



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

March 31, 2013

(Unaudited)

Expressed in United States dollars unless otherwise stated

1750 - 1188 West Georgia Street, Vancouver BC V6E 4A2 CANADA

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2013 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.

Aurcana Corporation

Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States dollars, unless otherwise stated)

	Notes	March 31 2013	December 31 2012
Assets			
Current assets			
Cash and cash equivalents	18	\$ 18,002,013	\$ 10,027,622
Trade and other receivables	4	3,739,112	3,817,901
Inventories	5	5,401,823	4,790,008
Short-term investments	6	574,779	715,780
Amounts receivable	7	-	599,525
Prepaid expenses and advances		1,198,561	930,724
		28,916,288	20,881,560
Non Current assets			
Property, plant and equipment	8	135,488,732	123,701,038
Mineral Properties	9	46,029,076	45,751,535
Deferred tax asset		928,013	1,092,186
Long term deposits		666,780	941,492
		\$ 212,028,889	\$ 192,367,811
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 13,223,335	\$ 10,880,576
Income tax payable		1,168,674	457,397
Current portion of long-term debt	11	2,344,771	2,344,771
Note payable	12	15,000,000	-
		31,736,780	13,682,744
Long-term debt			
	11	4,170,634	4,737,521
Provision for environmental rehabilitation	13	2,685,267	2,662,433
		38,592,681	21,082,698
Equity			
	14		
Share capital		168,613,859	168,524,625
Contributed Surplus		30,771,344	28,882,425
Accumulated other comprehensive loss		(2,874,464)	(2,655,669)
Deficit		(23,122,677)	(23,510,416)
Total equity attributable to equity holders of the parent		173,388,062	171,240,965
Non-controlling interest	15	48,146	44,148
Total equity		173,436,208	171,285,113
		\$ 212,028,889	\$ 192,367,811

Commitments (Note 17)

Subsequent events (Note 27)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

"Robert J. Tweedy"

Director

"Adrian Aguirre"

Director

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

		Three months ended March 31,	
	Notes	2013	2012
Revenues			
Mining operations	20	\$ 12,761,811	\$ 11,948,533
Costs of sales	21	7,968,533	6,441,093
Earnings from mine operations		4,793,278	5,507,440
Other items			
Administrative costs	22	1,262,710	1,001,868
Financing expense and others	23	45,225	32,733
Stock-based compensation	14	1,762,964	1,372,909
Foreign exchange loss		233,721	323,643
Other expenses		15,936	110,861
		3,320,556	2,842,014
Income before income taxes		1,472,722	2,665,426
Current Income tax expense		916,812	576,303
Deferred income tax expense		164,173	96,996
Net income for the period		\$ 391,737	\$ 1,992,127
Attributable to:			
Non-controlling interest		3,998	5,229
Equity holders of the Company		387,739	1,986,898
		\$ 391,737	\$ 1,992,127
Weighted average number of shares – basic	24	467,150,207	437,593,436
Weighted average number of shares – diluted	24	494,870,003	483,456,945
Net income per share – basic & diluted			
Basic	24	\$ -	\$ 0.01
Diluted	24	\$ -	\$ 0.01

See accompanying notes to these consolidated financial statements.

Aurcana Corporation

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

		Three months ended March 31,	
	Notes	2012	2011
Net income for the period		\$ 391,737	\$ 1,992,127
Items of other comprehensive income that may be reclassified subsequently to net income			
Currency translation adjustment		(77,794)	313,828
Unrealized gain (loss) on Short-term investments	6	(141,001)	87,697
Comprehensive income for the period		\$ 172,942	\$ 2,393,652
Attributable to:			
Non-controlling interest		\$ 3,998	\$ 5,229
Equity holders of the Company		168,944	2,388,423
		\$ 172,942	\$ 2,393,652

