



Management Discussion and Analysis For the Year Ended December 31, 2008

This Management Discussion and Analysis ("MD&A") should be read in conjunction with Aurcana Corporation's (the "Company" or "Aurcana") audited consolidated financial statements for the year ended December 31 2008 and the related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. Additional information can be found on SEDAR at www.sedar.com and on our Company website www.aurcana.com. The reader should be aware that historical results are not necessarily indicative of future performance. All amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is **April 30, 2009**.

Forward Looking Statements: This report contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Aurcana assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction and other risks. Actual results may differ materially from those currently anticipated in such statements.

The forward looking information in this MD&A is based on management's current expectations and Aurcana assumes no obligations to update such information to reflect later events or developments, except as required by law. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, include its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

Basis of Presentation: The accompanying financial statements of Aurcana have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities and commitments in the ordinary course of business. At December 31, 2008, the Company has recurring losses and an accumulated deficit of \$45,148,687. Management believes that the going concern assumption is appropriate for these financial statements. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary.



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Nature of Business: Aurcana was incorporated under the laws of Ontario on October 12, 1917 under the name “Cane Silver Mines Limited” and was continued under the Canadian Business Corporations Act on September 14, 1998 under the name Aurcana Corporation. Aurcana is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX Venture Exchange (“TSX-VE”) under the symbol AUN and was recently elevated to Tier 1 Status in October 2008.

The principal focus of the Company is the operation and development of mineral properties, primarily, Silver-Copper-Zinc-Lead mines. The Company is currently operating the La Negra mine, through its 80% joint venture share in Real de Maconi S.A. de C.V. in the state of Queretaro. The Company began recognizing revenues from the La Negra mine on 01 July 2007, upon reaching consistent production targets beyond 75% of production in the month of June. As well the Company is presently evaluating the Shafter silver mine in Texas.

Highlights:

Results of Operations

The 2008 fiscal year was a difficult one for the Company, both with respect to general economic conditions and metal pricing, as well as operationally. For the year ended December 31, 2008 the Company recorded a loss, after future income tax expense of \$24,106,786. The most significant issues contributing to the loss were:

- The precipitous decline in metal prices mid-year which resulted in re-pricing of shipments where pricing was not finalized under the terms of the purchase contract;
- Operational issue and cost overruns at the La Negra mine;
- An unrealized foreign exchange loss on US dollar denominated liabilities; and
- A write down of the Rosario property to its estimated sale value, as the Company decided to focus its efforts on the La Negra and Shafter projects.

La Negra

- 70,237 tonnes of ore processed during 4th quarter, and 298,244 tonnes during the year ending December 31, 2008;
- Copper concentrate produced 2,541 tonnes during the 4th Qtr and 10,237 tonnes for the year;
- Zinc concentrate produced 1,319 tonnes during the 4th Qtr and 3,359 tonnes for the year;

Shafter

- In July 2008, the Company completed the acquisition of the Shafter silver mine, from Silver Standard Resources Inc. for \$38.7 million;
- The project has much of the infrastructure in place and the Company is moving forward with engineering studies and permitting; and
- In July 2008 Tetra Tech Inc., of Golden Colorado completed a NI 43-101 compliant report confirming a measured and indicated resource of 24.6 million ounces of silver and an inferred resource of 22.8 million ounces of silver using a four ounce per ton cut off. The full report can be viewed on the Aurcana website www.aurcana.com or on SEDAR www.sedar.com.



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Rosario

- Completed a 3,817 metre drill program.
- Ceased operations at site on October 31, 2008 and entered negotiations for joint venture opportunities in order for Management to focus on the recently acquired Shafter Project and the La Negra project.

Corporate

- In May 2008, Aurcana appointed Andy Nichols ACSM, P. Eng. Vice President Operations.
- In October 2008, Aurcana moved to Tier 1 Status on the TSX VE.
- In October 2008, Aurcana appointed Chuck Jenkins BA, CGA, as Chief Financial Officer.
- In October, 2008 appointed Mr. Sandy McVey P.Eng., M.Sc., PMP. as Project Manager for the scoping and prefeasibility studies on the Shafter Project.
- In December, 2008 Adrian Aguirre was appointed a director of the Company.
- During October 2008 Messrs. Brian Flower and Robert Fischer resigned their director positions.

