



## **AURCANA CORPORATION**

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

**March 31, 2019**

(Unaudited)

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**  
**(Expressed in United States dollars)**

	Notes	March 31 2019	December 31 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	\$ 2,873,781	\$ 4,464,236
Trade and other receivables	4	310,347	299,221
Inventories	5	142,382	142,382
Prepaid expenses and advances	6	274,988	409,181
		<b>3,601,498</b>	<b>5,315,020</b>
<b>Non Current assets</b>			
Non-current prepaid expenses	6	5,218	5,111
Long term deposits		71,933	71,933
Property, plant and equipment	7	23,141,743	23,315,555
Mineral Properties	8	41,160,594	41,160,594
Reclamation deposits	9	480,769	480,769
		<b>\$ 68,461,755</b>	<b>\$ 70,348,982</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 1,363,618	\$ 1,833,660
Deferred revenue	11	35,941	66,747
		<b>1,399,559</b>	<b>1,900,407</b>
<b>Non Current liabilities</b>			
Provision for environmental rehabilitation	12	1,120,270	1,120,270
		<b>2,519,829</b>	<b>3,020,677</b>
<b>Equity</b>			
	13		
Share capital		25,594,154	25,594,154
Contributed surplus		131,413,617	131,413,617
Accumulated other comprehensive loss		(342,471)	(433,425)
Deficit		(90,734,539)	(89,257,206)
Total equity attributable to equity holders of the parent		65,930,761	67,317,140
Non-controlling interest		11,165	11,165
Total equity		<b>65,941,926</b>	<b>67,328,305</b>
		<b>\$ 68,461,755</b>	<b>\$ 70,348,982</b>

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 15)

First-time adoption of IFRS (Note 24)

Subsequent Events (Note 25)

See accompanying notes to these Condensed Interim Consolidated financial statements.

Approved on behalf of the Board of Directors:

"Jose Manuel Borquez"  
**Director**

"Michael P. Gross"  
**Director**

**Aurcana Corporation**

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

	Notes	Three months ended March 31,	
		2019	2018
<b>Continuing Operations</b>			
<b>Revenues</b>			
Management Fees	18	\$ 150,000	\$ -
Oil & Gas lease	11	30,806	-
		<u>180,806</u>	<u>-</u>
<b>Expenses</b>			
General and administrative costs	19	\$ 776,907	\$ 317,908
Financing expense and others	20	4,013	7,044
Care & maintenance costs	21	469,464	342,496
Depreciation and amortization	22	363,523	404,820
Foreign exchange loss		46,208	-
Other (income)		(1,976)	(5,500)
		<u>1,658,139</u>	<u>1,066,768</u>
<b>Net loss for the period before other comprehensive items</b>		<b>(1,477,333)</b>	<b>(1,066,768)</b>
<b>Other comprehensive Income</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		90,954	-
Total other comprehensive income for the period		<u>90,954</u>	<u>-</u>
<b>Total comprehensive loss for the period</b>		<b>\$ (1,386,379)</b>	<b>\$ (1,066,768)</b>
Weighted average number of shares diluted		116,309,028	83,240,359
<b>Loss per share (basic &amp; diluted)</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

*See accompanying notes to these Condensed Interim Consolidated financial statements.*

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

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Shareholders of the Company	Non- controlling Interest	Total Equity
	#	\$						
<b>Balance, December 31, 2017</b>	83,240,359	\$ -	\$ 45,212,179	\$ -	\$ (83,656,524)	\$ (38,444,345)	\$ -	\$ (38,444,345)
Net loss for the period	-	-	-	-	(1,066,768)	(1,066,768)	-	(1,066,768)
<b>Balance, March 31, 2018</b>	83,240,359	-	45,212,179	-	(84,723,292)	(39,511,113)	-	(39,511,113)
Net loss for the period	-	-	-	-	(4,533,914)	(4,533,914)	-	(4,533,914)
Additional paid in capital (note 3)	-	-	4,478,701	-	-	4,478,701	-	4,478,701
Common shares post consolidation (note 3)	26,776,669	22,574,081	-	-	-	22,574,081	11,165	22,585,246
Private placement (note 13)	6,292,000	3,020,073	1,592,592	-	-	4,612,665	-	4,612,665
Metal prepaid agreement cancelation (note 3)	-	-	80,130,145	-	-	80,130,145	-	80,130,145
Currency translation adjustment	-	-	-	(433,425)	-	(433,425)	-	(433,425)
<b>Balance, December 31, 2018</b>	116,309,028	25,594,154	131,413,617	(433,425)	(89,257,206)	67,317,140	11,165	67,328,305
Net loss for the period	-	-	-	-	(1,477,333)	(1,477,333)	-	(1,477,333)
Currency translation adjustment	-	-	-	90,954	-	90,954	-	90,954
<b>Balance, March 31, 2018</b>	116,309,028	\$ 25,594,154	\$ 131,413,617	\$ (342,471)	\$ (90,734,539)	\$ 65,930,761	\$ 11,165	\$ 65,941,926

