General

The following information, prepared as at November 15, 2006, should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2006 as well as the audited consolidated financial statements for the year ended December 31, 2005, the notes attached thereto and the related annual management's discussion and analysis. The company's critical accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars.

Introduction

Aurcana Corporation (the Company) 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.

Overview and Overall Performance

Aurcana is a junior natural resource issuer engaged in the acquisition and exploration of mineral exploration properties. Aurcana's primary focus is the exploration for gold and silver deposits in Mexico.

Further to the LOI signed with Reyna Mining & Engineering S.A. de C.V. ("Reyna") in February 2006, to acquire the La Negra silver-zinc-copper-lead mine in Queretaro State, Mexico, approximately, 250 kilometers northeast of Mexico City, the Company received exchange approval on April 17, 2006 and closed the acquisition on May18, 2006 and executed the definitive joint venture agreement with Reyna.

Under the joint venture agreement the Company will own an 80% interest in La Negra, 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 Industriales Penoles S.A. de C.V. ("Penoles") on closing (paid). 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 (issued) 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 (issued). 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 was paid in cash.

On October 10, 2006 the Company commenced mining at the La Negra mine, Mexico. Approximately 1,350 tonnes of ore was extracted from an area consisting of nine production drill holes with historically reported grades of 230 grams/tonne silver, 0.91% zinc, 2.10% copper and 0.78% lead in a bench on the fully developed 2125 sub level in the Alacran zone. Historically reported proven reserves in the Alacran zone grade 131 grams/tonne silver, 1.31% zinc, 1.39% copper and 0.45% lead. The reader should be cautioned that the historic reserve does not conform to National Instrument 43-101 requirements for reporting purposes; as such the Company is not treating these historic estimates as current reserves or resources. These estimates should not be relied upon until they have been verified by further due diligence and by the Company's "Qualified Person".

The commencement of mining at La Negra is a significant milestone as the Company prepares to bring the La Negra mine into full production in the first quarter of 2007. The ore mined by Aurcana will be added to an existing stockpile that, with the continuation of mining over the next two to three months, is expected to reach 50,000 to 60,000 tonnes by the end of this year. Approximately 7,000 tonnes of ore has now been stockpiled outside the 2000 main haulage level and by the end of this year the stockpile is expected to reach approximately 50,000 tonnes. This material will be used to restart the 1,000 tonne per day mill.

The entire three stage crushing circuit has been refurbished and the ball mill is fully operational. New floatation tanks have been delivered and are in the process of being installed. Foundations for new 30 meter diameter thickener tanks for both copper and zinc are being constructed and with the arrival of steel at the mine, the tanks will be fabricated and installed shortly. The progress to date at the La Negra mine has been proceeding very well and is a credit to Aurcana's partner, Reyna Mining and Engineering, who are overseeing the refurbishment of the mine. The stockpile will be used to restart the mill allowing it to ramp up to the planned capacity of 1,000 tonnes of ore per day. The reader should be cautioned the Company has not completed a feasibility study confirming the projected production capacity and there is no certainty the Company's plans will be economically viable.

The Comapny will continue to mine the Alacran ore body (one of 23 existing mineralized zones), which Peñoles, had fully developed. This zone includes full access ramps from the 1980 level to the 2150 level, and the development and preparation of several of these sub levels for immediate blasting. The advantage of this previous work will allow for easy access and relatively low cost mining using sub level stopping.

Refurbishment of the mill, based on a total reengineering plan is progressing well. Both the primary and tertiary crushers have been repaired, including a new "grizzly" and "apron feeder" at the primary crusher and a new liner in the tertiary crusher. The ball mill was inspected and found to be in good condition and is ready to operate. Steel work has been completed to allow for higher capacity conveyors as well as new conditioners, floatation cells, thickeners and filters for more efficient recoveries of silver, copper, lead and zinc. Steel has also been ordered for new larger thickener tanks for both copper and zinc. All the work on the mill is being done to provide for an efficient planned start up in the first quarter of 2007. During the period, the Company purchased mining equipment from Atlas Copco of Sweden of which a Simba production drill, a 3.5 cubic yard load, haul and discharge ("LHD"), a single boom jumbo drill and a Diamec 232 diamond drill has bee delilvered to the La Negra mine. The Simba drill will be used underground and can drill 3" diameter holes up to 40 metres that will allow for long-hole open stope mining. The 3.5 cubic yard LHD will be used to move broken ore from stopes to ore passes to be discharged to the 2000 meter main haulage level. The single boom jumbo will be used for development and the Diamec diamond drill will be used for both exploration and development. The new, highly efficient mining equipment will enable the La Negra mine to recommence operations in the first quarter of 2007. Atlas Copco has provided a 90% vendor financing of US$1.3M for the equipment of which Aurcana is the guarantor.

