Management Discussion and Analysis for the quarter ended June 30, 2015

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 periods ended June 30, 2015 and 2014 (the "**Consolidated Financial Statements**"), and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. The information in this MD&A is current to August 11, 2015.

Forward-Looking Statements

Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Aurcana assumes no obligation to update forward-looking information in light of actual events or results, except as required by law.

The forward looking information in this MD&A is based on management's current expectations. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with the Company's expectations of sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including its ability to restructure its current debt obligations, fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction, capital and operating and cash flow estimates contained in the Company's technical reports and feasibility studies; the access to financing, appropriate equipment, sufficient labour, and other risks. Actual results may differ materially from those currently anticipated in such statements.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: requirements for additional capital and financing and the restructuring of its current debt obligations; dilution; loss of the Company's material properties; interest rate fluctuations; the global economy; future metals price fluctuations, the speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of the Company's common shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; and those risks identified herein under the heading "Risks and Uncertainties".

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities; in particular the market prices of silver, copper, zinc and lead. The major factors which could affect the Company's cash flows are the price at which the Company sells its concentrates, the incremental cost and capacity currently planned, and the ability of the Company's operating mines to meet production budget for concentrates produced at budgeted costs. See also the factors discussed herein under the heading "Liquidity".

TABLE OF CONTENTS

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 business of mining, exploration and the development of mineral properties. The Company's principal focus is the operation and development of mineral properties, primarily silver operations, located in Mexico. The Company is currently operating the La Negra silver-copper-zinc-lead mine ("La Negra"), located in the state of Querétaro, through a subsidiary of Real de Maconi S.A. de C.V. ("Real de Maconi"), Minera La Negra S.A. de C.V. Aurcana acquired an interest in Real de Maconi in 2007 and on February 17, 2012, the Company increased its ownership in Real de Maconi from 92% to 99.86%. The Company also holds the Shafter Silver property ("Shafter"), located in Presidio County, southwest Texas through the Company's 100% owned US subsidiary, Silver Assets Inc, which is currently on "care and maintenance".

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 June 30, 2016. Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. The Company had cash and cash equivalents of $0.3 million, a consolidated working capital deficit of $20.1 million, a deficit of $185.2 million and losses of $5.9 million as at and for the six months ended June 30, 2015.

The Company anticipates that silver and base metals prices will remain under pressure through 2015, which will continue to impact the Company's margins and liquidity. To improve short-term liquidity, the Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to June 2015 under the current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt in order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company's growth options. If it does not do so, or if it fails to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through June 30, 2016, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations to be able to satisfy its ongoing obligations and future contractual commitments. As a result, the Company may not be able to continue as a going concern.

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.

Figures are expressed in United States dollars, unless otherwise stated.

OVERVIEW

During the quarter ended June 30, 2015, the Company continued its focus on cost controls and efficiency improvements to mitigate the continued pressure on metals prices. These efforts have resulted in significant overall cost savings in recent quarters. In addition to metals prices, operating revenues have been impacted by lower grades and recoveries for silver and copper at the La Negra Mine. This reduction was a consequence of changes in mine management, revisions to mine planning and shortages of materials that limited the Company's ability to efficiently access mineralization.

In December 2014, the Company provided an updated mineral resource estimate for the La Negra mining operation. The objective was to provide shareholders with updated information on the grade, tonnages and metal potential at the La Negra mine and to provide Aurcana's mine management with a reliable and current model for production planning.

	Q2 2015	Q1 2015	Q2 2014	YTD 2015	YTD 2014
Revenues ($ million) [1]	$ 7.4	$ 8.0	$ 9.2	$ 15.4	$ 22.3
Earnings (loss) from mine operations ($ million)	($0.6)	($0.2)	($1.4)	($0.7)	$ 2.0
Net loss ($ million)	($1.8)	($4.1)	($7.4)	($5.9)	($11.9)
Operating cash flow before movements in working capital items ($ million)	($0.1)	$ 0.1	($0.9)	$ -	$ -
Average price per silver oz sold	$ 16.32	$ 16.40	$ 20.43	$ 16.39	$ 20.41
Cash cost of sales per silver equivalent oz sold [2] [3]	$ 14.64	$ 13.92	$ 21.45	$ 14.29	$ 16.91
All-in sustaining cost per silver equivalent oz sold [2]	$ 17.86	$ 17.13	$ 21.24	$ 17.48	$ 19.44
Silver equivalent ounces produced [4]	779,339	824,860	786,505	1,604,199	1,706,494
Total equivalent silver oz sold (after TCRC) [4]	450,998	490,093	452,333	939,464	1,091,962
Cash cost per silver eq. oz produced (before TCRC) [2] [3]	$ 7.85	$ 7.58	$ 10.61	$ 7.71	$ 9.69
All-in sustaining cost per silver equivalent oz produced [2]	$ 10.38	$ 9.89	$ 12.83	$ 10.13	$ 11.63
Mineralization mined (tonnes)	207,964	200,245	208,931	408,209	416,475
Mineralization milled (tonnes)	207,762	207,416	232,763	415,178	489,903
Average tonnes milled per day	2,698	2,469	3,023	2,579	3,024
Cash cost per milled tonne [2] [3]	$ 29.44	$ 30.13	$ 35.86	$ 29.78	$ 33.76
Silver ounces produced	285,284	325,811	329,368	611,095	690,159
Copper, lead and zinc concentrates produced (tonnes)	6,972	7,532	7,621	14,504	17,433

[1] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).

[2] A non IFRS financial measure - See additional information on non-IFRS financial measures located herein.