See accompanying notes to these Condensed Interim Consolidated financial statements.

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

	Three months ended March 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (1,477,333)	\$ (1,066,768)
Items not involving cash:		
Depreciation and amortization	363,523	404,820
Accretion of assets retirement obligation	-	4,150
Deferred revenue (oil & gas)	(30,806)	-
Unrealized foreign exchange (income) loss	90,954	-
<b>Operating cash flow before changes in working capital</b>	<b>(1,053,662)</b>	<b>(657,798)</b>
Net changes to non-cash working capital balances		
Trade and other receivables	(11,126)	-
Prepaid expenses and advances	134,086	113,981
Accounts payable and accrued liabilities	(470,042)	(439,217)
<b>Cash used in operating activities</b>	<b>(1,400,744)</b>	<b>(983,034)</b>
<b>Cash flows from investing activities</b>		
Mine development	(189,711)	(200,937)
<b>Cash used in investing activities</b>	<b>(189,711)</b>	<b>(200,937)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Lascaux before transaction (note 14d)	-	1,275,000
Share capital due transaction	-	-
<b>Cash provided by financing activities</b>	<b>-</b>	<b>1,275,000</b>
Increase in cash and cash equivalents	(1,590,455)	91,029
Cash and cash equivalents, beginning of the year	4,464,236	151,467
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,873,781</b>	<b>\$ 242,496</b>

Supplemental Cash Flow information (Note 16)

*See accompanying notes to these Condensed Interim Consolidated financial statements.*

## **AURCANA CORPORATION**

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

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

On December 27, 2018, Aurcana Corporation (referred to herein collectively with its subsidiaries as the “Company” or “Aurcana”) completed a reverse takeover transaction with Ouray Silver Mines, Inc. (“OSM”) - see Note 3. The Company was originally incorporated in Canada under the laws of the Province 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 development properties are the Revenue-Virginus Mine (“Ouray”), located in Colorado through the Company’s 100% owned US subsidiary, OSM, and the Shafter silver property (“Shafter”), located in Presidio County, Texas through the Company’s 100% owned US subsidiary, Aurcana US Hold 1 Co Ltd. Both Ouray and Shafter are currently on “care and maintenance”.

The Company’s common 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, without limitation, low metal prices, may cast significant doubt upon the Company’s ability to continue as a going concern. As at March 31, 2019, the Company had working capital of \$2,201,939, compared with \$3,414,613 as at December 31, 2018.

The company incurred a net loss of \$1,477,333 before other comprehensive items for the period ended March 31, 2019 (Year ended December 31, 2018 - \$5,600,682) and has accumulated a deficit of \$90,734,539 since the inception of the company. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of the Revenue-Virginus Mine and Shafter Silver Project.

#### **2. Basis of Preparation**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, and International Financial Reporting Standards (“IFRS”) as issued by The International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s Audited financial statements as at end for the year ended December 31, 2018, as some disclosures from the annual Consolidated Financial Statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on historical cost basis except for certain items 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, 2018.

## **AURCANA CORPORATION**

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

#### **2. Basis of Preparation (continued)**

These condensed interim consolidated 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 audited consolidated financial statements as at and for the year ended December 31, 2018.

These Condensed Interim Consolidated financial statements were approved for issue by the Board of Directors on May 28, 2019.