See accompanying notes to these 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	Total Equity Attributable to Shareholders of the Company	Non- controlling Interest	Total Equity
Balance, December 31, 2011	146,556,711	28,440,706	(2,262,183)	(34,845,299)	137,889,935	1,427,691	139,317,626
Adjustment of non-controlling interest (note 14)	-	-	-	1,402,706	1,402,706	(1,402,706)	-
Currency translation adjustment	-	-	313,828	-	313,828	-	313,828
Unrealized gain (loss) on available for sale investments	-	-	87,697	-	87,697	-	87,697
Net income for the period	-	-	-	1,986,898	1,986,898	5,229	1,992,127
Shares issued for:							
Private placement	-	-	-	-	-	-	-
Exercise of warrants	7,942,543	(2,058,211)	-	-	5,884,332	-	5,884,332
Exercise of options	621,519	(220,542)	-	-	400,977	-	400,977
Issuance of warrants	(381,064)	381,064	-	-	-	-	-
Tax benefit of share issue costs recognized	-	-	-	-	-	-	-
Stock-based compensation	-	1,372,909	-	-	1,372,909	-	1,372,909
Balance, March 31, 2012	154,739,709	27,915,926	(1,860,658)	(31,455,695)	149,339,282	30,214	149,369,496
Adjustment of non-controlling interest (note 14)	-	-	-	-	-	-	-
Currency translation adjustment	-	-	(1,039,613)	-	(1,039,613)	-	(1,039,613)
Unrealized gain (loss) on available for sale investments	-	-	244,602	-	244,602	-	244,602
Net income for the period	-	-	-	7,945,279	7,945,279	13,934	7,959,213
Shares issued for:							
Exercise of warrants	10,118,273	(3,343,006)	-	-	6,775,267	-	6,775,267
Exercise of options	3,223,483	(1,310,078)	-	-	1,913,405	-	1,913,405
Issuance of warrants	(1,692,800)	1,692,800	-	-	-	-	-
Tax benefit of share issue costs recognized	2,135,960	-	-	-	2,135,960	-	2,135,960
Stock-based compensation	-	3,926,783	-	-	3,926,783	-	3,926,783
Balance, December 31, 2012	168,524,625	28,882,425	(2,655,669)	(23,510,416)	171,240,965	44,148	171,285,113
Currency translation adjustment	-	-	(77,794)	-	(77,794)	-	(77,794)
Unrealized gain (loss) on available for sale investments	-	-	(141,001)	-	(141,001)	-	(141,001)
Net income for the period	-	-	-	387,739	387,739	3,998	391,737
Shares issued for:							
Exercise of warrants	89,234	(20,579)	-	-	68,655	-	68,655
Stock-based compensation	-	1,909,498	-	-	1,909,498	-	1,909,498
Balance, March 31, 2013	168,613,859	30,771,344	\$ (2,874,464)	\$ (23,122,677)	\$ 173,388,062	\$ 48,146	\$ 173,436,208

See accompanying notes to these consolidated financial statements.

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

	Three months ended March 31,	
	2013	2012
Cash flows from operating activities		
Net income for the period	\$ 391,737	\$ 1,992,127
Items not involving cash:		
Depreciation, depletion and amortization	721,202	1,023,123
Accretion of amounts receivable	99,525	(27,089)
Financing expense and others	45,225	32,733
Stock-based compensation	1,909,498	1,372,909
Unrealized foreign exchange (gain) loss	(46,212)	716,465
Deferred Income Tax expense	164,173	96,996
Operating Cash Flow before movements in working capital items	3,285,148	5,207,264
Net change to non-cash working capital balances		
Trade and other receivables	78,789	(984,917)
Inventories	(611,815)	(777,863)
Amounts Receivable	500,000	-
Income Taxes Payable	711,277	148,440
Prepaid expenses and advances	(267,837)	96,594
Accounts payable and accrued liabilities	4,040,701	(2,426,322)
Cash provided by operating activities	7,736,263	1,263,196
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,172,784)	(11,088,477)
Expenditures on mineral properties	(311,595)	(3,595,660)
Long term deposits	274,712	-
Cash used in investing activities	(14,209,667)	(14,684,137)
Cash flows from financing activities		
Share capital issued, net of share issue costs	68,655	6,285,309
Financing cost	(22,391)	(14,797)
Advances of notes payable, net	14,433,113	1,936,800
Cash provided by financing activities	14,479,377	8,207,312
Increase (decrease) in cash and cash equivalents	8,005,973	(5,213,629)
Effect of exchange rate changes on cash	(31,582)	(402,637)
Cash and cash equivalents, beginning of the year	10,027,622	36,560,380
Cash and cash equivalents, end of the period	\$ 18,002,013	\$ 30,944,114

Supplemental Cash Flow information (Note 18)

See accompanying notes to these consolidated financial statements

AURCANA CORPORATION

Notes to Consolidated Financial Statements

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

1. Governing Statutes and Purpose of the Organization

Aurcana Corporation (the "Company") was originally incorporated in Canada under the laws of Ontario in 1917 and on September 14, 1998 was continued under the *Canada Business Corporations Act* ("CBCA"). The Company is currently engaged in the production and sale of copper, silver, lead and zinc concentrates and the exploration, development and operation of natural resource properties. The Company's principal operating unit is the La Negra mine, located in Queretaro State, Mexico and the Company's main developing property is the Shafter Silver Properties located in Presidio County, S.W. Texas.

The Company's shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 1750-1188 West Georgia Street, Vancouver, B.C., V6E 4A2, Canada.

2. Basis of Preparation

The Company is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2012, except as described in Note 26.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

3. Liquidity

At March 31, 2013 the Company had a working capital deficiency of \$2.9 million (Dec 2012 – working capital of \$7.1 million).