[3] Depreciation and amortization not included.

[4] Difference between silver ounces equivalent produced vs sold is mainly due to change in concentrates inventory and percentage payable for each metal.

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

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

HIGHLIGHTS

- Net loss for the quarter decreased to ($1.8) million or ($0.02) per share, compared with a net loss of ($7.4) million or ($0.11) per share in Q2, 2014. Other key financial metrics include:
  - Loss from mining operations of ($0.6) million (Q2, 2014 – ($1.4) million).
  - Operating cash flow before changes in working capital of ($0.1) million (Q2, 2014 – ($0.9) million).

- Working capital deficiency of $20.1 million at June 30, 2015, compared to a deficiency of $11.5 million at December 31, 2014.

- Key production metrics for the quarters ended June 30, 2015 and 2014:
  - Silver ounces produced decreased 13% to 285,284 ounces in the second quarter of 2015 compared to 329,368 ounces of silver in Q2, 2014.
  - Silver equivalent production decreased by 1% to 779,339 ounces in Q2, 2015, compared to 786,505 ounces in Q2, 2014.
  - Cash cost per silver equivalent ounce produced (before Treatment, Refining and Smelting Charges, "TCRC") decreased 26% to $7.85, compared to $10.61 in Q2, 2014.
  - All-in sustaining cost ("AISC") per silver equivalent ounce produced decreased 18% to $10.38 from $12.83 in Q2, 2014.
  - AISC per silver equivalent ounce sold decreased 15% to $17.86 from $21.24 in Q2, 2014.

CORPORATE DEVELOPMENTS

During the six months ended June 30, 2015:

- To improve the Company's short term liquidity, the Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under the current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt in order to address ongoing liquidity concerns.

- In February 2015, the Company entered into an agreement (the "Settlement Agreement") to settle the class action litigation commenced by Nunzio Cardillo and John Witiluk in the Ontario Superior Court of Justice (the "Action") against the Company and two former executives of the Company (the "Settlement"). The Settlement 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 agreed to pay an aggregate of $4,000,000 (the "Settlement Amount"), which amount, net of legal fees and other costs, will be divided among members of the plaintiff class on a pro rata basis. The Settlement Amount was fully funded by insurance maintained by the Company.

  The Company elected to enter into the Settlement in order to avoid the expense, burden and inconvenience associated with the continuance of the Action. The Settlement does not constitute an admission by the Company of any violation of law or other wrongdoing.

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

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

REVIEW OF FINANCIAL RESULTS

Revenue

During the quarter ended June 30, 2015, the Company generated revenues from the sale of 222,149 ounces of silver (Q2, 2014: 272,027 ounces); 3,020 tonnes of copper concentrate (Q2, 2014: 2,869 tonnes); 3,441 tonnes of zinc concentrate (Q2, 2014: 4,138 tonnes); and 579 tonnes of lead concentrate (Q2, 2014: 731 tonnes); for total net revenues of $7.4 million (Q1, 2014: $9.2 million). The decline in revenue primarily resulted from the significant decrease in the price of silver and copper as well as lower production during the quarter compared to prior periods.

Revenues:	**Three months ended June 30,**		**Six months ended June 30,**	
La Negra mine	**2015**	2014	**2015**	2014
Gross revenues from mining operations	**$ 9,971,459**	$ 12,407,361	**$ 21,046,873**	$ 29,546,009
Deductions treatment charges, refining and smelting charges deducted by the customers	**2,611,165**	3,166,205	**5,649,062**	7,259,073
Revenues from mining operations	**$ 7,360,294**	$ 9,241,156	**$ 15,397,811**	$ 22,286,936
Net Revenues by customer:				
Customer "A"	**$ 3,644,854**	$ -	**$ 8,010,513**	$ -
Customer "B"	**3,715,440**	9,241,156	**7,387,298**	22,286,936
Revenues from mining operations	**$ 7,360,294**	$ 9,241,156	**$ 15,397,811**	$ 22,286,936

Treatment, refining and smelting charges ("TCRC") totalled 27% of gross revenues for the six months ended June 30, 2015 (Q2, 2014 – 24%) and 25% of gross revenues for the year ended December 31, 2014.

	Three months ended June 30,		**Six months ended June 30,**	
Revenues derived from:	**2015**	2014	**2015**	2014
Silver	36%	38%	38%	41%
Copper	34%	33%	34%	30%
Zinc	25%	23%	23%	22%
Lead	5%	6%	5%	7%
Total	**100%**	**100%**	**100%**	**100%**

Revenues are recorded net of TCRC.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
TCRC:				
Copper/Silver Concentrate	22%	19%	22%	18%
Zinc Concentrate	37%	39%	37%	38%
Lead/Silver Concentrate	25%	21%	26%	21%

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

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

	Three months ended June 30,		Six months ended June 30,	
Price of metals sold:	**2015**	2014	**2015**	2014
Silver ($/oz)	$ 16.32	$ 20.43	$ 16.39	$ 20.41
Copper ($/lb)	$ 2.69	$ 3.09	$ 2.67	$ 3.07
Zinc ($/lb)	$ 0.95	$ 0.95	$ 0.96	$ 0.94
Lead ($/lb)	$ 0.95	$ 0.96	$ 0.84	$ 0.95