#### **3. Reverse Takeover Transaction**

On December 27, 2018, Aurcana completed a reverse takeover transaction pursuant to a plan of arrangement under the CBCA (the "Arrangement") with OSM, which holds the "Revenue-Virginus Mine" located in Colorado, pursuant to an arrangement agreement dated September 20, 2018 between the Company and LRC-FRSM LLC and LRC-FRSM II LLC (collectively, the "LRC Group"). Under the Arrangement, Aurcana acquired all of the issued and outstanding shares of common stock of OSM from the LRC Group on a debt free basis in exchange for newly issued common shares of Aurcana ("Aurcana Shares").

Pursuant to the terms of the Arrangement, the Company completed the following transactions:

- a) the purchase of certain equipment owned by an affiliate of Orion Mine Finance ("Orion") located at Aurcana's Shafter Silver Project in exchange for USD \$500,000 and 23,894,545 pre-Share Consolidation (as defined below) Aurcana Shares;
- b) a consolidation (the "Share Consolidation") of the Aurcana Shares on a 5:1 basis; and
- c) the acquisition of all of the issued and outstanding shares of common stock of OSM and a related amended and restated metal prepay agreement between OSM and the LRC Group in exchange for an aggregate of 83,240,359 post-Share Consolidation Aurcana Shares, as a result of which OSM became a wholly-owned indirect subsidiary of Aurcana.

Concurrently with the completion of the Arrangement, the 5,621,800 subscription receipts issued by the Company at CAD\$1.00 on December 19, 2018 automatically converted into 5,621,800 units (each, a "Unit") of the Company, with each Unit consisting of: (i) one post-Share Consolidation Aurcana Share and (ii) a warrant to purchase one post-Share Consolidation Aurcana Share (a "Warrant"). Each Warrant entitles the holder thereof to acquire, on payment of C\$1.25, one post-Share Consolidation Aurcana Share for a three-year period, expiring on December 27, 2021.

Additionally, a further 670,200 Units were purchased by Orion for gross proceeds of USD \$500,000. As a result, an aggregate of 116,309,028 post-Share Consolidation Aurcana Shares are now issued and outstanding.



## **AURCANA CORPORATION**

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

#### **3. Reverse Takeover Transaction (continued)**

Accordingly, in these consolidated financial statements, Aurcana is deemed to be acquired company and its assets and liabilities are brought forward at their fair values. OSM is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values and the comparative figures in these consolidated financial statements are those of OSM.

For accounting purposes, the consolidated entity resultant from the Arrangement is considered to be a continuation of OSM, with the net identifiable assets of Aurcana deemed to have been acquired by OSM.

The fair value of the consideration, calculated as \$22,574,081, is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Aurcana upon completion of the Arrangement. This value represents the fair value of the number of shares that OSM would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Arrangement had taken the form of OSM acquiring 100% of the shares of Aurcana. The percentage of ownership Aurcana shareholders has in the combined entity is 24% after the consolidation of its existing 26,776,786 issued and outstanding shares prior to the transaction with the 83,240,359 newly issued shares of Aurcana held by OSM as of December 27, 2018. The fair value of the Arrangement is based on the stock price at the transaction date of CAD\$1.15 (USD \$0.84) occurring in conjunction with the Arrangement to arms length parties of Aurcana.

The acquisition has been recorded as an asset purchase of exploration and evaluation asset. Substantially all of the fair value of the assets acquired is related to a group of assets consisting of land and building, mining equipment and mineral interests at Aurcana's Shafter mineral project. Aurcana is currently in care and maintenance with no development or operations.

The purchase price was finalized and allocated to the assets acquired based on the fair value of the total consideration at the closing date of the acquisition. All financial assets were recorded at their relative fair values. The fair value of mineral properties has been calculated using the residual value method. The fair values of cash and cash equivalents and working capital amounts and equipment were subtracted from the acquisition cost to determine the residual value for the mineral properties.

Transactions costs associated with the asset acquisition totaled \$733,030 and were capitalized to the mining properties in addition to the purchase price allocation set out below.