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite the current liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing significant operating cash flows for the Company. The Shafter mine has faced its challenges in the past months and will require further infusion of funds to meet planned production levels. The level of these further expenditures at the Shafter mine may exceed the cash flows provided by the La Negra mine until the Shafter mine reaches positive cash flows.

Management is currently evaluating a number of non-dilutive financing alternatives that would improve the Company's financial position. There is no assurance that these initiatives will be successful or sufficient to meet the Company's liquidity requirements.

The Company's long-term liabilities at March 31, 2013 were \$6.9 million (December 31, 2012: \$7.4 million). The Company has also entered into a short-term loan in the amount of \$15 million with its main concentrate purchaser to help finance the Company through the current modifications being completed on the Shafter mill and as a bridge until the mine is in production.

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

These financial statements were approved for issue by the Board of Directors on May 14, 2013.

4. Trade and Other Receivable

	March 31 2013	December 31 2012
Trade receivables	\$ 3,012,251	\$ 3,207,773
Other receivables	726,861	610,128
	<u>\$ 3,739,112</u>	<u>\$ 3,817,901</u>

5. Inventories

	March 31 2013	December 31 2012
Supplies inventory	\$ 2,988,540	\$ 2,997,914
Stockpile inventory	1,274,122	1,014,115
Concentrates and in-process	1,139,161	777,979
	<u>\$ 5,401,823</u>	<u>\$ 4,790,008</u>

6. Short-term investments

As partial consideration for the sale of Rosario (Note 7), Silvermex issued 1,000,000 common shares to the Company, which had an original fair value of CDN \$400,000. On July 6, 2012, Silvermex was acquired by First Majestic Silver Corp. ("First Majestic"), and 1,000,000 Silvermex shares were converted to 35,500 First Majestic shares.

The First Majestic shares are carried at fair market value based on quoted market prices as follows:

	March 31 2013	December 31 2012
Balance beginning of the year	\$ 715,780	\$ 383,481
Unrealized gain (loss)	(141,001)	332,299
Balance end of the period / year	<u>\$ 574,779</u>	<u>\$ 715,780</u>

The unrealized gain (loss) on these securities has been recorded in other comprehensive income.

AURCANA CORPORATION**Notes to Consolidated Financial Statements****(Unaudited expressed in United States dollars, unless otherwise stated)****7. Amounts Receivable**

On November 30, 2009, the Company sold its Rosario exploration and development project located in Sinaloa State, Mexico ("Rosario") to Silvermex Resources Inc. ("Silvermex") for cash and share consideration (Note 6).

As part of the required cash consideration, the Company received approximately \$1 million USD in two payments of \$500,000. The first payment was due by April 9, 2012 and was received on July 9, 2012 as mutually agreed. The second payment was due by October 9, 2012 and paid in full on January 7, 2013 as mutually agreed.

A summary of changes in accounts receivable is presented below:

	March 31	December 31
	2013	2012
Carrying value, beginning of the year	\$ 599,525	\$ 942,616
Payment Received	(500,000)	(500,000)
Receivable from vendors	(100,940)	100,940
Accretion for the period	1,415	55,969
Carrying value, end of the period /year	<u>\$ -</u>	<u>\$ 599,525</u>

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

8. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Cost								
Balance at December 31, 2011	\$ 1,475,280	\$ 25,862,694	\$ 8,600,798	\$ 733,858	\$ 466,306	\$ 156,207	\$ 20,979,115	\$ 58,274,258
Additions	492,733	12,061,333	8,317,563	145,451	73,719	192,082	13,789,397	35,072,278
Transfer from Mineral Properties (Note 8)	-	-	-	-	-	-	39,788,665	39,788,665
Balance at December 31, 2012	1,968,013	37,924,027	16,918,361	879,309	540,025	348,289	74,557,177	133,135,201
Additions	224,174	191,696	2,215,276	-	7,037	13,646	9,823,013	12,474,842
Balance at March 31, 2013	\$ 2,192,187	\$ 38,115,723	\$ 19,133,637	\$ 879,309	\$ 547,062	\$ 361,935	\$ 84,380,190	\$ 145,610,043
Accumulated depreciation								
Balance at December 31, 2011	\$ 53,070	\$ 4,669,967	\$ 207,232	\$ 274,777	\$ 310,466	\$ 29,938	\$ -	\$ 5,545,450
Charge for the year	59,133	3,455,919	224,796	61,814	58,786	28,265	-	3,888,713
Balance at December 31, 2012	112,203	8,125,886	432,028	336,591	369,252	58,203	-	9,434,163
Charge for the period	19,238	589,262	6,236	23,434	35,895	13,083	-	687,148
Balance at March 31, 2013	\$ 131,441	\$ 8,715,148	\$ 438,264	\$ 360,025	\$ 405,147	\$ 71,286	\$ -	\$ 10,121,311
Net book value								
Balance at December 31, 2011	\$ 1,422,210	\$ 21,192,727	\$ 8,393,566	\$ 459,081	\$ 155,840	\$ 126,269	\$ 20,979,115	\$ 52,728,808
Balance at December 31, 2012	\$ 1,855,810	\$ 29,798,141	\$ 16,486,333	\$ 542,718	\$ 170,773	\$ 290,086	\$ 74,557,177	\$ 123,701,038
Balance at March 31, 2013	\$ 2,060,746	\$ 29,400,575	\$ 18,695,373	\$ 519,284	\$ 141,915	\$ 290,649	\$ 84,380,190	\$ 135,488,732