Cost of Sales

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Mine and mill supplies	$ 2,801,558	$ 3,328,730	**$ 5,582,594**	$ 6,434,724
Power	363,492	812,252	**895,744**	1,665,151
Wages, salaries and benefits	2,750,344	3,949,797	**5,480,759**	7,659,008
Profit sharing employees	-	(5,717)	**-**	166,253
Royalties	-	262,473	**-**	612,581
Freight and delivery	434,910	563,427	**826,444**	1,071,256
Change in inventories	50,123	790,980	**230,547**	856,884
Operating lease	272,514	-	**552,084**	-
Depreciation and amortization	1,225,156	912,119	**2,449,310**	1,804,553
Depletion of mineral properties	37,294	9,924	**123,727**	38,655
Total cost of sales	$ 7,935,391	$ 10,623,985	**$ 16,141,209**	$ 20,309,065

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

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

The production cash cost per milled tonne for the quarter ended June 30, 2015 was $29.44 (Q2, 2014: $35.86). The production cash cost per milled tonne for the six months ended June 30, 2015 was $29.78 (2014: $33.76). (*For a discussion of this non-IFRS financial measure, please see the related section below*).

Administrative Costs

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Salaries and consulting fees	$ 398,520	$ 323,846	$ 748,695	$ 702,120
Professional fees	93,430	120,296	177,569	227,798
Investor relations	30,613	45,912	55,968	84,909
Marketing	6,272	14,408	14,181	60,801
Listing and filing fees	25,285	84,853	34,313	95,862
Other	165,567	192,942	297,395	354,014
	$ 719,687	$ 782,257	$ 1,328,121	$ 1,525,504

Market trend for metal prices

Market Average Price	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Silver ($/oz)	16.39	16.71	16.27	19.76	19.62	20.48	20.82	22.56
Copper ($/lb)	2.74	2.64	3.00	3.17	3.08	3.19	3.24	3.25
Zinc ($/lb)	0.99	0.94	1.01	1.05	0.94	0.92	0.86	0.84
Lead ($/lb)	0.88	0.82	0.91	0.99	0.95	0.96	0.96	0.95

* Source: London Metal Exchange

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

Quarterly Financial Information

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

Quarter Ended	**June 30 2015**	**March 31 2015**	**December 31 2014**	**September 30 2014**
	$	$	$	$
Total Revenues	7,360,294	8,037,517	9,094,317	11,364,478
Earnings from mine operations	(575,098)	(168,301)	(349,735)	551,549
Net (loss) after tax	(1,774,297)	(4,101,593)	(5,537,288)	(3,650,343)
(Loss) per share	(0.02)	(0.05)	(0.07)	(0.04)

Quarter Ended	**June 30 2014**	**March 31 2014**	**December 31 2013**	**September 30 2013**
	$	$	$	$
Total Revenues	9,241,156	13,045,780	10,513,695	10,359,644
Earnings from mine operations	(1,382,829)	3,360,700	1,569,125	2,565,765
Net Income (loss) after tax	(7,439,537)	(4,496,612)	(120,020,146)	(15,468,790)
(Loss) per share	(0.11)	(0.08)	(2.05)	(0.26)

- 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 income for the second quarter was ($1,774,297) compared to ($4,101,593) in the previous quarter, resulting 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, primarily resulting from a significant reduction in derivative fair value changes, offset by unrealized foreign exchange losses.

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

- Earnings from mining operations were $551,549 in the third quarter of 2014, compared to a loss of $1,382,829 in the second quarter. The increase in earnings resulted from significantly improved metal grades. Net loss decreased $3.8 million from the second to third quarter of 2014. In addition to mining earnings, this resulted from changes in the fair value of the Company's derivative liability and the loss on the loan restructuring that occurred in the quarter ended June 30, 2014.

NON-IFRS FINANCIAL MEASURES

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

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

Continued on next page…

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

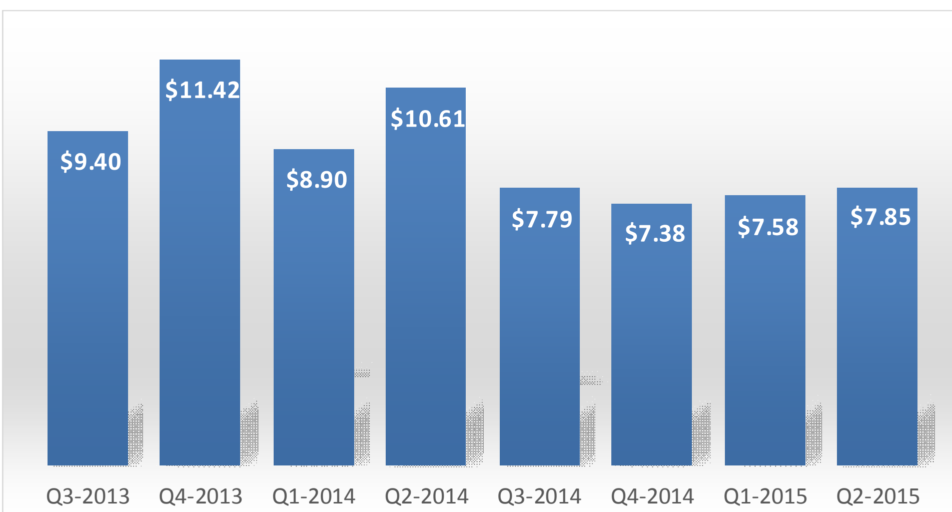
a) Cash cost per silver equivalent ounce produced (before TCRC)