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

**3. Reverse Takeover Transaction (continued)**

A summary of the consideration deemed to be issued by Aurcana and the fair value of net identifiable assets acquired in the Arrangement are as follows:

<b>Consideration given:</b>	
Shares issued	26,776,669
Value per share	<u>\$0.8430</u>
<b>Total consideration</b>	<u><b>\$22,574,081</b></u>

<b>Assets and liabilities acquired:</b>	
Cash	855,464
Other assets	386,084
Property and equipment	10,647,250
Mineral property	12,663,526
Accounts payable	(1,334,243)
Asset retirement obligation	<u>(644,000)</u>
	<u><b>\$22,574,081</b></u>

**4. Trade and Other Receivables**

	<u>March 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Equipment sales receivable	<b>140,000</b>	140,000
Other receivables	<b>170,347</b>	159,221
	<u><b>\$ 310,347</b></u>	<u><b>\$ 299,221</b></u>

**5. Inventory**

Company's inventories are all located in U.S. and they are all consumable and supplies, which consist of spare parts and consumable goods used for general repairs and maintenance.

**6. Prepaid expenses and advances**

	<u>March 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Prepaid expenses	<b>\$ 274,613</b>	\$ 408,681
Other	<b>375</b>	500
Current portion	<b>274,988</b>	409,181
Non-current portion	<b>5,218</b>	5,111
	<u><b>\$ 280,206</b></u>	<u><b>\$ 414,292</b></u>

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

**7. Property, Plant and Equipment**

	<b>Buildings</b>	<b>Plant and Equipment</b>	<b>Mine Development Cost</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>							
Balance at December 31, 2017	5,227,816	8,482,646	3,559,468	153,268	311,770	402,403	18,137,371
Additions	-	10,000	824,215	-	-	-	834,215
Disposals	-	(117,170)	-	(12,142)	-	-	(129,312)
OSM balance before transaction	5,227,816	8,375,476	4,383,683	141,126	311,770	402,403	18,842,274
Equipment from Aurcana due to transaction	1,066,685	2,033,514	3,443,628	29,863	7,466	123,187	6,704,343
Equipment from Orion due to transaction	-	3,942,907	-	-	-	-	3,942,907
Balance at December 31, 2018	6,294,501	14,351,897	7,827,311	170,989	319,236	525,590	29,489,524
Additions	-	-	189,711	-	-	-	189,711
Balance at March 31, 2019	\$ 6,294,501	\$ 14,351,898	\$ 8,017,022	\$ 170,989	\$ 319,236	\$ 525,589	\$ 29,679,235
<b>Accumulated depreciation</b>							
Balance at December 31, 2017	423,197	3,300,630	-	62,761	221,709	259,408	4,267,705
Charge for the year	134,826	1,146,163	-	20,940	33,744	80,481	1,416,154
OSM balance before transaction	558,023	4,446,793	-	83,701	255,453	339,889	5,683,859
Impairment (Note 23)	444,793	-	-	-	45,317	-	490,110
Balance at December 31, 2018	1,002,816	4,446,793	-	83,701	300,770	339,889	6,173,969
Charge for the period	33,707	299,214	-	7,056	3,426	20,120	363,523
Balance at March 31, 2019	\$ 1,036,523	\$ 4,746,007	\$ -	\$ 90,757	\$ 304,196	\$ 360,009	\$ 6,537,492
<b>Net book value</b>							
Balance at December 31, 2017	\$ 4,804,619	\$ 5,182,016	\$ 3,559,468	\$ 90,507	\$ 90,061	\$ 142,995	\$ 13,869,666
Balance at December 31, 2018	\$ 5,291,685	\$ 9,905,104	\$ 7,827,311	\$ 87,288	\$ 18,466	\$ 185,701	\$ 23,315,555
Balance at March 31, 2019	\$ 5,257,978	\$ 9,605,891	\$ 8,017,022	\$ 80,232	\$ 15,040	\$ 165,580	\$ 23,141,743

Shafter and Revenue-Virginus Mines are in care and maintenance and there is no production activity. Therefore, Mine Development Cost is not subject to amortization. All property, plant and equipment assets are located in the United States of America.

During the year ended December 31, 2018 the Company disposed of Plant and Equipment and Vehicles with a carrying value of \$129,312 (2017 - \$326,171). The loss on disposal was recorded in the other loss line item in the consolidated statement of comprehensive loss.