Geologists at the mine are making good progress inputting historical data into "Surpac" mining software. To date, 423 holes representing 40,050 metres of diamond drilling with 8,225 assays have been entered into the program. This information is providing the geologists and engineers at site with a very powerful database to be used for mine planning and exploration. In addition, geologists have identified several prospective exploration targets in the mine area, which are currently being mapped and sampled.

The Company has engaged Wardrop Engineering Inc. to commence an audit of historical reserves on several zones at the La Negra mine. Wardrop will review three zones and will evaluate the zones for silver, zinc, copper and lead as to grade, tonnage and metal values. The zones to be audited by Wardrop were developed by Penoles prior to Penoles putting the La Negra mine on care and maintenance in 2000 due to low metal prices. These zones will be the focus of the Company's work at La Negra in 2007.

On July 18, 2006 the Company completed a non-brokered private placement with Penoles for 1,032,272 common shares ("Shares") at a price of $0.55 per common share (Discounted Market Price) for total proceeds of US$500,000(CDN$567,750);

Results Of Operations

Loss for the Period:

The Company is currently in the exploration stage, and does not have revenues from operations and, except for income from cash and cash equivalents, relies on equity financing for its continuing financial liquidity. The primary focus during the nine months ended September 30, 2006 was the acquisition of the La Negra Mine. In support of this activity during the nine months ended September 30, 2006, the Company reported a loss before other items of $1,708,244 compared to a loss of $127,752 for September 30, 2005. The substantial increase in expenditures related to the acquisition of the La Negra mine and the non brokered private placement carried out during the period September 30, 2006. In relation to these activities, increased expenditures in the areas of consulting fees $44,699 (2005 - $Nil), management fees of $75,250 (2005 - $59,500), rent and overhead of $66,641 (2005 - $21,250) transfer agent and shareholder information fees of $44,499 (2005 - $12,617) and travel of $49,565 (2005 - $1,650) were recorded.

The net loss of $1,691,557 ($0.03 loss per share) compared to a loss of $379,899 ($0.01 loss per share) reported on September 30, 2005, included property evaluation expenditures of $32,712 (2005 - $28,902), write off of mineral properties of $157,759 (2005 - $222,621) and a foreign exchange conversion gain of $63,197 (2005 – loss of $624).The write off mineral properties pertains to the Altiplano properties where in 2005 4 of the 5 properties were written off with only La Virgen property retained. The Company terminated its agreement on September 9, 2006 with Hochschild and wrote off the remaining acquisition and deferred exploration costs.

Capitalized Exploration Expenditures

Total investments in and expenditures on mineral properties for the nine months ended September 30, 2006 was $2,867,542 compared to $394,757 for the comparative period September 30, 2005. The expenditures for the current period were acquisition and deferred explorations costs incurred for the La Negra Mine, and for the comparative period related to the Company's Mexican projects, Altiplano and Real de Catorce both of which have now been written off.

Purchase of equipment for September 30, 2006 was $2,672,309 compared to Nil for the comparative period primarily related to the La Negra mine.

Cash Flows:

Cash provided by operating activities for the nine months ended September 30, 2006 was $861,809 compared to cash used of $133,811 for the comparative period ended September 30, 2005 and primarily related to the $1,126,277 note payable for the purchase of mining equipment.

Cash used in investing activities for the nine months ended September 30, 2006 was $5,730,064 compared to $28,312 for the comparative period September 30, 2005, all of which was for capitalized exploration expenditures as referred to above and for the purchase of mine vehicles, mining equipment and computer equipment, the largest component of the computer equipment included the purchase of a mine software Surpac.

Cash provided by financing activities for the nine months ended September 30, 2006 was $8,026,646 the result of two private placements, the exercise of warrants and the exercise of stock options.

During the nine months ended September 30, 2005 the Company did not receive any funds from financing activities.

Summary of Quarterly Results

Three Months Ended	**Sept 30, 2006**	**Jun 30, 2006**	**Mar 31, 2006**	**Dec 31, 2005**
Total Revenues	$ —	$ —	$ —	$ —
Purchase of equipment		$ (190,212)	$ —	$ —
Investment in and expenditures on mineral properties	$ 120,804	$ 2,730,460	$ (58,519)	$ 82,569
Income (loss) before Other Items	$ (1,482,114)	$ (180,502)	$ (45,628)	$ (66,583)
Net Income (loss)	$ (1,210,249)	$ (428,441)	$ (52,867)	$ (238,716)
Income (loss) per share	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)

For the three months ended September 30, 2006 the net loss included stock based compensation expense of $1,367,348 (2005 – $Nil) and property evaluation costs of $11,980 (2005 - $9,650), offset by a foreign exchange conversion gain of $139,884 (2005 – ($1,756).