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

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

Cash cost per silver equivalent ounce produced at La Negra Mine (before TCRC):	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Production cash cost:				
Cost of sales per financial statements	$ 7,935,391	$ 10,623,985	$ 16,141,210	$ 20,309,065
Less changes in inventories	(50,123)	(790,980)	(230,547)	(856,884)
Less freight and delivery	(434,910)	(563,427)	(826,444)	(1,071,256)
Less non-cash lease operating costs	(71,894)	-	(145,649)	-
Less depreciation and amortization	(1,225,156)	(912,119)	(2,449,310)	(1,804,553)
Less depletion of mineral properties	(37,294)	(9,924)	(123,727)	(38,655)
Total production cash cost	6,116,014	8,347,535	12,365,533	16,537,717
Silver equivalent oz. produced	779,339	786,505	1,604,199	1,706,494
Cash cost per silver equivalent oz. produced	$ 7.85	$ 10.61	$ 7.71	$ 9.69

Management continued its focus on cost reductions and efficiency improvements started in Q3, 2014. These efforts have allowed the Company to keep the cash cost per silver equivalent ounce produced at reduced levels compared to prior periods as demonstrated below:



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

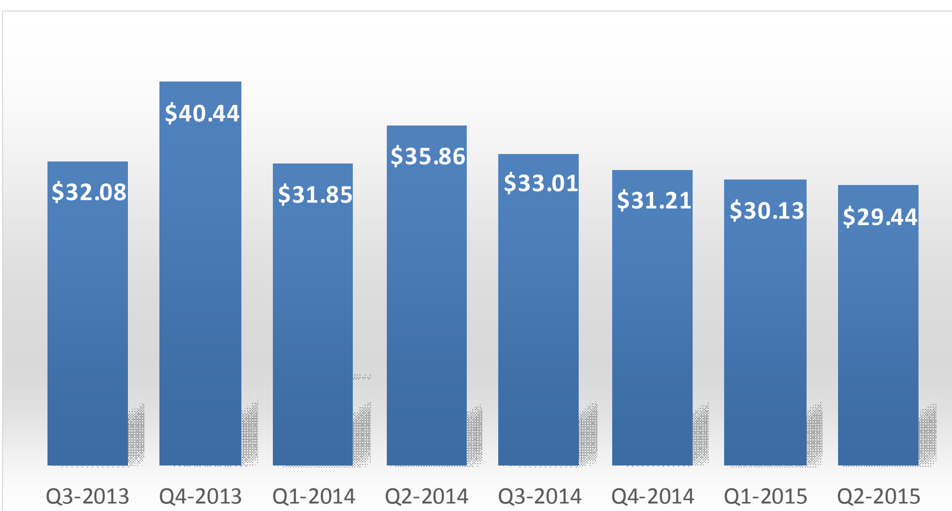
b) Cash cost per milled tonne

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

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

Total cash cost per milled tonne at La Negra Mine:	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash cost				
Cost of sales per financial statements	$ 7,935,391	$ 10,623,985	$ 16,141,210	$ 20,309,065
Less changes in inventories	(50,123)	(790,980)	(230,547)	(856,884)
Less freight and delivery	(434,910)	(563,427)	(826,444)	(1,071,256)
Less non-cash lease operating costs	(71,894)	-	(145,649)	-
Less depreciation and amortization	(1,225,156)	(912,119)	(2,449,310)	(1,804,553)
Less depletion of mineral properties	(37,294)	(9,924)	(123,727)	(38,655)
Total production cash cost	6,116,014	8,347,535	12,365,533	16,537,717
Tonnes milled	207,762	232,763	415,178	489,903
Production cash cost per milled tonne	$ 29.44	$ 35.86	$ 29.78	$ 33.76

A summary of quarterly changes in the cash cost per milled ton are as follows:



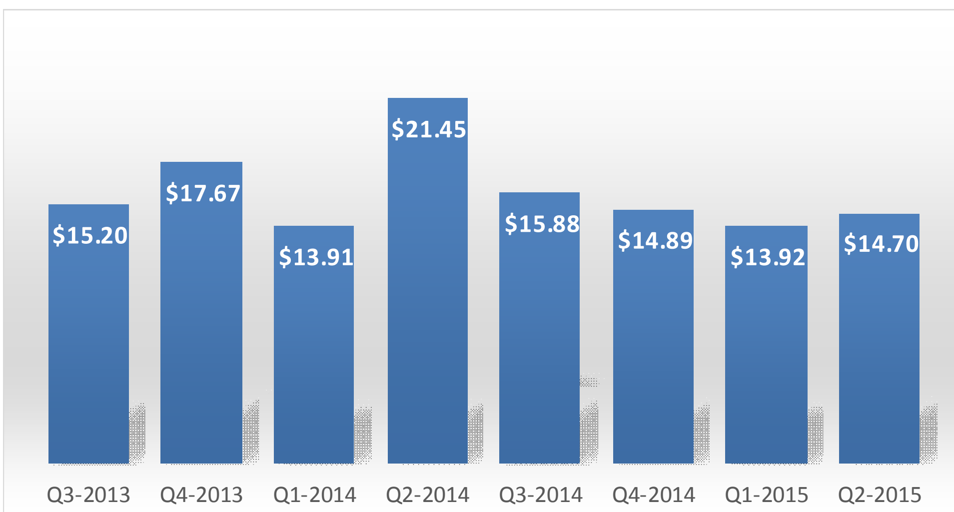
(All figures reported in US Dollars, unless otherwise noted)