Overall Performance: Aurcana is engaged in the business of mining, exploration and development of mineral properties. The principal focus is the operation and development of mineral properties, primarily silver operations located in Mexico and the United States. The Company is currently operating the La Negra silver-copper-zinc-lead mine ("La Negra"), located in the state of Queretaro, through its 80% joint venture share in Real de Maconi S.A. de C.V. In addition to the Mexico operations, the Company recently acquired the Shafter Silver Mine located in Presidio County, southwest Texas which is held through the Company's 100% owned US subsidiary Silver Assets Inc.

Loss

The Company had a net loss and comprehensive loss for the year ended December 31, 2008 of \$24,106,786 or \$0.24 loss per share compared to net loss and comprehensive loss of \$3,154,373 or \$0.04 loss per share for 2007.

Revenue

During the year ended December 31, 2008, the Company realized revenues from the sale of 1,697 tonnes of copper content, 1,089 tonnes of zinc content and 451,955 ounces of silver for total net revenues of \$11,789,811. The amounts for 2007 are not comparable as production only commenced in July of that year. The average price for sales of copper, zinc and silver during the period were Cu - \$3.24, Ag - \$14.38 and Zn \$0.82.

A significant factor in the net revenues was the adjustments required to reflect the decline in metal prices. During 2008, revenues from sales of concentrate were generally recognized at the time of shipment and receipt at port in Mexico based on metal prices at that time at 90% provisional value. Final pricing was generally set at 4 months after shipment or alternatively 1 month after receipt at smelter. Subsequent to year end the Company renegotiated these terms with its concentrate buyer to set a one month term for final pricing with the possibility of locking in prices when the company deems this to be favourable.



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With the precipitous decline in metal prices mid-year, a large number of open contracts for shipments were effectively repriced at the lower prices in effect at settlement. This resulted in an adjustment to sales of approximately US\$4.8 million (approximately \$5.1 million Canadian). This adjustment has been reflected in the financial statements of the Company as of year-end, however negotiations are continuing as of the date of this report with respect to the final amount and terms of the additional debt created by this repricing of shipments.

Sale of Silver

In June 2008, Aurcana agreed to sell to Silver Wheaton (Caymans) Ltd. ("Silver Wheaton") 50% of the silver metal to be produced from ore extracted during the mine-life from Aurcana's 80% share of silver production at La Negra. The sale was made in consideration of a prepayment to Cane Silver Inc., a 100% owned subsidiary of Aurcana, of US\$25 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of US\$3.90 (subject to an inflationary adjustment beginning after year three) and the prevailing market price per ounce.

The following table reconciles movements on deferred revenue associated with the Silver Wheaton transaction:

	US Dollars	Canadian Dollars
Balance, December 31, 2007	\$ -	\$ -
Sale advance	25,000,000	25,331,192
Repayments	(986,298)	(1,052,074)
Unrealized foreign exchange	-	5,084,837
Balance, December 31, 2008	<u>\$ 24,013,702</u>	<u>\$ 29,363,955</u>

The denomination of the deferred revenue liability in US dollars caused an unrealized foreign exchange loss of \$5.08 million as of year end. This was caused by the Canadian dollar declining in value relative to the US dollar by approximately 20% in the last six months of the year. Any further weakening in the Canadian dollar will result in further losses, while a strengthening will result in gains, consequently it is not possible to determine the extent of any additional gains or losses.

Subsequent to year end, due to ongoing negotiations surrounding the re-pricing of shipments with our concentrate buyer, and other factors, the Company fell into arrears on its payments of refined silver produced from its La Negra project to Silver Wheaton pursuant to the terms of the Silver off take Agreement with Silver Wheaton. The Company and Silver Wheaton are discussing alternatives to remedy this situation; however at the date of this report no definitive agreement has been reached.

Cost of Sales

The cost of sales in the year was adversely affected by a number of factors. At the La Negra mine expenses increased significantly in such areas as labour, power and maintenance. At the end of the third quarter the mine had labour and staffing levels that were 22% higher than those for Q3 of 2007, for example. The Company reduced certain of these expenses in the fourth quarter, and continues to work to reduce them.



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The effects on cost of sales, as reported in the Company's financial statements for the 80% interest owned is summarized as follows:

	2008	2007
Sales	16,256,413	6,580,237
Adjustments	<u>(4,466,602)</u>	<u>-</u>
Net sales	<u>11,789,811</u>	<u>6,580,237</u>
Cost of Sales	<u>(15,396,704)</u>	<u>(3,884,214)</u>
Gross Margin	<u>(3,606,893)</u>	<u>2,696,023</u>

As noted above, the precipitous decline in metal prices mid-year resulted in a large number of open contracts for shipments being effectively repriced at lower prices in effect at settlement. This resulted in an adjustment to 100% of sales of approximately US\$4.8 million.

