Management Discussion and Analysis
For the Period Ended June 30, 2009

This Management Discussion and Analysis ("MD&A") should be read in conjunction with Aurcana Corporation's (the "Company" or "Aurcana") unaudited interim consolidated financial statements for the three months ended June 30, 2009 and 2008 and the related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. This MD&A should also be read in conjunction with the audited consolidated financial statements and the notes thereto, for the year ended December 31, 2008, and related management discussion and analysis. This 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.

Expressed in Canadian dollars, unless stated otherwise, this MD&A is current as of **August 28, 2009.**

During the preparation of the consolidated financial statements for the year ended December 31, 2008, the Company determined that the effects of drastically falling concentrate prices, which commenced in the second quarter of 2008, had materially affected the quarterly results for the 2008 fiscal year. The misstatement was a result of the length of time required to settle on the final price and grade of concentrate sales from the La Negra mine under the terms of the contract then in effect. The contract allowed for the final sale price to be set based on prices in existence several months after the original sale was completed. In addition, the recording of the Shafter property acquisition did not reflect the tax implications of the acquisition, specifically with respect to Future Income Taxes. As a result, the Company filed amended and restated quarterly financial statements for Q2 and Q3 of 2008. The reader should refer to those financial statements for a detailed discussion of the changes.

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: While the consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. At June 30, 2009, the Company has recurring losses and an accumulated deficit of $43,190,973. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of the Shafter and La Negra projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through but not limited to, the issuance of additional equity.

The interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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 July 01 2007, upon reaching consistent production targets beyond 75% of production recorded in the month of June 2007. As well the Company is presently evaluating the Shafter silver mine in Texas.

Highlights:

Results of Operations

The second quarter of 2009 reflects the commencement of a period of advances for the Company which management expects will continue into the future. Metal concentrate prices continue to recover, and the Company continued to adjust its cost structure, both on the operational and administrative side. Ongoing discussions with all of our major creditors appear to have stabilized current operations such that the Company can now focus on future growth.

As a result of the continued rise of the Canadian dollar, the Company had a foreign exchange gain of $2.5 million and a further gain of $1.0 million on the restructuring of debt. The foreign exchange gain effectively recovers about one-half of the foreign exchange loss incurred at the 2008 year end; however the company remains exposed to foreign currency fluctuations. The Company had net and comprehensive earnings of $2.8 million for the quarter (Year to date: $2.0 million) compared to a loss of $2.9 million for the same quarter last year (YTD: loss $3.3 million). Excluding the extraordinary gains, the loss from operations was $0.7 million (YTD: $1.3 million) as compared to a loss of $3.3 million (YTD: $3.5 million).

The most significant items during the quarter were:

- A positive pre-feasibility study was announced for the Shafter project;
- The Company took operational control of the La Negra mine;
- Initial steps to expand to 1,500 1300 TPD were commenced;
- The sale of Rosario was announced; and
- Subsequent to the quarter end, the Company diluted Reyna from a 20% interest in the La Negra mine to approximately 8%.

La Negra

- 79,110 tonnes of ore processed during 2nd quarter;
- Copper concentrate produced 2,146 tonnes (2,869 tonnes sold);
- Zinc concentrate produced 923 tonnes (1,190 tonnes sold);
- Silver produced 176,206 ounces (200,825 ounces sold);
- The difference between production and shipment in all cases reflects the timing of the shipping relative to month end.

Shafter

- In July 2008, the Company completed the acquisition of the Shafter silver mine, from Silver Standard Resources Inc. for $38.7 million;
- 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.; and
- The project has much of the infrastructure in place and the Company has received a positive pre-feasibility study and is advancing to permitting,

Rosario

- The Company 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.
- During the quarter, the Company announced entering into an agreement to sell the Rosario property for $250,000, one million shares of Silvermex Resources, and the assumption of all future property payments. Additional consideration $2.5 million and 1 million shares is to be paid in installments upon production or within 24 months. The sale is still pending.

Corporate

- Lenic Rodriguez was appointed President and CEO;
- Subsequent to the quarter end, Ricardo Rodriguez and Antonio Berlanga resigned as directors.

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 net and comprehensive earnings of $2.8 million for the quarter (Year to date: $2.0 million) compared to a loss of $2.9 million for the same quarter last year (YTD: loss $3.3 million). Excluding the extraordinary gains, the loss from operations was $0.7 million (YTD: $1.3 million) as compared to a loss of $3.3 million (YTD: $3.5 million). Earnings per share were $0.03 per share compared to a loss of $0.03 per share for the same quarter last year.

Revenue

During the quarter ended June 30, 2009, the Company realized revenues from the sale of 2,332 tonnes of copper content (2008- 2,434 tonnes), 1,190 tonnes of zinc content (2008 - 454 tonnes) and 200,825 ounces of silver (2008 – 100,780 ounces) for total net revenues of $4,031,331 (YTD: $7,418,697) (2008 - $1,155,053 and $4,502,326 respectively). The average price for sales of copper, zinc and silver during the period were Cu - $2.12, Ag - $13.75 and Zn $0.67.