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

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

9. Mineral Properties

Cost	La Negra Mexico Producing Mine	Shafter Texas, USA In Construction	Shafter Exploration	Total
Balance at December 31, 2011	\$ 12,717,017	\$ 50,491,581	\$ -	\$ 63,208,598
Expenditures	-	27,261,934	4,136,498	31,398,432
Transfer to Assets Under Construction (Note 7)	-	(39,788,665)	-	(39,788,665)
Balance at December 31, 2012	12,717,017	37,964,850	4,136,498	54,818,365
Expenditures	-	-	311,595	311,595
Balance at March 31, 2013	\$ 12,717,017	\$ 37,964,850	\$ 4,448,093	\$ 55,129,960
Accumulated depletion				
Balance at December 31, 2011	\$ 8,091,942	\$ -	\$ -	\$ 8,091,942
Charge for the year	974,888	-	-	974,888
Balance at December 31, 2012	9,066,830	-	-	9,066,830
Charge for the period	34,054	-	-	34,054
Balance at March 31, 2013	\$ 9,100,884	\$ -	\$ -	\$ 9,100,884
Net book value				
Balance at December 31, 2011	\$ 4,625,075	\$ 50,491,581	\$ -	\$ 55,116,656
Balance at December 31, 2012	\$ 3,650,187	\$ 37,964,850	\$ 4,136,498	\$ 45,751,535
Balance at March 31, 2013	\$ 3,616,133	\$ 37,964,850	\$ 4,448,093	\$ 46,029,076

Mineral properties which are not in production are not subject to amortization. During the year ended December 31, 2012, the Company transferred all costs related to the development and construction of the Shafter project to property, plant and equipment – assets under construction. The remaining balance of \$37,964,850 represents the costs of acquiring the mineral property.

As March 2013, the Company capitalized interest expense in the amount of \$107,223 (as of December 2012 - \$409,434) related to the finance contracts for equipment used in the construction of the Shafter mine (Note 8).

AURCANA CORPORATION**Notes to Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****10. Accounts Payable and Accrued Liabilities**

	March 31	December 31
	2013	2012
Royalties	\$ 844,207	\$ 451,555
Property taxes	962,352	692,352
Salaries, payroll deductions and employee benefits	2,133,750	1,381,833
Employees' statutory profit sharing	1,436,306	1,052,643
Mine suppliers - operating	4,760,426	3,219,189
Mine suppliers - capital	2,006,884	3,704,826
Other	1,079,410	378,178
	\$ 13,223,335	\$ 10,880,576

11. Current and Long-term Debt

	March 31	December 31
	2013	2012
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$14,813 plus interest at 7.9% per annum, maturing December 2015	521,629	533,266
First National Capital - Capital equipment contracts, repayable in monthly payments totalling US\$34,714 including interest at 8.1% per annum, maturing August 2015	911,918	1,031,250
First National Capital - Capital equipment contracts, repayable in monthly payments totalling US\$34,714 including interest at 6.9% per annum, maturing December 2015	4,754,362	5,143,926
Macquarie Equipment Finance- Capital equipment contracts, repayable in monthly payments totalling US\$16,065 plus interest at 3.25% per annum, maturing December 2014	327,496	373,850
Total	\$ 6,515,405	\$ 7,082,292

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

11. Current and Long-term Debt (continued)

Current portion	\$ 2,344,771	\$ 2,344,771
Long-term debt	<u>4,170,634</u>	<u>4,737,521</u>
	<u>\$ 6,515,405</u>	<u>\$ 7,082,292</u>

In the first quarter of 2013, the Company capitalized interest expenses in the amount of \$107,223 for the leases of Shafter, in assets under construction (Note 8).

Schedule of principal repayments is as follows:

2013	\$ 1,777,884	\$ 2,344,771
2014	2,457,287	2,457,287
2015	<u>2,280,234</u>	<u>2,280,234</u>
	<u>\$ 6,515,405</u>	<u>\$ 7,082,292</u>

The net book value of the assets in note 8 financed by the capital equipment contracts is \$11,098,551.