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

**8. Mineral Properties**

	Revenue-Virginus, Colorado, USA, In care & Maintenance	Shafter, Texas, USA, In Care & Maintenance	Total
Balance at December 31, 2017	27,501,967	-	27,501,967
Mineral properties from Aurcana due to transaction (Note 3)	-	12,663,526	12,663,526
Capitalized transaction cost	-	733,030	733,030
Provision from environmental rehabilitation (note 12)	262,071	-	262,071
Balance at December 31, 2018 & March 31, 2019	<u>\$ 27,764,038</u>	<u>\$ 13,396,556</u>	<u>\$ 41,160,594</u>
Net book value			
Balance at December 31, 2017	27,501,967	-	27,501,967
Balance at December 31, 2018 & March 31, 2019	<u>27,764,038</u>	<u>13,396,556</u>	<u>41,160,594</u>

**9. Reclamation Deposits**

Reclamation deposits are amounts related to deposits made by the Company to the State of Colorado for the mine closure of the Revenue-Virginus Mine and this deposit is held until the mine effectively closes.

**10. Accounts Payable and Accrued Liabilities**

	<b>March 31</b> <b>2019</b>	December 31 2018
Salaries, payroll deductions and employee benefits	\$ 270,048	\$ 466,931
Property taxes	29,217	120,942
Surface exploration	21,497	58,682
Insurance	134,151	260,111
Transaction cost related to RTO	754,740	759,949
Other	153,965	167,045
	<u>\$ 1,363,618</u>	<u>\$ 1,833,660</u>

Accounts payable and accrued liabilities include related party amounts. See note 14.

**AURCANA CORPORATION****Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in United States dollars, unless otherwise stated)****11. Deferred revenue**

On July 15, 2016, the Company 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 USD \$374,469.41 to SAI. The Leases total 564 "mineral acres" and are located approximately 200 miles northeast of the Company's Shafter Silver Project, in the Permian Basin of West Texas, near Midland. The deferred revenue was consolidated as part of the reverse takeover transaction (see note 3). As at March 31, 2019, the balance of deferred revenue was \$35,941 (2018-Nil).

	March 31 <u>2019</u>	December 31 <u>2018</u>
Deferred Revenue Short term	\$ 35,941	\$ 66,747
	<u>35,941</u>	<u>66,747</u>
	Three months ended March 31, <u>2019</u>	<u>2018</u>
Revenue	<u>30,806</u>	<u>-</u>

**12. Provision for Environmental Rehabilitation**

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, 2019, and December 31, 2018 is as follows:

	<b>March 31 <u>2019</u></b>	December 31 <u>2018</u>
Environmental rehabilitation, beginning of the year	<b>\$ 1,120,270</b>	\$ 196,063
Addition in estimates from Shafter due to transaction (Note 3)	-	\$ 644,000
Addition in estimates from Revenue - Virginius mine	-	262,071
Accretion	-	18,136
Environmental rehabilitation, end of the period	<b><u>\$ 1,120,270</u></b>	<b><u>\$ 1,120,270</u></b>

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

**12. Provision for Environmental Rehabilitation (continued)**

The Company has recorded its best estimate of the cost to rehabilitate the know features on the mineral properties as a provision for environmental for rehabilitation for the year-ended December 31, 2018. This amounted to \$1,120,270. A long term inflation rate of 2% was used in the analysis, which equated to a long-term risk-free discount rate of 2%, meaning the impact of discounting was not significant. The future cash flows required to settle this obligation involve a degree of uncertainty as there are estimates at this time.

**13. Equity**

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Share issuance details:

	Number of Common Shares	Amount
<b>Balance, December 31, 2016 and 2017</b>	83,240,359	\$ -
Reverse take over (note 3)	26,776,669	22,574,081
Private placement (note 13)	6,292,000	3,020,073
<b>Balance, December 31, 2018 &amp; March 31, 2019</b>	<b>116,309,028</b>	<b>\$ 25,594,154</b>

On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 3); the number of shares have been updated to reflect this consolidation. The Company completed a non-brokered private placement of 6,292,000 subscription receipts for CAD\$1.00 on December 27, 2018 which automatically converted into 6,292,000 units on closing of the Arrangement. Each unit was comprised of one post-consolidated common share and one warrant. Each warrant entitles the holder to purchase one post-consolidated common share of the Company at an exercise price of CAD\$1.25 per share for a period of 36 months from the closing of the private placement.

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

**13. Equity (continued)**

Stock options

The Company is authorized to issue up to 2,888,219 options, of which 1,640,000 options are outstanding with a remaining balance of 1,248,219 options.

