AURCANA CORPORATION
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Three Month Period Ended – MARCH 31, 2006

(Un-audited – prepared by Management)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

AURCANA CORPORATION
(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited – Prepared by Management)

	March 31 2006	December 31 2005
Assets		
Current		
Cash and restricted cash (note 7 b), 10)	**$ 2,306,894**	$ 36,660
Accounts receivable	**6,257**	70,203
	2,313,151	106,863
Equipment (note 6)	**877**	923
Investment In and Expenditures On Mineral Properties (note 5)	**216,278**	157,759
	$ 2,530,306	$ 265,545
Liabilities		
Current		
Accounts payable (note 8)	**$ 42,254**	$ 20,574
Due to related parties	**81,214**	28,734
	123,468	49,308
Shareholders' Equity		
Capital Stock (note 7 (b))	**15,682,444**	15,681,976
Subscriptions received (note 7 (b))	**2,243,000**	—
Contributed Surplus (note 7(e))	**174,924**	174,924
Deficit	**(15,693,530)**	(15,640,663)
	2,406,838	216,237
	$ 2,530,306	$ 265,545

Commitments (note 9)
Subsequent Events (note 10)

Approved on behalf of the Board:

"Ken Booth"
____________________________________ Director
Ken Booth

"Brian Flower"
____________________________________ Director
Brian Flower

AURCANA CORPORATION

Consolidated Statements of Operations and Deficit
(An Exploration Stage Company)
Three Months Ended March 31
(Unaudited – Prepared by Management)

	2006	2005
Expenses		
Consulting fees	$ **7,063**	$ —
Depreciation	**46**	335
Interest income	**(1,136)**	(338)
Management fees	**21,000**	17,500
Professional fees	**250**	391
Rent and overhead	**8,597**	6,465
Regulatory fees	**6,366**	2,388
Salaries and wages	—	476
Transfer agent fees and shareholder information	**3,442**	1,589
Loss Before Other Items	**(45,628)**	(28,806)
Exploration Expenditures	**(7,708)**	(4,800)
Gain On Foreign Exchange Conversion	**469**	—
Net Loss for the Period	**(52,867)**	(33,606)
Deficit, Beginning of Period	**(15,640,663)**	(15,022,048)
Deficit, End of Period	$ **(15,693,530)**	$ (15,055,654)
Loss Per Share	$ **(0.00)**	**$** (0.00)
Weighted Average Number of Shares Outstanding	**31,939,292**	31,600,730

AURCANA CORPORATION
Consolidated Statements of Cash Flows
(An Exploration Stage Company)
Three Months Ended March 31
(Unaudited – Prepared by Management)

	2006	2005
Operating Activities		
Net loss	$ **(52,867)**	$ (33,606)
Items not involving cash		
Depreciation	**46**	335
Operating Cash Flow	**(52,821)**	(33,271)
Changes in Non-Cash Working Capital		
Accounts receivable	**63,946**	(2,575)
Accounts payable	**21,680**	(11,435)
Advances	—	2,091
Due to related parties	**52,480**	—
	138,106	(11,919)
Cash Provided (Used) in Operating Activities	**85,285**	(45,190)
Investing Activity		
Expenditures on mineral properties	**(58,519)**	(8,755)
Financing Activity		
Issuance of common shares	**23,500**	—
Subscriptions received	**2,243,000**	—
Share issue costs	**(23,032)**	—
Cash Provided by Financing Activities	**2,243,468**	—
Inflow (Outflow) of Cash and Cash Equivalents	**2,270,234**	(53,945)
Cash, Beginning of Period	**36,660**	192,654
Cash, End of Period	$ **2,306,894**	$ 138,709
Cash Position consists of:		
Cash on deposit	$ **86,925**	$ 138,709
Restricted cash from share subscriptions received	**2,219,969**	—
	$ **2,306,894**	$ 138,709
Supplemental Cash Flow Information		
Issue of shares for mineral properties	$	$ —
Income tax paid	$ —	$ —
Interest paid	$ —	$ —

1. BASIS OF PREPARATION

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") based on accounting policies and practices consistent with those used in the preparation of the annual audited consolidated financial statements. The interim consolidated financial statements do not include all information and note disclosures require by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These accounts include the accounts of Aurcana Corporation and its wholly-owned subsidiary, Aurcana de Mexico S.A. de C.V., a Mexican corporation.