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

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

Cash cost of sales per silver equivalent ounce sold at La Negra Mine:	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenues per financial statement	$ 7,360,294	$ 9,241,156	$ 15,397,811	$ 22,286,936
Price of silver sold ($/oz.)	16.39	20.43	16.45	20.41
Total equivalent silver net payable ounces (after TCRC)	449,072	452,333	936,037	1,091,962
Cost of sales per financial statements	7,935,391	10,623,985	16,141,210	20,309,065
Less non-cash lease operating costs	(71,894)	-	(145,649)	-
Less depreciation and amortization	(1,225,156)	(912,119)	(2,449,310)	(1,804,553)
Less depletion of mineral properties	(37,294)	(9,924)	(123,727)	(38,655)
Total cash cost of sales	6,601,047	9,701,942	13,422,524	18,465,857
Total equivalent silver oz sold (after TCRC)	449,072	452,333	936,037	1,091,962
Cash cost of sales per silver equivalent ounce sold	$ 14.70	$ 21.45	$ 14.34	$ 16.91

A summary of quarterly changes in cash cost of sales per silver equivalent ounce sold are as follows:



d) All-in sustaining costs:

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

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

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

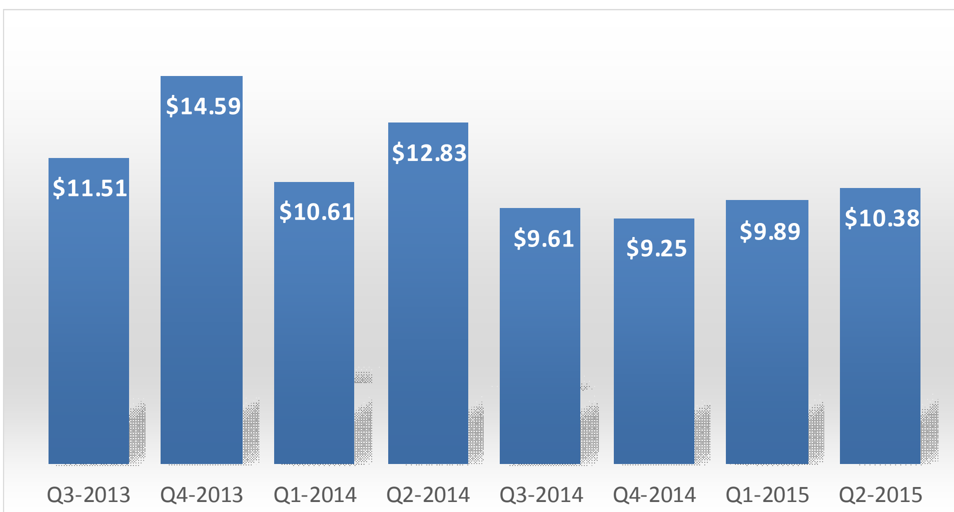
Continued on next page…

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

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

AISC per silver equivalent ounce produced at La Negra Mine	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Production cash cost:				
Cost of sales per financial statements	$ 7,935,391	$ 10,623,985	$ 16,141,210	$ 20,309,065
Less changes in inventories	(50,123)	(790,980)	(230,547)	(856,884)
Less freight and delivery	(434,910)	(563,427)	(826,444)	(1,071,256)
Less non-cash lease operating costs	(71,894)	-	(145,649)	-
Less depreciation and amortization	(1,225,156)	(912,119)	(2,449,310)	(1,804,553)
Less depletion of mineral properties	(37,294)	(9,924)	(123,727)	(38,655)
Total production cash cost	6,116,014	8,347,535	12,365,533	16,537,717
Corporate expenses	711,157	822,783	1,305,552	1,470,103
Sustaining capital	1,262,450	922,043	2,573,037	1,843,208
All-in sustaining costs of production	8,089,621	10,092,361	16,244,122	19,851,028
Silver equivalent oz. produced	779,339	786,505	1,604,199	1,706,494
All-in sustaining cost per silver eq. oz. produced	$ 10.38	$ 12.83	$ 10.13	$ 11.63

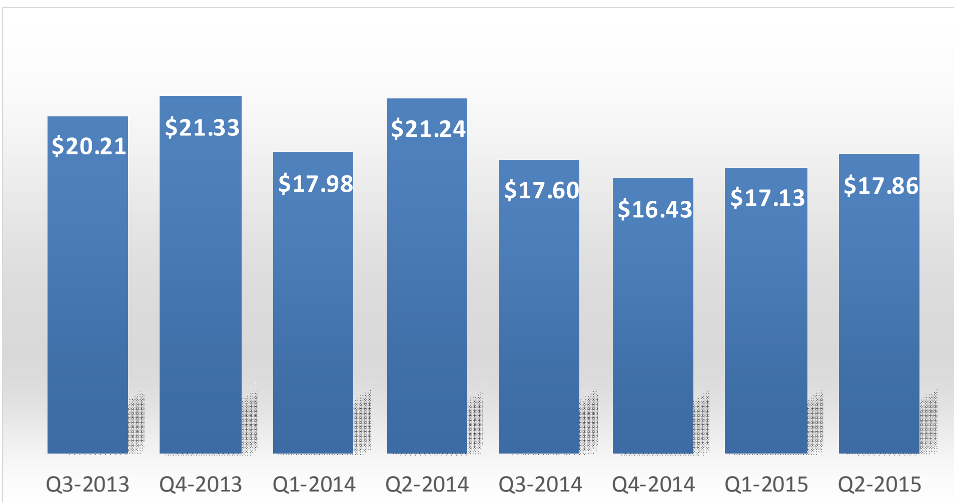
A summary of quarterly changes in AISC per silver equivalent ounce produced is as follows:



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

AISC per silver equivalent ounce sold at La Negra Mine	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Cash cost of sales:				
Cost of sales per financial statements	$ 7,935,391	$ 10,623,985	$ 16,141,210	$ 20,309,065
Less non-cash lease operating costs	(71,894)	-	(145,649)	-
Less depreciation and amortization	(1,225,156)	(912,119)	(2,449,310)	(1,804,553)
Less depletion of mineral properties	(37,294)	(9,924)	(123,727)	(38,655)
Total cash cost	6,601,047	9,701,942	13,422,524	18,465,857
Plus TCRC	2,611,165	3,166,205	5,649,062	7,259,073
Total cash cost	9,212,212	12,868,147	19,071,586	25,724,930
Less change in inventories	(50,123)	(790,980)	(230,547)	(856,884)
Corporate expenses	711,157	822,783	1,305,552	1,470,103
Sustaining capital	1,262,450	922,043	2,573,037	1,843,208
All-in sustaining costs of sales	$ 11,135,696	$ 13,821,993	$ 22,719,628	$ 28,181,357
Silver equivalent ounces payable after TCRC	623,559	650,745	1,299,848	1,449,533
All-in sustaining cost per silver eq. ounce sold	$ 17.86	$ 21.24	$ 17.48	$ 19.44

A summary of quarterly changes in AISC per silver equivalent ounce sold is as follows:



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

RESULTS OF OPERATIONS – LA NEGRA MINE

Quarter Ended	YTD 2015	Q2 2015	Q1 2015	Annual 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Mine Production								
Mine Days	153	74	79	365	92	92	91	90
Mill Days	161	77	84	332	85	85	77	85
Mineralization mined (tonnes)	408,209	207,964	200,245	846,785	213,299	217,011	208,931	207,544
Mineralization milled (tonnes)	415,178	207,762	207,416	961,840	236,452	235,485	232,763	257,140
Average tonnes milled per day	2,579	2,698	2,469	2,897	2,782	2,770	3,023	3,025
Average Grade								
Silver (g/t)	55	52	58	58	59	65	55	55
Copper (%)	0.43%	0.41%	0.45%	0.41%	0.48%	0.41%	0.37%	0.39%
Zinc (%)	0.98%	1.02%	0.94%	1.10%	0.93%	1.14%	1.01%	1.31%
Lead (%)	0.23%	0.24%	0.22%	0.28%	0.25%	0.34%	0.27%	0.26%
Recovery								
Silver	82%	81%	83%	82%	83%	84%	81%	80%
Copper	80.7%	78.1%	83.4%	74.2%	77.6%	75.2%	71.9%	72.3%
Zinc	76.6%	73.6%	79.7%	77.4%	73.1%	80.3%	79.9%	76.5%
Lead	73.6%	71.3%	76.0%	74.3%	74.2%	77.7%	71.8%	73.4%
Metal Production (contained in concentrates)								
Silver (oz)	611,095	285,284	325,811	1,476,729	374,507	412,063	329,368	360,791
Copper (tonnes)	1,448	669	779	2,881	865	710	582	724
Zinc (tonnes)	3,115	1,560	1,555	8,058	1,602	2,118	1,759	2,579
Lead (tonnes)	705	354	351	1,956	432	607	421	496
Silver Equivalent (oz)	1,604,199	779,339	824,860	3,704,237	1,000,213	997,530	786,505	919,989
Concentrate grades								
Copper (%)	22%	22%	22%	22%	21%	23%	22%	22%
Zinc (%)	46%	46%	46%	45%	45%	46%	42%	46%
Lead (%)	62%	61%	62%	60%	63%	63%	55%	60%

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

Production

Overall production decreased in the second quarter of 2015 compared to Q1, 2015 and Q4, 2014 due to revisions in mine planning and delayed implementation of seven day continuous shifts in the La Negra mine department. This resulted in lower than planned development advances and lower metal grades. Production is anticipated to ramp back-up to 3,000 tpd during the latter part of the year.

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

Operations Overview at La Negra

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

Underground diamond drilling and mine development at La Negra continue to delineate extensions to mineralized zones. Drill crews completed 4,220 metres of diamond drilling during the six months ended June 30, 2015 compared with 9,125 metres during the six months ended June 30, 2014.

During the six months ended June 30, 2015, approximately 48% of the mill feed was mined from the resource model used in the Estimate, with the remainder coming from areas outside the model. The ratio of mill feed mined from outside the resource model, although higher than historical levels, is generally consistent with mining experience at La Negra and represents additional upside to the life of mine at current rates of production.

The existing tailings facility currently has under one year of capacity at a milling rate of 3,000 tpd. An expansion of the existing tailings facility is planned and studies are being undertaken to support permitting of the expanded facility.

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

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

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

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

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

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

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

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

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

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

SHAFTER PROJECT, TEXAS USA

The Company continues to maintain the mine, mill and processing equipment at Shafter. During the quarter ending June 30, 2015 there was no exploration or development on site.

During the aforementioned period the Company was made aware of a proposal by Trans Pecos Pipeline LLC to construct a 143 mile-long pipeline between the Permian Basin and Ojinaga, Chihuahua, Mexico. The proposed route may pass through the Shafter Property. The pipeline, if constructed, is not expected to impact materially on any possible resumption of mining activities in the future.

OUTLOOK

During the second half of 2015, Aurcana will continue to focus on reducing costs, production efficiencies and improving metal grades. Given the current economic pressures on metals prices, management believes this strategy will enable it to remain viable and be well positioned to take advantage of any potential future increase in metals prices.

LIQUIDITY AND FINANCIAL POSITION

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities; in particular the prices of silver, copper, zinc and lead. Despite the current liquidity challenges, the La Negra mine is a valuable mining asset, which is currently producing operating cash flows for the Company.