La Negra Mine

We continue to encounter additional mineralized mantos between or as extensions of known ore zones which continues to add to the life of the La Negra Mine. In 2008 63,000 tonnes were mined that were not in the reserve base (approximately 30%).

With the dramatic fall in metal prices in the 3rd and 4th quarters, Aurcana and its partner, Reyna Mining and Engineering, examined all aspects of the La Negra mine to reduce costs and increase efficiency in order to survive during the recession. The operation is under constant review to monitor the results in these metal markets.

The Company and Reyna implemented operational and cost cutting measures. La Negra implemented a reduction in wages of 20% for all salaried workers, and management negotiated concessions from the unionized workforce. The mine reduced the total number of employees from 305 in September to 256 February 2009.

Operationally, La Negra has the benefit of multiple zones that have existing development and are primarily copper-silver. A new mine plan was prepared in order to mine from areas that require minimal development but also have higher grades of silver and copper. To maximize the value of the ore being sent to the mill the new mine plan selectively produced from these higher grade sources. All exploration drilling and any mine development not directly associated with immediate production was suspended in order to reduce costs. All capital improvement projects were stopped. The mine was successful in renegotiating some contracts; in particular it's concentrate off-take agreements, electricity rates, and some suppliers. La Negra purchased supplies at deeply discounted rates from local mines that had suspended operations.



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During the month of January the Company completed an NI 43-101 compliant reserve estimation on the Alacran deposit by independent consultants Wardrop Engineering Inc. The report increased the total of mineable reserves to 434,825, a 98% increase from historically reported reserves. The previous historical reported reserve was established in 2000.

During January 2008 the Company experienced a strike at La Negra which negatively impacted work for a period of approximately one week.

La Negra management reduced capital expenditures relating to its tailings facilities by working with outside consultants. Following the recommendation of the consultant the current tailings facility was upgraded at a cost of US\$240,000 which has extended the life of the tailings facility for another ten years at a production rate of 1000 tonnes per day.

During the month of February La Negra approved capital expenditures to expand the production at the La Negra mine. A jumbo drill and two scoop trams were purchased to expand the Company's ability to exploit multiple ore bodies, resulting in efficiencies in blending and recovering ore.

During the month of March 2008, a NI43-101 compliant resource estimate, on the Monica deposit, completed by Geosim services Inc. calculated a resource of 587,698 tonnes (measured 403,497 tonnes and indicated 184,201 tonnes). This represents a 1,115% increase from the historical reserve figure of 48,300 tonnes.

Production at La Negra the last six quarters (Commercial production commenced in Q3 2007)

Quarter Ended	Dec 31 2008	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007
Inventory (start of period)						
Ore stockpiles (tonnes)	835	812	3,662	4,878	6,580	35,843
Zinc concentrate (tonnes)	110	8	101	111	49	-
Copper/silver concentrate (tonnes)	195	7	5	20	99	150
Production						
Ore mined (tonnes)	73,666	84,042	78,732	70,344	77,162	45,540
Ore milled	70,236	81,989	73,768	71,874	78,836	72,742
Average grade						
Zinc	1.60%	1.04%	0.73%	0.96%	1.28%	0.75%
Copper	0.77%	0.74%	0.74%	0.91%	0.73%	0.80%
Silver (g/t)	85	74	67	77	64	68
Zinc concentrate (tonnes)	1318	996	439	670	1,184	536
Containing zinc metal (tonnes)	573	452	178	301	497	188
Copper concentrate (tonnes)	2,608	2,661	2,354	2,443	2,028	2,482
Containing copper metal (tonnes)	445	504	428	497	435	422
Silver (ounces)	145,032	138,931	105,362	125,528	110,725	117,476



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Inventory (end of period)

Ore stockpiles (tonnes)	720	835	812	3,662	4,878	6,580
Zinc concentrate (tonnes)	520	108	8	101	111	49
Copper/silver concentrate (tonnes)	450	12	7	5	20	99