(b) Variable interest entities

Effective January 1, 2005, the Company adopted the recommendations of Canadian Institute of Chartered Accountants Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities, effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities (VIEs) refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs and criteria for determining which entity, if any, should consolidate them. Adoption of this accounting policy has not affected the Company's financial statements.

(c) Mineral properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments to the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written-off if the properties are abandoned or the claims allowed to lapse.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(d) **Foreign currency translation**

Foreign currency balances, including those of the integrated foreign subsidiary, are expressed in Canadian dollars on the following bases:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
(ii) Investment in and expenditures on mineral properties, at historical exchange rates; and
(iii) Revenues and expenses, at the average rate of exchange for each quarter.

Gains and losses arising from this translation of foreign currency are included in net loss for the period.

(e) **Loss per share**

Loss per share computations are based on the weighted average number of common shares outstanding during the period. Diluted loss per share has not been presented separately as the outstanding stock options and warrants are anti-dilutive.

(f) **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(g) **Stock-based compensation plans**

The Company accounts for stock options granted to directors, employees and consultants using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model and charged to earnings over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The adoption of this accounting policy has not affected the Company's financial statements.

(i) Amortization

The Company provides for amortization of its equipment as follows:

Furniture and equipment - Straight-line over 5 years
Computers - Straight-line over 5 years

3. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash, accounts receivable, advances and accounts payable approximate their fair values because of the short maturity of these financial instruments.

(b) Credit risk

The Company's financial asset that is exposed to credit risk consists primarily of cash to the extent that it is held in foreign institutions.

(c) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(d) Currency risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at March 31, 2006, the Company had investments in mineral properties that require the Company to make payments in US dollars and US dollar work commitments (note 5). The Company's ability to make these payments and complete its work commitment obligations will be affected by currency fluctuations.

4. REALIZATION OF ASSETS

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

5. INVESTMENT IN AND EXPENDITURES ON MINERAL PROPERTIES

	La Negra, Mexico	Altiplano, Mexico	Real de Catorce, Mexico	Total
Balance, December 31, 2004	$ —	$ 589,066	$ —	$ 589,066
Acquisition costs	—	10,000	—	10,000
Deferred expenditures				
Consulting fees	—	4,038	—	4,038
Field costs	—	122	2,005	2,127
Drilling and analysis	—	22,148	—	22,148
Expenditures for the period	—	36,308	2,005	38,313
Subtotal	—	625,374	2,005	627,379
Write-off of mineral properties	—	(385,045)	(2,005)	(387,050)
Recovery of expenditures	—	(82,570)	—	(82,570)
Balance, December 31, 2005	$ —	$ 157,759	$ —	$ 157,759
Acquisition costs	58,519	—	—	58,519
Deferred expenditures				
Consulting fees	—	—	—	—
Field costs	—	—	—	—
Drilling and analysis	—	—	—	—
Expenditures for the period	58,519	—	—	58,519
Balance, March 31, 2006	$ 58,519	$ 157,759	$ —	$ 216,278

5. INVESTMENT IN AND EXPENDITURES ON MINERAL PROPERTIES (Continued)

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

(i) La Negra Mine, Queretaro State, Mexico

On February 2, 2006, the Company signed a LOI with Reyna Mining & Engineering S.A. de C.V. ("Reyna") to acquire the La Negra silver-zinc-copper-lead mine in Queretaro State, Mexico, approximately 250 kilometres northeast of Mexico City.