Metal prices, while recovering, continue to be a significant factor in the profitability of the Company.

The Company renegotiated the terms of its agreement with its concentrate buyer this quarter, to set a one month term for final pricing with the possibility of locking in prices when the Company deems this to be favourable. This reduces the potential for significant loss exposure in a rapidly changing market for concentrate such as those experienced in 2008. The precipitous decline in metal prices in 2008 resulted in a large number of open contracts for shipments being 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) which was reflected in the 2008 financial statements of the Company. Negotiations have resulted in amended terms for the debt recognized as a result of the sales adjustments at year end, and a gain of $1,022,725 has been recognized in the quarter.

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 loss	-	5,084,837
Balance, December 31, 2008	$ 24,013,702	$ 29,363,955
Repayments	(1,141,645)	(1,376,356)
Unrealized foreign exchange gain	-	(2,929,155)
Balance, June 30, 2009	$ 22,872,057	$ 25,058,444

The denomination of the deferred revenue liability in US dollars continues to cause realized and unrealized foreign exchange changes during this quarter. 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.

During the first quarter, 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 have agreed on a remedy to this situation. At the date of this report the definitive agreement is being finalized. The balance owing of US $1,195,202 (approximately $1.38 million) has been added to accounts payable in the quarterly financial statements.

Cost of Sales

The cost of sales in the quarter was $3,469,686 (YTD: $6,260,027) compared to $2,756,678 (YTD: $5,068,141) for the comparable period of the previous year. As production costs track the tonnage produced, these numbers are not directly comparable unless tonnage is considered.

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%). 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.

With the dramatic fall in metal prices in 2008, we 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. We commenced the implementation of operational and cost cutting measures. All exploration drilling and any mine development not directly associated with immediate production was suspended in order to reduce costs. 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. 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. We also completed a NI 43-101 compliant resource estimate, on the Monica deposit, completed by Geosim Services Inc. who 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. 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. 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 first quarter, the Company struggled to keep the mine operational. Average metal prices reached a low in late December and started to increase during the quarter, but significant increases only occurred subsequent to the quarter end in May, 2009. As a result production was curtailed at the mine due to a shortage of funds, parts and supplies, and trucking capacity.

With the receipt of the IVA refund in March, many of these constraints started to be reduced. During the second quarter the Company agreed with its principal concentrate purchaser to bill a domestic Mexican subsidiary, allowing the mine to charge IVA on its sales. This eliminated a significant cash drain on the mine, allowing for the offset of future IVA receipts and disbursements instead of waiting for refunds.

The Company also took direct operational control of the mine, and subsequently diluted the JV partner to an 8% ownership interest.

Production at La Negra

Quarter Ended	June 30 2009	March 31 2009	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)	1,220	720	835	812	3,662	4,878	6,580	35,843
Zinc concentrate (tonnes)	371	350	110	8	101	111	49	-
Copper/silver concentrate (tonnes)	210	370	195	7	5	20	99	150
Production								
Ore mined (tonnes)	79,110	69,366	73,666	84,042	78,732	70,344	77,162	45,540
Ore milled	72,323	69,555	70,236	81,989	73,768	71,874	78,836	72,742
Average grade								
Zinc	1.19%	0.94%	1.60%	1.04%	0.73%	0.96%	1.28%	0.75%
Copper	0.48%	0.65%	0.77%	0.74%	0.74%	0.91%	0.73%	0.80%
Silver (g/t)	99	99	85	74	67	77	64	68
Zinc concentrate (tonnes)	923	812	1,318	996	439	670	1,184	536
Containing zinc metal (tonnes)	429	358	573	452	178	301	497	188
Copper concentrate (tonnes)	2,146	2,146	2,608	2,661	2,354	2,443	2,028	2,482
Containing copper metal (tonnes)	311	390	445	504	428	497	435	422
Silver (ounces)	176,206	166,031	145,032	138,931	105,362	125,528	110,725	117,476
Ore stockpiles (tonnes)	6,632	1,220	720	835	812	3,662	4,878	6,580
Zinc concentrate (tonnes)	120	371	520	108	8	101	111	49
Copper/silver concentrate (tonnes)	45	310	450	12	7	5	20	99
Sales								
Zinc concentrate (DMT)	1,190	1,045	1,063	993	454	609	1,122	487
Payable zinc metal (tonnes)	403	331	339	363	162	224	347	143
Copper concentrate (DMT)	2,332	2,869	2,595	2,614	2,434	2,314	2,107	2,533
Payable copper metal (tonnes)	313	432	385	463	412	436	375	392
Payable Silver (ounces)	200,825	190,647	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. A surface 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 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 chloritized 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 syle 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.