Sales

Zinc concentrate (DMT)	1,063	993	454	609	1,122	487
Payable zinc metal (tonnes)	339	363	162	224	347	143
Copper concentrate (DMT)	2,595	2,614	2,434	2,314	2,107	2,533
Payable copper metal (tonnes)	385	463	412	436	375	392
Payable Silver (ounces)	117,393	124,572	100,780	109,210	91,549	96,065

Rosario Project

During 2008 the Company completed 3,825 metres of diamond drilling at Rosario. The drill program commenced on April 1, 2008, with the objective to confirm the extent of mineralization associated with the San Francisco and Yecora vein systems with surface diamond drill holes which occur adjacent to the high grade San Juan vein. The program consisted of five drill holes from 2 drill stations on the San Francisco vein, one on the Yecora vein and one hole at San Juan. In addition, 8 holes were drilled at the Plomosas mine, four from surface and four from underground.

Underground drilling encountered weak Pb-ZN stockwork mineralization in the Plomosas Vein Structure target zone. Surface drilling to test the Plomosa Vein System down dip of the 775 level encountered strongly chlorititized and silicified andesite with spotty amounts of galena, sphalerite and chalcopyrite. Assay results received in the fourth quarter indicate that Hole AU08 PLS-02 intersected weak gold mineralization over an interval approximating 30m, which included 2.66 m of 3.86 g/t Au, 43 g/t Ag, 2.81% Pb, 7.68% Zn, 0.20% Cu. Underground sampling of the walls and pillars in the 775 level of the mine was completed in the fourth quarter. A channel sampling program was completed in November 2008. Analytical results are very encouraging and support a possible continuation of the well mineralized stockwork/vein style mineralization. As the Company turns its focus on to its Shafter Project in Texas, and its La Negra mining operation, management has put its Rosario project on care and maintenance. A small workforce will be kept at Rosario to provide security and to maintain the camp. Aurcana has been approached by several parties regarding a transaction for the Rosario project and as proposals are received they will be reviewed to maximize the value of Rosario in the current market. As of year end the Company wrote down the value of the Rosario project by approximately \$4 million to its estimated sale value in the current market.

Shafter Project

On July 17, 2008, Aurcana closed the acquisition of a 100% interest in the Shafter silver mine ("Shafter") located in southwest Texas from Silver Standard Resources Inc. ("Silver Standard"). Aurcana paid Silver Standard US \$23 million in cash; issued 15 million Aurcana common shares and a \$10 million convertible debenture paying a 3% coupon. The debenture has a three year term and is convertible into 6.62 million Aurcana common shares at \$1.51 per share. The Company has recorded the fair value of the conversion option to be \$941,060 and has recorded this amount in "contributed surplus". The convertible liability has also been discounted by \$1,220,940 to yield an effective interest rate of 12% on the debt portion of the instrument. The Company used the Black-Scholes model to value the conversion option using the following assumptions; risk-free



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interest rate of 3.2%; expected stock price volatility of 87.74%; expected dividend yield of 0.00%; and an expected life of 3 years.

Shafter is located in Presidio County, southwest Texas.

A financial advisor to the Company on the Silver Wheaton deal was paid a financial advisory fee of 2.5% of the \$25,000,000 cash payment payable through the issuance of 1,040,000 (fair value as of transaction date: \$488,500) common shares of the Company (issued).

The Company's preliminary purchase price allocation for its 100% interest on the acquisition of Shafter is as follows:

Purchase price		
Cash	\$	23,000,000
Issuance of 15 million shares		6,900,000
Issuance of debentures		10,000,000
Discount of debt portion		(1,220,940)
		<u>\$ 38,679,060</u>
Fair market value of net assets acquired		
Cash		6,339
Land and buildings		173,245
Equipment		671,335
Mineral property		54,083,508
		<u>54,934,427</u>
Accounts payable and accrued liabilities		(58,176)
Future income tax liability		(16,197,191)
Purchase price allocated	\$	<u>38,679,060</u>

In July, Tetra Tech completed an independent NI 43-101 Report using an economic cut off of four ounces per ton.

Tetra Tech 43-101 Compliant Resource

Resources	Tons	Silver oz/ton	Contained Silver Ounces
Measured	883,000	8.50	7,500,000
Indicated	2,017,000	8.48	17,100,000
Measured and Indicated	2,900,000	8.48	24,600,000
Inferred	2,167,000	10.52	22,800,000

Assumes a 4.0 opt silver cut-off

Silver was mined in the Shafter region from 1883 until 1942, when the mine was closed, not from lack of ore, but by the War Act. Historically reported total production during that period was 35 million ounces of silver from 2.3 million tons of ore, at an average grade of 15.24 ounces per ton. Aurcana acquired the Shafter silver mine in July, 2008. All necessary infrastructure is in place with a major power line and paved highway crossing the property, an electrical sub-station on site, a 1,050 foot shaft serviced by a 80 ton per hour hoist and 5,100 feet of underground development.