12. Note Payable

The Company through its subsidiary Minera La Negra has arranged a US\$15 million credit facility with its concentrate buyer on production from the La Negra mine. Under this facility US\$15 million was received on March 28, 2013, with periodic repayments scheduled through to December 31, 2013. The loan is unsecured, bears interest at the rate of three months US Libor rate plus 4.50% per annum.

The repayment schedule is as follows:

Month	Amount
April	\$ 750,000
May	1,250,000
June	1,250,000
July	1,750,000
August	1,750,000
September	1,750,000
October	2,000,000
November	2,000,000
December	<u>2,500,000</u>
	<u>\$ 15,000,000</u>

AURCANA CORPORATION**Notes to Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****13. Provision for Environmental Rehabilitation**

The Company has accrued an estimated liability related to reclamation and closure costs at the La Negra mine based on the total future remediation cost, discounted to March 31, 2013 using a 5.21% discount rate (December 31, 2012 - 5.21%) and a 3.57% inflation rate (December 31, 2011: 3.57%), in the amount of \$1,106,459 (December 31, 2012 - \$1,083,625).

The Company has accrued an estimated liability related to reclamation and closure costs at the Shafter mine based on the total future remediation cost, discounted to March 31, 2013 using a 2.53% discount rate (December 31, 2012 – 2.53%) and a 2.1% inflation rate (December 31, 2012 – 2.1%), in the amount of \$1,578,808 (December 31, 2012 - \$1,578,808).

The 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 environment rehabilitation for the period ended March 2013 and year 2012 is as follows:

	March 31 2013	December 31 2012
Environmental rehabilitation, beginning of the year	\$ 2,662,433	\$ 2,738,587
Addition (Reduction)	-	(107,939)
Accretion	22,834	31,785
Enviromental rehabilitation, end of the period	<u>\$ 2,685,267</u>	<u>\$ 2,662,433</u>

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

14. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares	Amount
Balance, December 31, 2011	430,766,403	\$ 146,556,711
Tax benefit of share issuance costs recognized	-	-
Issuance of warrants	-	(381,064) *
Exercised warrants	14,394,558	7,942,543
Exercised options	1,680,000	621,519
Balance, March 31, 2012	446,840,961	154,739,709
Tax benefit of share issuance costs recognized	-	2,135,960
Issuance of warrants	-	(1,692,800)
Exercised warrants	16,488,218	10,118,273
Exercised options	3,700,000	3,223,483
Balance, December 31, 2012	467,029,179	168,524,625
Exercised warrants	168,790	89,234
Balance, March 31, 2013	467,197,969	\$ 168,613,859

* Upon exercise of 5,398,690 agent compensation options from the financing of December 7, 2010, the Company issued 5,398,690 common shares and an additional 2,699,345 share purchase warrants, which were fair valued at \$2,073,864 using the Black-Scholes model.

AURCANA CORPORATION**Notes to Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****14. Equity (continued)**

During the year ended December 31, 2012, the Company met the recognition criteria and recorded the benefit of certain tax assets, including those related to historic share issuance costs. As a result, the Company recognized a credit of \$2,135,960 against share capital in the year ended December 31, 2012.

Stock options

On June 29, 2011, the Company adopted a fixed option plan (the "New Plan"), pursuant to which the Company may grant up to 34,698,803 stock options to directors, officers, employees and consultants. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

<u><i>Stock options</i></u>	Number of Share Options	Weighted Average Exercise Price per Share (\$CDN)
Balance, December 31, 2011	27,867,500	0.62
Granted	-	-
Exercised	(1,680,000)	0.24
Expired	(1,137,500)	1.19
Forfeited	(300,000)	0.67
Balance, March 31, 2012	24,750,000	0.62
Granted	8,525,000	1.01
Exercised	(3,700,000)	0.51
Expired	(393,750)	0.49
Forfeited	(1,062,500)	0.93
Balance, December 31, 2012	28,118,750	0.74
Granted	4,200,000	0.79
Exercised	-	-
Expired	(43,750)	1.02
Forfeited	-	-
Balance, March 31, 2013	32,275,000	0.75

At March 31, 2013, the number of vested options was 27,132,292 with an average exercise price of CDN\$0.72 per share.