Under the terms of the LOI, the Company and Reyna will form a joint venture whereby the Company will own an 80% interest in La Negra, and Reyna will own 20%. Reyna has a LOI to acquire 100% of the La Negra mine from Industrialas Penoles S.A. de C.V. ("Penoles"). Under the terms of the acquisition Aurcana will own an 80% interest in the La Negra Mine and Reyna will own 20%. Aurcana will be responsible for the cost of the acquisition and up to US$3.0 million in expected costs and working capital to bring the mine back into production. The total cost of the acquisition is US$3.0 million of which US$2.0 million is to be paid to Penoles on closing. The remaining payment of US$1.0 million, will be due 12 months from closing. Under the terms of the LOI Aurcana is required to pay Reyna US$25,000 on execution of the LOI (paid), US$500,000 and US$725,000 on the date which is twelve and twenty four months respectively from the execution of a definitive joint venture agreement. Aurcana will issue to Reyna three million shares of which one million shares will be issued on the execution of a definitive agreement and one million shares on each of the dates, which is twelve and twenty fours months, respectively, following the execution of a formal joint venture agreement. In addition the Company will issue 1,000,000 warrants at a price of $0.25 to Reyna. Each warrant will entitle Reyna to purchase one common share for a period of two years.

A finder's fee of 4% of the gross transaction of US$4,250,000 in the amount of US$170,000 will be paid in cash.

Subsequent to March 31, 2006 the Company executed the formal agreements and received regulatory approval (Note 10).

5. INVESTMENT IN AND EXPENDITURES ON MINERAL PROPERTIES (Continued)

(ii) **Altiplano Project – Mexico**

On September 3, 2003, the Company announced it had signed a Letter of Intent ("LOI") with Exploraciones del Altiplano S.A. de C.V ("Altiplano"), whereby the Company can acquire a 100% interest in five gold-silver exploration properties over four years subject to a 3% net smelter return royalty ("NSR"). The Company committed to conduct an aggregate of 5,000 metres of drilling on the five properties in the first year. On signing the formal agreement, the Company paid Altiplano US $15,000 and issued Altiplano 200,000 common shares on February 20, 2004 at a deemed price of $0.21 per share ($42,000 included in land costs). Following completion of the first year of exploration commitment on each of the individual properties, should the Company wish to continue with its option on any particular property then the Company must pay Altiplano US $50,000 and issue 200,000 common shares (issued). In order to complete the 100% interest in each individual property, the Company is required to fund US $200,000 of exploration in year two, US $300,000 in year three and US $400,000 in year four and make cash and share payments, respectively, of US $50,000 and 200,000 shares at the end of year two, and US $100,000 and 200,000 shares at the end of years three and four. One percent of the NSR on any property may be purchased for US $1,000,000. The Company also granted 1,000,000 incentive stock options exercisable up to 2008 with exercise prices of $0.13 to $0.14 per share to the owners of Altiplano in their capacity as consultants to Aurcana. 800,000 of these stock options were cancelled upon termination of the agreement in 2005.

Based on exploration work completed to December 31, 2005, the Company discontinued work on four of the five properties known as the Cerro Blanco, Sabinas, Veta Venado and Penoles and will not proceed with any further work on these four properties. As a result, acquisition and exploration expenditures of $385,045 were written off at December 31, 2005. The Altiplano agreement was terminated on August 5, 2005 and neither party is bound by any contractual obligation. The remaining property under the agreement is La Virgen.

On April 25, 2005, the Company entered into an agreement with Mauricio Hochschild & Compania S.A.C. ("Hochschild Agreement") relating to the exploration of La Virgen. Under the terms of the Hochschild Agreement, Hochschild must spend a total of US $2,500,000 on exploration and pay the owner a total of US $300,00 over four years, pay the required property taxes to the Mexican government and make property payments to Altiplano. Hochschild must spend US $150,000 in the first year, US $500,000 in year two, US $850,000 in year three and US $1,000,000 million in year four and pay the owner US $25,000 on signing, US $75,000 by April 4, 2006, US $100,000 by April 4, 2007 and US $100,000 by April 4, 2008. Once Hochschild has spent US $2,500,000 and made payments to Altiplano, Hochschild will have earned a 70% interest in the property. Aurcana's obligation is to issue 200,000 common shares to Altiplano on each anniversary of the agreement for four years at which point Aurcana will have a 30% interest. Should Hochschild withdraw or default on this agreement the Company has the option to continue making the expenditures and required payments that Hochschild defaulted and by doing so earn 100% interest in the property. Should the Company not exercise this option and comply with its part of the agreement, the Company will only earn its 30% interest in the property. Once Hochschild and Aurcana have earned their interests, the property will be subject to a 3% NSR, which can be repurchased within six years from the date of signing by paying US $1,000,000 to buy 1% of the NSR, by paying US $3,000,000 to buy 2% of the NSR or by paying US $6,000,000 to buy 3% of the NSR.