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Recently the Company appointed a project manager for Shafter and work is underway on an internal scoping study and pre-feasibility study. The results of the scoping study and tradeoffs will be used to guide a pre-feasibility study which the Company expects to be finished in May 2009. The pre-feasibility study will include trade off studies in mine, mill and infrastructure to optimize production capacity and maximize the project's economic return. The study will investigate the use of a decline to access the deposit, and mechanized room and pillar extraction. The decline will facilitate the efficient movement of supplies and large equipment for production and will allow the existing shaft to be dedicated to hoisting ore for the nearby mill. Initial calculations indicate that daily production could be sustained at a rate of up to 1,500 tons per day. The decline also potentially allows for early production and cash flow, as it will initially target resource blocks in the upper levels of the mine which are located above the water table, and allow delaying of the mine dewatering.

Market Trends

Copper prices had seen an overall increase in price since 2003 of US\$1.30/lb to US\$3.23/lb in 2007 and with declines in commodities and overall financial markets in mid 2008, copper was at \$1.31 on December 31, 2008 and \$2.05 as at the date of this report.

Zinc prices have essentially followed the same trend with prices in 2003 of US\$0.47/lb increasing to US\$1.68/lb in June 2007 and with the same decline seen with most commodities prices was at \$0.51 on December 31, 2008 and \$0.64 as at the date of this report.

Silver prices saw a dramatic increase from average prices of US\$4.87/ounce in 2003 to US\$13.38 in 2007 with a drop in price to \$10.79/ounce at December 31, 2008 and \$12.63 as at the date of this report.

As the Company was in the initial production stages on September 30, 2007 management at the time did not enter into any hedging facilities for its copper/zinc/silver concentrates until it could see grade and throughput to be consistent with production expectations and as such is relying on the current market prices for its sales of concentrate which could have a high sensitivity impact on its revenues.

Results of Operations : The Company's operating loss for the year ended December 31, 2008 was \$10,885,934 and its net loss and comprehensive loss was \$24,106,786 (\$0.24 loss per share) compared to \$3,827,415 and \$3,154,373 (\$0.04 per share) respectively in 2007.

Revenues for the year ended December 31, 2008 were \$11,789,811 (2007: \$6,580,237) and the cost of sales was \$15,396,704 (2007: \$3,884,214). The Company's gross margin was a loss of \$3,606,893 (2007: \$2,696,023 profit).

A significant factor in the sales results was the collapse of metal prices mid-year. As the terms of the contract with concentrate buyer allowed for a four month pricing window, a number of shipments were effectively re-priced resulting in overall sales adjustments of approximately \$4million.



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The mine met the budgeted production tonnes but despite improving grade throughout the year did not meet over all metal production due to a number of factors. Operating costs were higher than anticipated, so during the year the Company and the operator commenced and continued a cost reduction program which, together with the improved production grades allowed La Negra to maintain operations despite the falling metal prices.

Non cash operating expenses for the year ended December 31, 2008 include depletion of mineral properties of \$2,789,848 (2007: \$1,204,825), amortization of \$747,954 (2007: \$295,978) and accretion of ARO of \$45,576 (2007: \$nil) and stock based compensation \$438,183 (2007: \$2,666,149).

Administrative expenses for the year ended December 31, 2008 totaled \$1,890,546 (2007: \$1,497,591):

	Year ended December 31,	
	2008	2007
Management fees	\$ 201,167	\$ 163,643
Rent and overhead	77,314	48,057
Travel and accommodation	62,234	156,135
Office	452,696	783,966
Insurance	22,698	23,056
Consulting	625,937	322,734
Corporate finance fee	448,500	-
	\$ 1,890,546	\$ 1,497,591

The predominant increases in administrative expenses for the year ended December 31, 2008 was for the non cash corporate finance fee paid with respect to the issuance of 1,040,000 shares at a deemed price of \$0.60 (fair valued as above) issued to Canaccord Adams Inc. in relation to a corporate advisory fee with respect to the Silver Wheaton silver purchase transaction. The increase in management fees and consulting fees relates to fees paid to the President and to Reyna Mining as the operator of the Company's La Negra mine. Office and stationary costs were substantially less as a result of the recognition of the office costs at La Negra.

