assumptions.

	<b>March 31 2017</b>	December 31 2016
Risk-free interest rate	-	0.70%
Expected stock price volatility	-	92.35%
Expected dividend yield	-	n/a
Expected option life in years	-	4

Warrants

<b>Common Share Purchase Warrants</b>	<b>Number of Common Share Warrants</b>
<b>Balance, December 31, 2014</b>	10,559,566
Expired	(293,750)
<b>Balance, December 31, 2015</b>	10,265,816
Expired	(532,908)
<b>Balance, December 31, 2016</b>	9,732,908
Private placement	11,529,014
Agents' warrants	709,760
<b>Balance, March 31, 2017</b>	<b>21,971,682</b>

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

**9. Equity (continued)**

As of March 31, 2017, details of outstanding common shares purchase warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
9,732,908	\$0.80	June 20, 2017
12,238,774	\$0.45	February 27, 2020

**10. Related Party Transactions**

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

a) Trading transactions

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

	Note	March 31 2017	March 31 2016
Technical and consulting fees	(i)	\$ 22,020	\$ 5,756

i) To a company controlled by a director of the Company.

b) Compensation of key management personnel

	March 31 2017	March 31 2016
Consulting fees (as above)	\$ 22,020	\$ 5,756
Directors' fees	-	22,224
Officer salaries	113,310	109,298
Stock-based compensation	-	353,387
	<u>\$ 135,330</u>	<u>\$ 490,665</u>

## AURCANA CORPORATION

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

#### 11. Commitments and contingencies

##### Head office lease

Effective May 1, 2014, the Company executed a lease agreement for new office space for a period of 48 months, expiring on April 30, 2018. The minimum monthly payment is \$9,178. Subsequent the year end, in April, 2016 the Company subleased such premises for \$7,489 per month and moved to a new location. The new head office has a monthly lease cost of \$3,571 for a period of 36 months, expiring March 31, 2019.

##### Property Taxes

Included in accounts payable is \$0.1 million related to property taxes owed on the Shafter property for 2013, 2014 and the accrual for the current period. 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.

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

	Commitments due by year (000's)			
	Total	2017	2018	2019
	\$	\$	\$	\$
Rent	\$ 89	\$ 35	\$ 46	\$ 8

##### Claims to the Company

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 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.

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

**12. Supplemental Cash Flow Information**

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

	<b>March 31</b>	December 31
	<b>2017</b>	2016
	<u>                    </u>	<u>                    </u>
Cash	\$ 2,711,113	\$ 663,566
Short-term investments	-	-
	<u>\$ 2,711,113</u>	<u>\$ 663,566</u>
Cash and bank balances included in a disposal group held for sale	-	-
	<u>\$ 2,711,113</u>	<u>\$ 663,566</u>

Supplemental disclosures of cash flow information for the period ended:

	<b>March 31</b>	December 31
	<b>2017</b>	2016
	<u>                    </u>	<u>                    </u>
Cash interest paid	\$ -	\$ -
AR from equipment sold held in escrow	<u>140,000</u>	<u>140,000</u>

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

Non-cash investing and financing activities are as follows:

	<b>2017</b>	2016
	<u>                    </u>	<u>                    </u>
Decrease in accounts payable related to construction in progress and equipment suppliers	\$ -	\$ (80,261)



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

**13. Segmented Information**

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

<b>March 31, 2017</b>	Corporate and other		Total
	Shafter	segments	
Sales & Consulting fees to external customers	\$ 30,806	\$ 120,000	\$ 150,806
Shafter mine Care & Maintenance cost	178,922	-	178,922
G&A expenses and other expense	404	393,704	394,108
Loss before income taxes	(148,520)	(273,704)	(422,224)
Income tax expense	-	-	-
Net income (loss) for the period	(148,520)	(273,704)	(422,224)
Intersegment charges	-	-	-
Property, plant and equipment	6,858,884	4,949	6,863,833
Mineral properties	9,500,000	-	9,500,000
Total capital assets	16,358,884	4,949	16,363,833
Total assets	16,555,494	2,921,219	19,476,713
Total liabilities	749,208	394,890	1,144,098

<b>March 31, 2016</b>	Corporate and other		Total
	Shafter	segments	
Sales & Consulting fees to external customers	\$ -	\$ 80,000	\$ 80,000
Shafter mine Care & Maintenance cost	99,616	-	99,616
G&A expenses and other expense	519	594,216	594,735
Loss before income taxes	(100,135)	(514,216)	(614,351)
Income tax expense	-	-	-
Income for the period from discontinued operation	-	2,282,964	2,282,964
Net income (loss) for the period	(100,135)	1,768,748	1,668,613
Intersegment charges	-	-	-
Property, plant and equipment	6,858,884	6,542	6,865,426
Mineral properties	9,500,000	(9,500,000)	-
Total capital assets	16,358,884	(9,493,458)	6,865,426
Total assets	16,474,500	2,703,989	19,178,489
Total liabilities	951,351	705,935	1,657,286

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

**14. Oil and Gas lease**

On July 15, 2016 Silver Assets, Inc. (“SAI”), has entered into a term assignment agreement (the “Assignment”) with a privately-owned, Texas-based oil and gas firm (the “Assignee”). 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. The lease proceeds were allocated as follows:

	<b>March 31</b>	December 31
	<b>2017</b>	2016
	<u>          </u>	<u>          </u>
Deferred Revenue Short term	<b>\$ 124,937</b>	\$ 124,937
Deferred Revenue Long term	<b>160,878</b>	191,684
	<b><u>285,815</u></b>	<u>316,621</u>
	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<u>          </u>	<u>          </u>
Revenue	<b><u>30,806</u></b>	<u>-</u>

**15. General and administrative costs**

	Three months ended March 31,	
	<b>2017</b>	2016
	<u>          </u>	<u>          </u>
Salaries and consulting fees	<b>\$ 159,572</b>	\$ 220,382
Professional fees	<b>52,464</b>	16,518
Investor relations	<b>30,000</b>	7,094
Marketing and road shows	<b>29,027</b>	962
Listing and filing fees	<b>3,107</b>	121
Other	<b>52,881</b>	76,004
	<b><u>\$ 327,051</u></b>	<u>\$ 321,081</u>

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

**16. Financing expense and other**

	Three months ended March 31,	
	<u>2017</u>	<u>2016</u>
Financing expense and bank charges	\$ 1,185	\$ 1,612

**17. Subsequent events**

- On April 26, 2017 the Company announced the appointment of Kevin Francis as Vice President Project Development. Mr. Francis has over 25 years of mine management and re-engineering experience. He has extensive experience in project development, including, mine operations, technical and financial analysis, permitting, and mine safety compliance.
- On April 28, 2017 the Company announced a stock option Plan for a total of 2,950,000 options to purchase shares at a price of \$0.32 the stock options have been granted to directors, officers, employees and consultants.