AURCANA CORPORATION**Notes to Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****14. Equity (continued)**

Outstanding	Vested	Exercise Price (\$CDN)	Expiry Date
400,000	400,000	0.31	September 9, 2013
1,800,000	1,800,000	0.10	August 13, 2014
525,000	525,000	0.29	December 18, 2014
75,000	75,000	0.28	February 12, 2015
350,000	350,000	0.61	January 14, 2016
7,575,000	7,575,000	0.76	February 22, 2016
75,000	75,000	0.76	May 4, 2016
8,700,000	8,700,000	0.69	May 30, 2016
150,000	150,000	0.79	September 12, 2016
450,000	281,250	0.67	September 27, 2016
300,000	250,000	0.70	December 5, 2016
5,325,000	3,640,625	1.02	June 11, 2017
350,000	262,500	1.02	June 11, 2013
650,000	243,750	1.02	June 12, 2017
150,000	37,500	0.93	August 14, 2017
1,200,000	150,000	0.97	December 6, 2017
4,000,000	2,600,000	0.79	February 28, 2018
200,000	16,667	0.79	February 28, 2015
32,275,000	27,132,292	0.72	

Stock based compensation

For the period ended March 31, 2013 the stock-based compensation expense was \$1,909,498 (2012: \$5,299,692). The stock-based compensation was allocated to operations in the amount of \$1,762,964 (2012: \$4,807,807) and to construction in progress \$146,534 (2012: \$ 491,885). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	March 31, 2013	December 31, 2012
Risk-free interest rate	1.24%	1.20%
Expected stock price volatility	79.98%	80.16%
Expected dividend yield	n/a	n/a
Expected option life in years	3.4	3.4

AURCANA CORPORATION
Notes to Consolidated Financial Statements
(Expressed in United States dollars, unless otherwise stated)
14. Equity (continued)

Share Purchase Warrants	Number of Share Warrants
Balance, December 31, 2011	99,329,670
Issued ⁽¹⁾	957,500
Exercised	(14,394,558)
Expired	-
Balance, March 31, 2012	85,892,612
Issued ⁽¹⁾	3,737,825
Exercised	(16,488,218)
Expired	-
Balance, December 31, 2012	73,142,219
Issued	-
Exercised	(168,790)
Expired	-
Balance, March 31, 2013	72,973,429

(1) The 4,695,325 warrants issued were due to the exercise of 5,398,690 agents compensation units at price of CDN\$0.41.

As of March 31, 2013 details of outstanding warrants are as follows:

Number of	Exercise Price	Expiry Date
24,960	\$ 0.40	June 30, 2013
2,430,000	\$ 0.35	June 30, 2013
44,091,969	\$ 0.41	December 7, 2013
26,426,500	\$ 1.00	November 29, 2013
<u>72,973,429</u>		

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

15. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2011	\$ 1,427,691
Adjustment of non-controlling interest	(1,402,706)
Non-controlling interest's share of profit in La Negra Mine	5,229
Balance, March 31, 2012	<u>30,214</u>
Non-controlling interest's share of profit in La Negra Mine	13,934
Balance, December 31, 2012	<u>44,148</u>
Non-controlling interest's share of profit in La Negra Mine	3,998
Balance, March 31, 2013	<u><u>\$ 48,146</u></u>

The capital restructure of Real de Maconi, S.A. de C.V. ("Real de Maconi") was a result of a 2010 tax audit conducted by the Mexican Tax Authority (the "Tax Authority"). The Tax Authority requested that Real de Maconi reclassify an accounting transaction classified as a capitalization in favor of a third party. The transaction was previously classified as interest of same third party and as that said party failed to submit to the Tax Authority the evidence of any deposit made for that matter, said transaction had to be considered income for Real de Maconi, generating the corresponding tax thereof.

Therefore a reclassification was made through a roll back of the equity accounts, thereby increasing the Company's ownership in Real de Maconi to 99.86% leaving a non-controlling interest of 0.14% to a third party in compliance with the tax audit conducted by the Tax Authority.

16. Related Party Transactions

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

a) Trading transactions

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

	Note	March 31 2013	March 31 2012
Technical and consulting fees	(i)	\$ 110,047	\$ 67,591
General and administrative expenses	(ii)	-	39,798
Management fees	(iii)	122,175	97,935
Related party transactions fees		<u>\$ 232,222</u>	<u>\$ 205,324</u>

- i) To companies controlled by officers or directors.
- ii) To a company controlled by the former corporate secretary for management services performed as an officer.
- iii) To a company controlled by the President & CEO for management services performed.

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

16. Related Party Transactions (continued)

During the quarter ended March 31, 2013, there were no significant transactions with related parties outside of the ordinary course of business and were measured at fair value.

b) Compensation of key management personnel

	March 31 2013	March 31 2012
Related party transactions fees	\$ 232,222	\$ 205,324
Directors' fees	72,917	29,471
Officer salaries	77,381	53,946
Stock-based compensation	1,909,498	1,372,909
	<u>\$ 2,292,018</u>	<u>\$ 1,661,650</u>

17. Commitments

Supply agreements

On November 14, 2006, La Negra signed a purchase contract with Trafigura Beheer B.V. ("Trafigura") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper and zinc concentrate to be produced during the years 2007, 2008, 2009 and extended until the end of 2013. On March 2011, La Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced until the end of 2013. Prices set in both agreements are based on the average of the month in which the shipment is made as per the published prices in the Metal Bulletin in London in US dollars. Prices are based on the published prices in the Metal Bulletin in London in US dollars of the following month of shipment is made.