Three Months Ended	**Sept 30, 2005**	**Jun 30, 2005**	**Mar 31, 2005**	**Dec 31, 2004**
Total Revenues	$ —	$ —	$ —	$ —
Investment in and expenditures on mineral properties	$ —	$ (19,557)	$ (8,755)	$ (159,144)
Income (loss) before Other Items	$ (34,968)	$ (64,479)	$ (28,806)	$ (47,288)
Net Income (loss)	$ (45,874)	$ (300,419)	$ (33,606)	$(269,902)
Income (loss) per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)

Significant items to report for the remaining quarterly results are as follows:

The Net Loss for the following quarters included write off of mineral properties as follows:

1) June 30, 2006 - $157,759
2) December 31, 2005 - $164,429
3) June 30, 2005 - $222,621
4) December 31, 2004 - $191,986

Commitments and Contingencies

The Company's contractual obligations as at September 30, 2006 comprise:

	Remainder of 2006	2007	2008	2009	2010	2011
Long term debt	$ 36,474	$ 427,775	$ 427,775	$ 390,809	$ —	$ —
Capital leases	14,730	48,420	—	—	—	—
Totals	**$ 46,704**	**$ 468,065**	**$ 427,775**	**$ 390,809**	**$ —**	**$ —**

The Company has long term debt in relation to the purchase of mine equipment totalling US$1,175,288 ($1,325,031) (Note 6).

During the period ended September 30, 2006, the Company amended its current office space agreement, reducing the monthly rent to $1500 per month until May 2007. The Company effective October 1, 2006 executed a lease for new office space for a period of 14.5 months less 2 days expiring on December 13, 2007 at a monthly rate of $3,420 per month.

Liquidity And Capital Resources

As at September 30, 2006, the Company had working capital of $3,047,462, including $3,195,051 in cash, $363,496 of taxes receivable, $78,963 in prepaid expenses and advances less $93,117 of accounts payable.

For the nine months ended September 30, 2006, cash inflows exceeded cash outflows by $3,158,391, which when combined with the $36,660 cash balance from the year ended December 31, 2005, resulted in an ending cash position of $3,195,051.

The primary factors that influence the future financial condition of the Company include the continued ability to raise equity capital and the level of expenditures required to meet its current commitments. As a mineral exploration company with no current revenue generating operations, the Company's cash flows consist of cash outflows for general and administrative expenses, mineral property expenditures, and expenditures for depreciable equipment such as computers and office equipment. Interest expense and income is expensed or credited against costs. Financing activities, such as share issuances, exercise of options and warrants result in cash inflows to the Company.

Transactions with Related Parties

During the nine months ended September 30, 2006, the Company:

a) paid or accrued management fees of $75,250 (2005 - $59,500) to a company controlled by directors;
b) paid or accrued technical, geological and consulting services of $35,255 (2005 – $9,130) to a company controlled by a director;
c) paid or accrued rent of $22,500 (2005 - $21,250) to a company controlled by directors; and
d) paid or accrued a cash bonus payment of $50,000 (2005 - $Nil) to a company controlled by directors, in relation to the acquisition of the La Negra Mine.

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

Changes in Accounting Policies

There were no changes or adoptions of new significant policies in the period.

Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value.

Issued and outstanding:

As at November 15, 2006 - 69,829,302 common shares were issued and outstanding at a recorded value of $23,957,422.

Outstanding options, warrants and convertible securities as at November 22, 2006 were:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	100,000	$0.16	August 22, 2007
Stock options	20,000	$0.13	September 25, 2008
Stock options	5,000	$0.14	November 18, 2008
Stock options	2,375,000	$0.59	August 18, 2011
Stock options	75,000	$0.59	August 18, 2011
Stock options	600,000	$0.59	August 24, 2011
Share purchase warrants	1,000,000	$0.16	December 16, 2006
Share purchase warrants	1,000,000	$0.25	June 18, 2008

There were no shares in escrow as at November 15, 2006.

Forward Looking Statements

This MD&A may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

Management's Responsibility for Financial Statements

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Company's management, including the chief executive officer and the chief financial officer, are responsible for the establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

Additional information on the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.aurcana.com