Professional fees

The Company incurred professional fees for the year of \$492,697 (2007: \$204,511). The increase in expenditures was the result of significant legal fees being incurred this year compared to the previous year, as well as significant tax and advisory fees as well as generally higher audit fees.

Investor Relations

The Company incurred investor relation expenditures for the year of \$364,735 (2007: \$344,930) These expenditures were primarily due to the Company's expanded marketing program, attendance at conferences and an expanded annual report.



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Property evaluation

Property evaluation expenditures for the year of \$386,673 (2007: \$16,808) are in relation to consulting fees, site visits, maps and misc expenses that were incurred by the Company's head office for the Rosario, La Negra, and Shafter projects. For the comparative periods in 2007 certain expenses had been capitalized under mineral properties.

Cash Flows

Cash flow from operating activities (before changes in non-cash working capital) for the year ended December 31, 2008 was an outflow of \$9,955,898 (2007: \$9,678,924 cash inflow).

The most significant non-cash items were the depletion of mineral properties of \$2,789,848 (2007: \$1,204,825) an unrealized foreign exchange loss of \$5,084,837 (2007: \$nil), and the write off of mineral properties and property plant and equipment related to that property aggregating \$4,039,708 (2007: \$nil).

Financing activities of note was the advance silver sale of \$24,279,118 (net) (2007: \$nil) which was applied to property purchases of \$27,077,620 (2007: \$5,800,259).

Selected Annual Information

Fiscal Year Ended	December 2008	December 2007	December 2006
Total revenues	11,789,811	6,580,237	\$Nil
Administrative expenses	1,890,546	1,497,591	314,774
Depletion of mineral properties	2,789,848	1,204,825	-
Stock-based compensation	438,183	2,666,149	1,228,677
Write off of mineral property costs	4,039,708	-	157,759
Loss from continuing operations	10,885,934	3,827,415	\$2,246,865
Net loss	24,106,786	3,827,415	\$2,246,865
Basic and diluted loss per share	(0.24)	(0.04)	\$(0.04)
Total assets	81,169,336	35,857,695	\$13,022,088
Current assets	7,466,544	16,006,902	2,219,637
Mineral properties	67,645,254	14,184,404	8,163,982
Current liabilities	5,098,374	3,855,490	3,141,823
Long-term financial liabilities	66,804,447	1,627,335	\$1,606,129
Cash dividends declared	\$Nil	\$Nil	\$Nil



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Financial Data for the last Eight Quarters

Quarter Ended	December 31 2008	Sept. 30 2008	June 30 2008	March 31 2008
Total Revenues	\$ 1,388,542	\$ 3,848,356	\$ 3,205,640	\$ 3,347,273
Income (loss) before other items	\$ (5,583,643)	\$ (3,790,677)	\$ (1,045,140)	\$ (466,474)
Net Income (loss)	\$ (18,960,624)	\$ (3,745,500)	\$ (962,245)	\$ (438,417)
Income (loss) per share	\$ (0.19)	\$ (0.04)	\$ (0.01)	\$ (0.00)

Quarter Ended	December 31 2007	Sept. 30 2007	June 30 2007	March 30 2007
Total Revenues	\$ 2,643,781	\$ 3,936,456	\$ -	\$ -
Income (loss) before other items	\$ 236,230	\$ (144,422)	\$ (164,761)	\$ (3,086,219)
Net Income (loss)	\$ 236,230	\$ (144,422)	\$ 102,261	\$ (3,331,634)
Income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.04)

The results for the fourth quarter of 2008 reflect significant adjustments which were booked at year end related to price-adjusted sales which were under negotiation at year end, and the write down of the Rosario project. These results are not typical and are not indicative of future results.

Liquidity: At December 31, 2008 the Company had a working capital position of \$2,368,170 (December 31, 2007 - \$12,151,412) which consisted of \$1,734,484 held in cash and short term deposits, account receivables of \$49,774 (trade) and \$3,125,362 (other) prepaid expenses of \$192,209 and due from joint venture partner of \$984,708. These amounts are offset by accounts payable of \$2,597,885 and the current portion of the Company's notes payable of \$2,500,489 in relation to equipment purchases at the La Negra mine and the final acquisition payment due to IMMSA in relation to the Company's Rosario project. The Company's long term debt relates to the convertible debenture with Silver Standard in relation to the Company's Shafter Project (\$9,215,740) and unearned revenues in relation to the silver purchase agreement with Silver Wheaton (\$29,363,955).