<u>Stock options</u>	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share (\$CDN)
<b>Balance, December 31, 2017</b>	-	-
Aurcana stock options post consolidation	1,653,750	1.45
Expired	(13,750)	6.32
<b>Balance, December 31, 2018 &amp; March 31, 2019</b>	<b>1,640,000</b>	<b>1.18</b>

A summary of the Company's Option activity is presented below:

<u>Stock options</u>				
Outstanding	Vested	Exercise Price (\$CDN)		Expiry Date
690,000	690,000	\$ 0.85		March 2, 2021
280,000	280,000	\$ 0.85		December 27, 2019
80,000	80,000	\$ 2.00		August 5, 2021
490,000	490,000	\$ 1.60		April 27, 2022
100,000	100,000	\$ 1.60		December 27, 2019
<b>1,640,000</b>	<b>1,640,000</b>	<b>\$ 1.18</b>		

The weighted average remaining contractual life of stock options outstanding is 2 years. The values post consolidation stock options utilized the Black Scholes option pricing model. On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 3).

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

**13. Equity (continued)**

Warrants

Common Share Purchase Warrants	Number of Common Share Warrants	Exercise Price (CDN)
<b>Balance, December 31, 2016 and 2017</b>	-	
Aurcana warrants post consolidation	5,285,306	\$1.85
Private placement (Note 3)	5,621,800	\$1.25
Orion (Note 3)	670,200	\$1.25
<b>Balance, December 31, 2018 &amp; March 31, 2019</b>	<b>11,577,306</b>	<b>\$1.52</b>

As of December 31, 2018, details of outstanding warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
2,447,746	\$2.25	February 27, 2020
2,837,560	\$1.50	May 3, 2021
6,292,000	\$1.25	December 27, 2021
<b>11,577,306</b>	<b>\$1.52</b>	

On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 3). As at December 31, 2018, the weighted average remaining contractual life of warrants outstanding is 2.2 years.



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**14. Related Party Transactions**

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:

	Note	March 31 2019	March 31 2018
General and administrative expenses - Consulting Fees	(i)	\$ 53,027	\$ -

(i) To companies controlled by the corporate secretary, and the CFO for services performed as officers.

**b) Compensation of key management personnel**

	Note	March 31 2019	March 31 2018
Consulting fees (as above)		\$ 53,027	\$ -
Officer salaries		170,031	58,587
		<u>\$ 223,058</u>	<u>\$ 58,587</u>

**c) Due to Related Parties**

	Note	March 31 2019	March 31 2018
Accounts payable and accrued liabilities	(i)	\$ 270,778	\$ -

(i) Payables due to related parties primarily for salary of the key management personnel.

**d) Capital contributions received from a Related Party**

	Note	March 31 2019	March 31 2018
Contribution received	(i)	\$ -	\$ 1,275,000

(i) Contributions from Lascaux Group to OSM for operational purposes made prior to the reverse takeover transaction.

**AURCANA CORPORATION****Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in United States dollars, unless otherwise stated)****15. Commitments and contingencies****Head office lease**

The head office lease has a monthly cost of CAD\$3,702, expiring March 31, 2019, and renewed for three more years with monthly cost of \$4,032. Below is a schedule of commitments due by period:

	Commitments due by year (000's)				
	Total	2019	2020	2021	2022
	\$	\$	\$	\$	\$
Head office lease CAD	\$ 144	36	48	48	12

**16. 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 2019</b>	December 31 2018
Cash	\$ 2,497,564	\$ 4,464,236
Short-term investments	<b>376,217</b>	-
	<b>\$ 2,873,781</b>	\$ 4,464,236

Supplemental disclosures of cash flow information for the periods ended:

	<b>March 31 2019</b>	December 31 2018
Equipment sale receivable	<b>\$ 140,000</b>	\$ -