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. To improve cash flows, the Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under the current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt in order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company's growth options. If it does not do so, or if it fails to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through June 30, 2016, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations to be able to satisfy its ongoing obligations and future contractual commitments. As a result, the Company may not be able to continue as a going concern (for further information, refer to Note 1 of the Consolidated Financial Statements for the quarter ended June 30, 2015).

If for any reason, the Company is unable to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's Consolidated Financial Statements and such adjustments could be material.

Readers are cautioned that there are many factors which may impact cash provided by operations which are difficult to predict and forecast.

Working capital

As at June 30, 2015, the Company had a working capital deficiency of $20.1 million compared with a deficiency of $11.5 million as at December 31, 2014. The major components of working capital at June 30, 2015 included $0.3 million of cash and equivalents, $2.8 million of trade and other receivables, $1.7 million of prepaid expenses, $2.1 million of inventories, and $0.3 million of assets held for sale, offset by $27.4 million of current liabilities (including $12.8 million in accounts payable and $14.5 million for the current portion of borrowings).

Current assets

Current assets decreased $7.6 million to $7.2 million at June 30, 2015, compared with $14.8 million at December 31, 2014. Contributing to the change was a $4.0 million decrease in insurance proceeds receivable, $1.3 million decrease in cash and equivalents and a decrease in trade and other receivables of $1.9 million. The decrease in cash and equivalents resulted from cash losses from property, plant and equipment expenditures of $1.9 million, financing and interest costs of $1.4 million offset by cash inflows from operating activities of $2.1 million.

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

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

PP&E, net of accumulated amortization, decreased to $61.0 million at June 30, 2015 from $62.1 million at December 31, 2014. This decrease of $1.1 million is comprised of the following:

- Additions of $1.4 million
  - Development of mineral properties - $0.9 million
  - Plant and equipment - $0.2 million
  - Assets under construction - $0.1 million
  - Reclassification from assets held for sale - $0.2 million
- Depletion and amortization - $2.5 million

Assets held for sale

During the six months ended June 30, 2015, the Company completed the sale of certain mobile equipment located on the Shafter property in Texas, USA, for $11,000. This resulted in the Company recognizing a loss of $9,898 on the transaction. The Company also reclassified some assets held for sale to plant and equipment totalling $0.2 million. The remaining balance of $0.3 million is allocated in the Company's Balance Sheet as Assets held for sale.

Current liabilities

Current liabilities increased to $27.4 million at June 30, 2015 compared with $26.3 million at December 31, 2014. Contributing to the change was an increase in the current portion of borrowings of $5.4 million due to deferral of principal payments, offset by reductions in accounts payable and accrued liabilities of $0.1 million, equipment lease obligations of $0.2 million and settlement claim payable of $4.0 million.

Borrowings

The Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amounts owed from January to July 2015 under the current debt facility agreement. The Company is currently engaged in discussions with the lender to restructure its senior debt in order to address ongoing liquidity concerns.

Long-term debt

a) The Company has commitments as of June 30, 2015 related to capital equipment contracts due as follows:

Schedule of principal repayments is as follows:		**June 30 2015**	December 31 2014
	2015	**88,878**	340,445
	2016	**14,813**	14,813
		$ 103,691	$ 355,258

The Company expects to ultimately meet these commitments with the cash flow generated by operations, and the proceeds of the Loan or other financing activities.

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

b) The Company has commitments for operating expenditures as of June 30, 2015 related to leased equipment due as follows:

Operating Leasing	**June 30 2015**	December 31 2014
2015	**394,776**	1,368,744
2016	**789,552**	1,101,942
2017	**789,552**	835,140
	$ 1,973,880	$ 3,305,826

OUTSTANDING SHARE CAPITAL

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

As at August 11, 2015, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	84,644,973
Warrants (Exercise price C$0.79)	10,265,816
Stock options (average exercise price C$6.24)	1,384,375
Total common shares (fully diluted)	**96,295,164**

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

TRANSACTIONS WITH RELATED PARTIES

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

	Note	June 30 2015	June 30 2014
Technical and consulting fees	(i)	$ 19,329	$ 25,620
Management fees	(ii)	-	210,553
Consulting fees		$ 19,329	$ 236,173

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

Compensation of key management personnel:

	Note	June 30 2015	June 30 2014
Consulting fees (as above)		$ 19,329	$ 236,173
Directors' fees		106,056	86,433
Officer salaries	(iii)	242,876	153,477
Stock-based compensation		4,026	220,011
		$ 372,287	$ 696,094

iii) Includes the salaries of the President and CEO, and CFO of the Company for the six months ended June 30, 2015.

As partial consideration for a loan amendment in April 2014, the Company issued shares to Orion Mine Finance (Master) Fund LP I ("Orion") resulting in Orion becoming a significant shareholder and related party to the Company.

Transactions with Orion:

	June 30 2015	June 30 2014
Repayment of loan principal	$ -	$ 5,833,333
Payment of interest	1,177,849	1,218,750
Loss on offtake agreement cancelation	-	4,500,000
	$ 1,177,849	$ 11,552,083

COMMITMENTS AND CONTINGENCIES:

Supply Agreements

In March 2011, the Company signed a contract with Metagri S.A. de C.V. ("Metagri") (a subsidiary of Glencore) whereby Metagri agreed to purchase 100% of the lead concentrate to be produced at the La Negra mine until the end of 2013. During 2013, the agreement with Metagri was extended to 2016 and amended to include all lead, copper and zinc concentrates.