While the Company continues to make improvements at its La Negra mine the operation has yet to reach consistent profitability resulting in the Company not realizing any additional cash flows from the mine. The Company's source of liquidity has consisted primarily of cash from proceeds of equity issues and there can be no assurance that the Company will be able to continue to raise funds, in which case it may be unable to meet its obligations. Should Aurcana be unable to realize a profit on its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets.



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

As at December 31, 2008, the Company had 108,583,933 common shares issued and outstanding. As of the date of this report, the Company had 108,583,933 shares outstanding.

As at December 31, 2008, the Company had 8,400,000 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, there were 8,400,000 options outstanding.

As at December 31, 2008, the Company had no warrants outstanding as all warrants had expired or been exercised during the year. As of the date of this report no warrants were outstanding.

As of the date of this report, on a fully diluted basis, if all options were exercised, a total of 116,983,933 shares would be issued and outstanding.

Off-Balance Sheet Arrangements: The Company had no off-balance sheet arrangements as at September 30 2008 or as at the date hereof.

Transactions with Related Parties: During the year ended December 31, 2008, the Company paid or accrued

- Management fees of \$160,367 (2007 - \$161,625) to a company controlled by common directors;
- Administrative management fees of \$327,773 (2007 - \$343,980) to a company controlled by a director.
- Technical and consulting services of \$124,200 (2007 - \$93,100) to a company controlled by a director;
- Consulting fees of \$220,945 (2007 - \$127,583) to officers, a former officer and to a company controlled by an officer;
- Rent of \$nil (2007 - \$19,300) to a company controlled by common directors;

As at December 31, 2008:

- Prepaid expenses and deposits included an amount of \$8,925 (2007 - \$9,010) for management fees paid to a company controlled by common directors; and
- Accounts payable included \$3,230 (December 31, 2007 - \$37) to an officer and to a company controlled by an officer.

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



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Commitments:

Supply agreement

On November 14, 2006, Minera 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 concentrate to be produced during the years 2007, 2008 and 2009 by the La Negra Mine. Prices are based on the published prices in the Metal Bulletin in London in US dollars.

Acquisition of Rosario property

The Company has commitments, through its subsidiary Aurcana de Mexico S.A. de C.S.V., on the acquisition of the Rosario property requiring payment of US\$1,288,250 of which US\$556,750 is payable during 2009 (\$250,000 paid as of the date of this report) and \$731,500 during 2010.

Office Lease

Effective May 1, 2007, the Company executed a lease for new office space for a period of 36 months, expiring on May 31, 2010. The minimum annual payments are \$50,391 in 2009 and \$21,180 in 2010.

Deferred Revenue

The Company has commitments to deliver 50% of its silver production from the La Negra property as payment for the funds received from the advance silver sale.

Changes in Accounting Policies:

Adoption of new accounting standards

Effective January 1, 2008 the Company adopted the following new accounting standards:

Section 1400 - General Standards on Financial Statement Presentation

CICA Handbook Section 1400, as amended, changed the guidance related to management's responsibility to assess the ability of an entity to continue as a going concern. Management is required to make an assessment of the Company's ability to continue as a going concern, taking into account all information available for at least, but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The adoption of this standard had no impact on the Company's disclosures as these uncertainties have been, and continue to be, fully described in the financial statements.

Section 1535 - Capital Disclosures

Handbook Section 1535 "Capital Disclosures" specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as



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capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. See Note 17.

Section 3031 – inventories

This specifies standards for the measurement and disclosure of inventories. This did not significantly impact the financial statements of the Company.

Financial Instruments - Disclosure (Section 3862) and Presentation (Section 3863)

These standards revise and enhance CICA 3861, *Financial Instruments - Disclosure and Presentation* (Section 3861). They carry forward the presentation requirements of Section 3861 and increase the disclosures required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. See Note 18.

Recent accounting pronouncements

Section 3064 replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of IAS 38, *Intangible Assets*. CICA 1000 - *Financial Statement Concepts* is amended to clarify criteria for recognition of an asset. CICA 3450 - *Research and Development Costs* is replaced by guidance in CICA 3064. EIC 27 is no longer applicable for entities that have adopted CICA 3064. A number of other EIC abstracts have inconsequential amendments. AcG 11 - *Enterprises in the Development Stage* is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. These changes are effective for the Company commencing January 1, 2009. The Company is currently assessing the financial reporting impact of this standard.