(iii) **Real de Catorce Project - Mexico**

On June 29, 2004, the Company received regulatory approval for its acquisition of a 100% interest in the Real de Catorce silver property located in San Luis Potosi State, Mexico. Under the terms of the LOI, the Company can earn a 100% interest in the Real de Catorce project subject to a 3% NSR. On signing the formal agreement, the Company will pay Real de Catorce US $5,000. Following completion of the first year exploration commitment of US $100,000, should the Company wish to continue with its option, then the Company must pay Real de Catorce US $50,000 and issue 100,000 common shares. In order to complete the purchase of a 100% interest, the Company would fund US $200,000 of exploration in year two, US $300,000 in year three and US $400,000 in year four and make cash and share payments of US $50,000 and 100,000 shares at the end of year two and US $100,000 and 100,000 shares at the end of years three and four. One percent of the NSR may be purchased for US $1,000,000.

On July 25, 2005, the Company announced it would not be proceeding with the Real de Catorce project as the Company had a LOI signed with Genco Resources Ltd. ("Genco") to joint venture the property but the terms of the underlying agreement were changed by the property owner and Genco decided not to proceed with the execution of a final agreement. The property owner subsequently cancelled Aurcana's option. As at December 31, 2005, all deferred exploration expenses had been written off.

6. EQUIPMENT

	March 31, 2006		
	Cost	**Accumulated Amortization**	**Net Book Value**
Furniture and equipment	**$ 5,351**	**$ 4,474**	**$ 877**

	December 31, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**
Furniture and equipment	$ 5,351	$ 4,428	$ 923

7. CAPITAL STOCK

(a) **Authorized**
Unlimited number of common shares
Unlimited Class "B" preference shares

(b) **Issued and outstanding**

	Number of Common Shares		Amount		Subscriptions
Balance – December 31, 2005	31,800,603	$	15,681,976	$	—
Exercise of options	175,000		23,500		—
Share issue costs	—		(23,032)		—
Subscriptions received	—		—		2,243,000
Balance – March 31, 2006	31,975,603	$	15,682,444	$	2,243,000

The share issuances during the three month period ended March 31, 2006 included:

- 175,000 common shares were issued pursuant to the exercise of options at a prices between $0.13 - $0.14 for total proceeds of $23,500.

As at March 31, 2006 the Company has received subscriptions for 11,215,000 units for net proceeds of $2,219,969 pursuant to a non-brokered private placement for a maximum of 22,350,000 units and proceeds of $4,470,000. Each unit will consist of one common share (a "Share") and one-half of a share purchase warrant. One full warrant (a "Warrant") will permit the holder to purchase a further common share (a "Warrant Share") for a period of 12 months from closing at a price of $0.25 per Warrant Share. If the closing price of the Company's shares as traded on the TSX Venture Exchange ("Exchange") is at or over $0.45 per share for 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the holders thereof. Subsequent to March 31, 2006 the Company received regulatory approval and closed the transaction (Note 10).