Office Lease

Effective May 1, 2010, the Company executed a lease for new office space for a period of 60 months, expiring on April 30, 2015. The minimum annual payments are \$86,160 (May 1, 2010 to April 30, 2012), \$89,750 (May 1, 2012 to April 30, 2013) and \$93,340 (May 1, 2013 to April 30, 2015).

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

18. 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:

	March 31 2013	December 31 2012
Cash	\$ 17,320,860	\$ 3,313,406
Short-term investments	681,153	6,714,216
Cash and cash equivalents	\$ 18,002,013	\$ 10,027,622

Supplemental disclosures of cash flow information:

	March 31 2013	December 31 2012
Cash interest paid	\$ 22,391	\$ 116,925
Income taxes paid	205,535	2,583,234

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

Non-cash investing and financing activities are as follows:

	March 31 2013	December 31 2012
Increase (decrease) in accounts payable related to construction in progress and equipment suppliers	\$ (1,697,942)	\$ 946,890
Interest on debt capitalized to Construction in progress	107,223	409,434

AURCANA CORPORATION
Notes to Consolidated Financial Statements
(Expressed in United States dollars, unless otherwise stated)
19. Segmented Information

The reportable operating segments have been identified as the La Negra mine, the Shafter mine 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.

March 31, 2013	Corporate and other			Total
	La Negra	Shafter	segments	
Sales to external customers	\$ 12,761,811	\$ -	\$ -	\$ 12,761,811
Mining operating expenses	6,628,949	-	-	6,628,949
Royalties	317,839	-	-	317,839
Freight and delivery	300,543	-	-	300,543
Depreciation and amortization	687,148	-	-	687,148
Depletion of mineral properties	34,054	-	-	34,054
Gross income	4,793,278	-	-	4,793,278
General and administrative expenses	271,682	179,695	2,869,179	3,320,556
Intersegment charges (recovery)	1,054,640	2,356,760	(3,411,400)	-
Income (loss) before income taxes	3,496,543	(2,536,455)	512,634	1,472,722
Income tax expense (recovery)	1,067,672	-	13,313	1,080,985
Net income for the period	2,428,871	(2,536,455)	499,321	391,737
Property, plant and equipment	42,126,109	93,307,214	55,409	135,488,732
Mineral properties	3,616,133	42,412,943	-	46,029,076
Total capital assets	45,742,242	135,720,157	55,409	181,517,808
Total assets	48,516,801	140,972,377	22,539,711	212,028,889
Total liabilities	27,470,163	10,801,394	321,124	38,592,681

March 31, 2012	Corporate and other			Total
	La Negra	Shafter	segments	
Sales to external customers	\$ 11,948,533	\$ -	\$ -	\$ 11,948,533
Mining operating expenses	4,765,381	-	-	4,765,381
Royalties	366,812	-	-	366,812
Freight and delivery	285,777	-	-	285,777
Depreciation and amortization	779,452	-	-	779,452
Depletion of mineral properties	243,671	-	-	243,671
Gross income	5,507,440	-	-	5,507,440
General and administrative expenses	(295,515)	(1,362,886)	4,500,415	2,842,014
Intersegment charges (recovery)	851,745	1,432,845	(2,284,590)	-
Income (loss) before income taxes	4,951,210	(69,959)	(2,215,825)	2,665,426
Income tax expense	673,299	-	-	673,299
Net income for the period	4,277,911	(69,959)	(2,215,825)	1,992,127
Property, plant and equipment	28,288,865	40,373,731	51,583	68,714,179
Mineral properties	4,381,405	54,087,241	-	58,468,646
Total capital assets	32,670,270	94,460,972	51,583	127,182,825
Total assets	41,665,787	97,198,516	30,728,476	169,592,779
Total liabilities	9,196,938	10,701,363	324,982	20,223,283

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

20. Revenues

	Three months ended March 31,	
	2013	2012
Revenues from mining operations	\$ 12,761,811	\$ 11,948,533
Figures in \$million:		
Gross revenues from Mining operations	\$ 15.0	\$ 14.6
Deductions T.C., refining and smelting charges deducted by the customers	2.2	2.7
Revenues from mining operations	\$ 12.8	\$ 11.9
Net Revenues by customer:		
Trafigura (Corminmex)	\$ 7.1	\$ 6.0
Glencore (Metagri)	5.7	5.9
Revenues from mining operations	\$ 12.8	\$ 11.9

21. Cost of Sales

	Three months ended March 31,	
	2013	2012
Mine and Mill supplies	\$ 2,543,076	\$ 1,973,099
Power	635,238	423,703
Salaries and benefits	3,450,635	2,368,579
Royalties	317,839	366,812
Freight and delivery	300,543	285,777
Depreciation and amortization	687,148	779,452
Depletion of mineral properties	34,054	243,671
Total Cost of Sales	\$ 7,968,533	\$ 6,441,093

Cost of sales includes change in finished goods inventory for the three first months of the year for \$361,182 (2011: \$(18,901)).