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. We are currently assessing the financial reporting impact of the transition to IFRS and the changeover date.



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Accounting Estimates: 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.

Financial Instruments: The Company's is exposed to certain financial risks, including currency risk, credit risks, liquidity risk, price risk and interest risk.

(a) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Mexico and a portion of its expenses are incurred in US dollars and Mexican Pesos. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar or Mexican Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2008
Cash and cash equivalents	US\$	677,232
Notes payable		(4,956,095)
Future income tax liability		(16,137,770)
Deferred revenue		(24,013,702)
	US\$	(44,430,335)
 Canadian dollar equivalent	 C\$	 (54,409,388)

At December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		December 31, 2008
Cash and cash equivalents	MP\$	420,916
Amounts receivable		33,439,948
Accounts payable and accrued liabilities		(79,351,913)
	MP\$	(45,491,049)
 Canadian dollar equivalent	 C\$	 (4,076,907)



Management Discussion and Analysis For the Year Ended December 31, 2008

Based on the above net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and the Mexican Peso would result in a material change to the Company's loss in terms of unrealized foreign exchange of approximately \$5.9 million.

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from amounts receivable and marketable securities.

The Company's trade receivables are the result of sales of concentrates to one significant purchaser. As such, the company is at risk with respect to collections of these receivables. The Company's other receivables consist of sales taxes due from the Federal Governments of Canada and Mexico.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

The Company's expected source of cash flow in the upcoming year will be through its operations at La Negra, equity financing and entering into joint venture agreements, or a combination thereof.

The following table summarizes the Company's known undiscounted financial liabilities:

Payments due by period					
(000's)					
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Accounts payable	\$2,459	\$2,459	\$Nil	\$Nil	\$Nil
Notes payable	\$5,876	\$2,500	\$3,376	\$Nil	\$Nil
Convertible debentures	\$10,000	\$Nil	\$10,000	\$Nil	\$Nil
Environmental obligations	<u>\$1,299</u>	\$Nil	\$Nil	\$Nil	\$1,299
Total	<u>\$19,634</u>	\$4,959	\$13,376	\$Nil	\$1,299



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(d) Price risk

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

The impact of a 10% movement in commodity prices, based upon 2008 sales and commodity forward selling prices at December 31, 2008, would be an increase in revenue of \$1.3 million or a decrease in revenue of \$1.6 million.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Controls and Procedures: In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Risks and Uncertainties: The operations of Aurcana are speculative due to the high risk nature of its business which involves the copper and zinc production and exploration and development of mining properties. The following is a brief discussion of those distinctive or special characteristics of Aurcana's operations and industry which, may have a material impact on, or constitute risk factors in respect of Aurcana's financial performance.

Mining Risks and Insurance

The business of gold mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurcana's



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financial performance and results of operations. The Company carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible but which may not provide adequate coverage in all circumstances.

Uncertainty of Mineral Reserves

Mineral reserves and mineral resources are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. Prolonged declines in the market price of copper or zinc may render mineral reserves containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the Company's reserves. Should such reductions occur, the Company could be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Market price fluctuations, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

The Company adjusts its mineral reserves annually by the amount extracted in the previous year, by the additions and reductions resulting from new geological information and interpretation, actual mining experience, and from changes in operating costs and metal prices. Mineral reserves are not revised in response to short-term cyclical price variations in metal markets.

Replacement of Mineral Reserves

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

Reclamation Obligations

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

Exploration Risks



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

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

Conflicting Interests

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

Permitting and Title

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

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

Management Services

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

Market Influences

The Company's Common Shares are listed for trading on the TSX Venture Exchange. Shareholders of the Company may be unable to sell significant quantities of the Common Shares into the public



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trading markets without a significant reduction in the price of the shares, if at all. The market price of the Common Shares may be affected significantly by factors such as changes in the Company's operating results, the availability of financings, fluctuations in the price of metals, the interest of investors, traders and others in small exploration stage public companies such as the Company and general market conditions. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small capitalization exploration companies similar to the Company, have experienced wide fluctuations, which have not necessarily been related to the operating performances, underlying asset values or future prospects of such companies. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

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