On April 29, 2014, Aurcana entered into offtake agreements (the "New Offtake Agreements") with Orion in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020. In order to improve Aurcana's liquidity in the short term, Orion agreed to waive principal and interest payments on the Company's senior debt for July 31st, August 31st, and September 30th 2014, amounting to approximately $ 3.1 million. This amount will be amortized over the remainder of the loan period commencing October 2014. In return, the Company has extended the New Offtake Agreements by one year to 2021.

In January 2015, the Company signed a contract with Mercuria S.A. de C.V. whereby Mercuria agreed to purchase 100% of the copper concentrate to be produced at the La Negra mine during 2015. The Company was granted permission by Metragri to sell the copper concentrate to Mercuria during 2015.

Shafter equipment operating lease

On December 1, 2013 the Company signed an operating lease agreement for mining equipment for Shafter in the amount of $1,227,024 with a term of 30 months and equal payments of $44,467. During the quarter ended March 31, 2015, the Company signed an early lease termination agreement with the lessor. Under the terms of the agreement, the Company paid $100,000 to the lessor and will make 15 monthly payments of $10,000 each with the first payment due April 1, 2015.

La Negra equipment operating lease.

In December, 2014, the Company entered into an operating lease agreement with a third party for equipment to be used at La Negra Mine with a total value of $2.5 million. The lease terms call for equal monthly payments over a 36 month term.

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 $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 $0.6 million in property taxes owed on the Shafter property for 2013 and 2014. Subsequent to the quarter ended June 30, 2015, the Company and state officials agreed on a payment plan to settle the outstanding balance through 24 equal monthly payments of $28,000 commencing July 30, 2015.

Claims by the Company

The Company has commenced a claim against a third party with regards to royalty payments made between 2007 and 2012. The Company asserts these payments were made in error and did not make any payments for 2013 and 2014. An amount payable of $3.2 million, not-inclusive of interest, is included in accounts payable and accrued liabilities to reflect the amount owing for 2013 and 2014 should the Company not be successful in its claim. No amounts have been recognized or accrued for the six months ended June 30, 2015.

Off Balance sheet arrangements

None applicable other than the operating lease commitments disclosed herein.

Financial Instruments

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

At June 30, 2015, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		June 30, 2015
Cash and cash equivalents	USD$	78,270
Intercompany amounts due		23,995,090
Accounts payable		(32,814)
Loan payable		(33,650,615)
	USD$	(9,610,069)
CAD$ Equivalent		**(12,002,977)**

At June 30, 2015, the Company's Mexican operations (U.S. dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		June 30, 2015
Cash and cash equivalents	MXP$	595,575
Other receivable		4,557,430
Accounts payable		(56,960,599)
	MXP$	(51,807,594)
USD$ Equivalent		**(3,327,911)**

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities, borrowings, embedded derivative liabilities and long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

The Company classifies the fair value of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The following tables summarize the fair value hierarchy, as of June 30, 2015:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (2,627,929)	$ -	$ -	$ (2,627,929)	Level 3
	$ (2,627,929)	**$ -**	**$ -**	**$ (2,627,929)**	

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

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (2,690,031)	$ -	$ -	$ (2,690,031)	Level 3
	$ (2,690,031)	**$ -**	**$ -**	**$ (2,690,031)**	

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

RISKS AND UNCERTAINTIES

The operations of Aurcana are speculative due to the high risk nature of its business which involves silver, copper, lead and zinc production and 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.

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. As the Company has its operations in developing countries, it is unavoidable that some cash is held with regional banks in areas where the banking system does not operate as efficiently as in major financial centers. In these circumstances, the Company attempts to keep only minimal balances with such banks.

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 June 30, 2015, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. 100% of the Company's product sales and trade accounts receivable are generated from one customers representing 100% of the total sales for the period. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The carrying amount of financial assets recorded in the Condensed Interim Consolidated 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. The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities 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. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the assumption that the Company will continue as a going concern. The Company is engaged in negotiations with its principal lender to restructure its current debt 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 Condensed Interim Consolidated Financial Statements - Nature of operations and going concern).

Price risk

The Company is subject to revenue price risk from fluctuations in the market prices of copper, silver, lead and zinc. The Company is also exposed to commodity price risk on diesel fuel through its mining operations. The Company's risk management policy does not currently provide for the management of these exposures through the use of derivative financial instruments. Commodity price risk is also the risk that metal prices will move adversely during the time period between shipment of the concentrate and final payment for the concentrate. The Company's commodity price risk related to financial instruments primarily relates to changes in fair value of embedded derivatives in accounts receivable reflecting commodity sales provisionally priced based on the forward price curve at the end of each quarter.

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

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 any estimate of reserves. Should such declines occur, the Company could be required to take a material write-down of its investment in mining properties or delay or discontinue production or 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.

Mineral production at La Negra is based on measured and indicated resources in the Estimate, as well as additional mineralization encountered during development drilling and development of production faces. Production is not based upon a reserve estimate and no study of mineral reserves demonstrating economic and technical viability has been undertaken. Similarly, Minera La Negra's mining plans are based upon the measured and indicated resources found in the Estimate and are not based upon a reserve estimate.

Replacement of mineral resources

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

Reclamation obligations

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

Exploration risks

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

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

Conflicting interests

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

Permitting and title

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

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

Management services

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

Market influences

The Company's common shares are listed for trading on the TSX Venture Exchange. Shareholders of the Company may be unable to sell significant quantities of the Common Shares into the public trading markets without a significant reduction in the price of the shares. The market price of the Company’s 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.