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

**AURCANA CORPORATION**  
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**17. Segmented Information**

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

<b>March 31, 2019</b>	OSM	Shafter *	Corporate and other segments	Total
Revenues	\$ -	\$ 30,806	\$ 150,000	\$ 180,806
General and administrative cost	315,365	134,341	327,201	776,907
Care & maintenance costs	393,145	76,319	-	469,464
Depreciation and amortization	363,523	-	-	363,523
Foreign exchange loss	-	-	46,208	46,208
Other (income) expenses	2,557	129	(649)	2,037
Net loss for the period before other comprehensive items	(1,074,590)	(179,983)	(222,760)	(1,477,333)
Currency translation adjustment	90,954	-	-	90,954
Total comprehensive loss for the period	(983,636)	(179,983)	(222,760)	(1,386,379)
Net loss for the period	(983,636)	-	-	(1,386,379)
Property, plant and equipment	12,494,493	10,647,250	-	23,141,743
Mineral properties	27,501,967	10,378,365	-	41,160,594
Total capital assets	39,996,460	21,025,615	-	64,302,337
Total assets	41,379,280	21,065,581	6,016,894	68,461,755
Total liabilities	685,311	725,906	1,108,612	2,519,829

<b>March 31, 2018</b>	OSM	Shafter *	Corporate and other segments *	Total
Revenues	\$ -	\$ -	\$ -	\$ -
General and administrative cost	317,908	-	-	317,908
Care & maintenance costs	342,496	-	-	342,496
Depreciation and amortization	404,820	-	-	404,820
Other expenses	1,544	-	-	1,544
Net loss for the period	(1,066,768)	-	-	(1,066,768)
Property, plant and equipment	23,315,555	-	-	23,315,555
Mineral properties	41,160,594	-	-	41,160,594
Total capital assets	64,476,149	-	-	64,476,149
Total assets	70,348,982	-	-	70,348,982
Total liabilities	3,020,677	-	-	3,020,677

\*Transaction effects of RTO. See note 3

**AURCANA CORPORATION**  
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**18. Management fees**

During the period ended March 31, 2019, the Company generated revenues from consulting services in connection with the operation of the La Negra mine, for a total of \$150,000. The consulting services ended on March 31, 2019.

**19. General and administrative costs**

	Three months ended March 31,	
	2019	2018
Salaries and consulting fees	\$ 525,630	\$ 250,227
Transaction cost	80,016	-
Professional fees	31,647	-
Investor relations	26,573	2,718
Marketing and road shows	1,294	-
Listing and filing fees	2,075	-
Other	109,672	64,963
	<u>\$ 776,907</u>	<u>\$ 317,908</u>

**20. Financing and Other Expense**

	Three months ended March 31,	
	2019	2018
Accretion of provision for environmental rehabilitation (note 12)	\$ -	\$ 4,150
Interest Expense	2,166	2,514
Bank charges	1,847	380
	<u>\$ 4,013</u>	<u>\$ 7,044</u>

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**21. Care & maintenance cost**

	Three months ended March 31,	
	2019	2018
Site maintenance	\$ 252,345	\$ 189,603
Insurance	105,273	73,688
Enviromental	57,913	42,542
Property taxes	53,933	36,663
	\$ 469,464	\$ 342,496

**22. Depreciation and amortization**

Community Relations	552	2,125
Site Surface	162,416	66,060
Property taxes	53,933	36,663
	\$ 469,464	\$ 342,496

**23. Impairment**

In accordance with the Company's accounting policy management performed an assessment of the recoverable amount of the equipment on site at the Revenue-Virginus Mine included in the OSM segment. The Company engaged an independent valuations expert to assess the fair value of the equipment and determined that certain assets were carried at a value in excess of the recoverable amount. The estimated recoverable amount of the equipment as at December 31, 2018 was determined using the fair value less costs of disposal. The Company recorded an impairment that totals \$490,110.

## **AURCANA CORPORATION**

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

#### **24. First-Time Adoption of IFRS**

The Company's Financial Statement were prepared based in accordance with accounting principals generally accepted in United States of America. The Company adopted IFRS on January 1, 2017 as part of the Reverse Takeover transaction (Note 3). IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides guidance for the initial adoption of IFRS. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

As part of the transition to IFRS 1, the Company has evaluated the impact on the Financial Statements and no material differences resulted as part of the transition and adoption of the IFRS 1. Additionally, the company has not applied exemptions permitted under IFRS 1.

#### **25. Subsequent events**

Effective April 1, 2019, the Company renewed the office lease agreement in Vancouver for a period of 36 months, expiring on March 31, 2022. The monthly lease cost is CAD\$4,032. The total commitment has been included in note 15.

Effective May 1, 2019. The Company renewed the office and warehouse lease agreement in Ouray Colorado, expiring on December 31, 2021. The monthly lease cost is \$10,117.