7. CAPITAL STOCK (Continued)

(c) **Stock options**

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

The Company's stock options as at March 31, 2006 and the changes during the period are as follows:

	Shares	Weighted Average Exercise Price
Outstanding as at December 31, 2005	**1,525000**	**$ 0.11**
Exercised	**(175,000)**	**$0.11**
Outstanding and exercisable as at March 31, 2006	**1,350,000**	**$ 0.11**

Stock options outstanding and exercisable as at March 31, 2006 are as follows:

Expiry Date	Exercise Price	Number of Shares
February 28, 2007	$ 0.12	**475,000**
August 22, 2007	$ 0.16	**100,000**
September 25, 2008	$ 0.13	**20,000**
November 18, 2008	$ 0.14	**5,000**
December 15, 2010	$ 0.10	**750,000**
		1,350,000

7. CAPITAL STOCK (Continued)

(d) **Stock-based compensation**

During the period ended March 31, 2006 Company did not grant any options for the period.

(e) **Contributed surplus**

Contributed surplus represents accumulated stock-based compensation expense, reduced by the fair value of the stock options exercised.

The Company's contributed surplus as at March 31, 2006 and the changes during the periods are as follows:

Balance at December 31, 2005	**$**	**174,924**
Fair value of stock-based compensation		—
Balance at March 31, 2006	**$**	**174,924**

(f) **Share purchase warrants**

The Company's share purchase warrants as at March 31, 2006 and the changes during the period are as follows:

	Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable at December 31, 2005	**1,000,000**	**$ 0.15**
Issued	—	**0.00**
Expired	—	**0.00**
Exercised	—	**0.00**
Warrants outstanding and exercisable at March 31, 2006	**1,000,000**	**$ 0.15**

7. CAPITAL STOCK (Continued)

(f) **Share purchase warrants** (Continued)

Share purchase warrants outstanding at March 31, 2006 are as follows:

Expiry Date	Exercise Price	Number of Warrants
December 16, 2006	$ 0.15	**1,000,000**

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2006:

(a) $51,214 was due to companies related by common directors for management fees, rent and consulting fees; and

(b) $30,000 was due to a director for an advance of funds to the Company.

During the three months ended March 31, 2006, the Company:

(a) paid or accrued management fees of $21,000 to a company controlled by directors;

(b) paid or accrued technical, geological and consulting services of $3,088 to a company controlled by a director; and

(c) paid or accrued rent of $7,500 to a company controlled by directors.

These fees were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

9. COMMITMENT

The Company is committed to rental payments of $32,500 in aggregate to a company controlled by directors over the term of the lease expiring in January 2007.

10. SUBSEQUENT EVENTS

On April 17, the Company received TSX Venture Exchange (the "Exchange") approval on its non-brokered private placement for 22,350,000 Units for total proceeds of CDN$4,470,000, previously announced on March 17 and February 27, 2006. Each Unit will consisted of one share (a "Share") and one half of a share purchase warrant. One full warrant (a "Warrant") will permit the holder to purchase a further share (a "Warrant Share") for a period of 12 months from closing at a price of $0.25 per Warrant Share, provided that if the closing price of the Company's shares as traded on the Exchange is at or over $0.45 per share for 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the holders thereof.

Finders' fees in the amount of $205,350 cash and 1,071,300 warrants were paid on portions of the placement. Each warrant entitles the holder to purchase one common share at a price of $0.25 in accordance with the same terms and conditions of the Warrants described above.

In accordance with securities legislation currently in effect, the Shares, the Warrants and the Warrant Shares will be subject to a "hold period" of four months plus one day from the date of closing of the private placement.

The Company also received Exchange approval for its acquisition of the La Negra Mine from Penoles under the terms of the LOI between Aurcana and Reyna.

On May 18, 2006 the Company executed the formal agreements with Penoles and Reyna for the acquisition of the La Negra Mine.

On May 23, 2006 the Company triggered the Accelerated Expiry of the Warrants pursuant to the non brokered private placement for 22,350,000 units. The Warrant Expiry Date has been advanced to the close of business June 23, 2006. Any Warrants that have not been exercised on or before the Warrant Expiry Date will have been deemed cancelled.

Should all of the Warrants be exercised, the Company will receive proceeds of approximately $3.06 million and will have approximately 66.3 million shares issued and outstanding. Funds received will be used to advance development of La Negra as well as to provide general working capital.