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

22. Administrative costs

	Three months ended March 31,	
	2013	2012
Administrative costs[1]	\$ 743,320	\$ 666,298
Professional fees	162,735	44,119
Investor relations	130,675	98,041
Marketing	157,796	152,581
Listing and filing fees	68,184	40,829
	\$ 1,262,710	\$ 1,001,868

[1] Administrative costs break down:

Management fees	\$ 122,175	\$ 97,935
Rent and overhead	46,027	37,792
Travel and accommodation	103,835	91,108
Office	87,698	38,909
Salaries and Consulting fees	251,015	211,579
Directors Fees	72,917	29,471
Other	59,653	159,504
	\$ 743,320	\$ 666,298

23. Financing expense

	Three months ended March 31,	
	2013	2012
Accretion of provision for environmental rehabilitation	\$ 22,834	\$ 17,936
Financing expense and bank charges	22,391	14,797
	\$ 45,225	\$ 32,733

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

24. Earnings per Share

	Three months ended March	
	31,	
	2013	2012
Net income for the period attributable to equity holders of the Company	\$ 387,739	\$ 1,986,898
Weighted average number of shares – basic	467,150,207	437,593,436
Adjustment for:		
Share options	4,480,103	6,983,330
Warrants	23,239,693	38,880,179
Weighted average number of shares – diluted	494,870,003	483,456,945
Earnings per share:		
Basic	\$ 0.00	\$ 0.01
Diluted	\$ 0.00	\$ 0.01

25. 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 and other 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.

AURCANA CORPORATION
Notes to Consolidated Financial Statements
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25 Fair value measurements (continued)

The following table summarizes the fair value hierarchy, as of March 31, 2013:

	Fair Value Through Profit or Loss \$	Loans and Receivables \$	Other Financial Assets and Liabilities \$	Total \$	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	18,002,013	-	18,002,013	n/a
Trade and other receivable	-	3,739,112	-	3,739,112	n/a
Short-term investments	574,779	-	-	574,779	Level 1
Amounts receivable	-	-	-	-	n/a
	574,779	21,741,125	-	22,315,904	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(13,223,335)	(13,223,335)	n/a
Note payable	-	-	(15,000,000)	(15,000,000)	n/a
Long Term Debt	-	-	(6,515,405)	(6,515,405)	n/a
	574,779	21,741,125	(34,738,740)	(12,422,836)	

The following table summarizes the fair value hierarchy, as of December 31, 2012:

	Fair Value Through Profit or Loss \$	Loans and Receivables \$	Other Financial Assets and Liabilities \$	Total \$	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	10,027,622	-	10,027,622	n/a
Trade and other receivable	-	3,817,901	-	3,817,901	n/a
Short-term investments	715,780	-	-	715,780	Level 1
Amounts receivable	-	599,525	-	599,525	n/a
	715,780	14,445,048	-	15,160,828	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(10,880,576)	(10,880,576)	n/a
Long Term Debt	-	-	(7,082,292)	(7,082,292)	n/a
	715,780	14,445,048	(17,962,868)	(2,802,040)	

There were no material differences between the carrying value and fair value of long-term assets and liabilities as of March 31, 2013. 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.

AURCANA CORPORATION
Notes to Consolidated Financial Statements
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26. Adoption of New and Amended IFRS Pronouncements

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 which required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

AURCANA CORPORATION
Notes to Consolidated Financial Statements
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26 Adoption of New and Amended IFRS Pronouncements (continued)

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

27. Subsequent events

- Effective April 30, 2013 following the approval of the shareholders on March 28, 2013 and after the acceptance of the TSX Venture Exchange the Aurcana's common shares are trading on a basis of eight (8) pre-consolidated Common Shares for each one (1) post-consolidation Common Share.
- Aurcana's listed warrants to purchase Common Shares will continue to trade on the Exchange. The Warrants will be consolidated on the basis of eight (8) existing Warrants ("Pre-Consolidation Warrants") for one (1) new Warrant ("Post-Consolidation Warrant"), with any fractional Post-Consolidation Warrant rounded down to the nearest whole number. Post-Consolidation Warrants will have an exercise price of \$8.00 and may be exercised at any time up until November 29, 2013.