During the quarter, the Company announced entering into an agreement to sell the Rosario property for $250,000, one million shares of Silvermex Resources, and the assumption of all future property payments. Additional consideration $2.5 million and 1 million shares is to be paid in installments upon production or within 24 months. Subsequent to quarter end final documentation and the finalization of due diligence were still in progress.

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.

In July 2008, 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.

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.

In 2008 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.

On June 29, the Company announced the results of the pre-feasibility study. The highlights of the report were:

- Payback of under 2 years based on a silver price of $13.55 per ounce;
- An internal rate of return ("IRR") of 23% pre tax;
- A pre tax net present value ("NPV") of $23 million at a 5% discount rate;
- An initial estimated capital expenditure of under $40 million;
- Silver production of 3.75 million ounces in year one and 4 million ounces in year two; and
- An average total cost of $7.50 per ounce of silver produced in the first two years.

Over a mine life of 4.7 years, based on measured and indicated resources

- Average silver production of 3.2 million ounces per year, life of mine; and
- 1,500 tons per day production rate achieved by driving a decline

Revenue was calculated on the base case, the three year average silver price of $13.55 per ounce as of April 2009, as published by the London Metal Exchange. Only the measured and indicated resources are used in the study for PFS design, economics and life of mine.

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 US$1.31/lb on December 31, 2008 and US$2.94/lb 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 US$0.51/lb on December 31, 2008 and US$0.82/lb 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 US$10.79/ounce at December 31, 2008 and US$14.22/ounce 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. The Company is currently reviewing its options with respect to hedging in 2009. Currently we are fixing prices on a monthly basis with our concentrate buyer.

Results of Operations: The Company’s operating loss for the quarter ended June 30 ,2009 was $685,116 (YTD: $1,194,697) (2008: a loss of $3,319,902 and $3,549,572 respectively) and its net earnings and comprehensive earnings after the extraordinary items were $2,837,660 (YTD: $1,957,714 - $0.02 earnings per share) (2008: a loss of $2,906,073 and $3,344,490 respectively - $0.04 per share).

Revenues for the quarter ended June 30, 2009 were $4,031,331 (YTD: $7,418,697) compared to $1,155,053 ($4,502,326) for the same period of 2008, and the cost of sales was $3,469,686 (YTD: $6,260,027) compared to 2008 $2,756,678 and $5,068,141 respectively. The Company’s earnings from mining operations were $705 (YTD: $79,813) compared to a loss of $2,269,076 and $1,941,901. During this quarter the Company chose to present earnings from mining operations, including amortization, depletion and accretion, as this more accurately presents the results of mining operation as opposed to administrative operations.

Continuing factors in the sales results are the recovering metal concentrate prices along with the rising Canadian dollar. Operating costs continue to be higher than anticipated in the second quarter, although management is optimistic that costs will continue to decline in the coming quarters.

Non cash operating expenses for the quarter ended June 30, 2009 include depletion of mineral properties of $382,560 (YTD: $750,474) (2008: $512,296 and $1,071,881), amortization of $167,034 (YTD: $303,621) (2008: $146,523 and $281,173) and accretion of ARO of $11,346 (YTD: $24,762) (2008: $8,632 and $23,032) and stock based compensation of $47,034 (YTD: $51,121) (2008: $34,567 and $112,000).

Administrative expenses

Administrative expenses for the quarter ended June 30 2009 totaled $538,665 (YTD: $1,006,872) (2008: $371,126 and $653,091):

	Three months ended		Six months ended	
	2009	**2008**	**2009**	**2008**
Management fees	$ 119,000	$ 181,000	$ 241,000	$ 231,000
Rent and overhead	21,000	19,000	42,000	38,000
Travel and accommodation	21,000	29,000	28,000	70,000
Office	22,000	34,000	49,000	87,000
Insurance	9,000	11,000	18,000	35,000
Consulting	175,000	97,000	322,000	192,000
Maintenance of Rosario mine	172,000	-	307,000	-
	$ 539,000	$ 371,000	$ 1,007,000	$ 653,000

Maintenance fees at Rosario include expenditures which would previously have been capitalized during the development of the project.

Professional fees

The Company incurred professional fees for the quarter of $52,513 (YTD: $54,709) (2008: $59,122 and $95,633). The decrease in expenditures was the result of lower legal and accounting fees due to reduced activity in these areas in the first quarter.

Investor Relations

The Company incurred investor relation expenditures for the quarter of $14,749 (YTD: $47,439) (2008: $88,052 and $185,536) These expenditures were reduced due to lower attendance at conferences and an emphasis on cost containment in the quarter.

Property evaluation

Property evaluation expenditures for the quarter of $11,345 (YTD: $84,390) (2008: $480,995 and $527,888) 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. The decrease reflects the direct capitalization of activities related to the Shafter project.

Cash Flows

Cash flow from operating activities (before changes in non-cash working capital) for the quarter ended June 30 ,2009 was an outflow of $344,695 (YTD: $476,345) (2008: $2,249,557 and $1,859,812 cash outflow) due to expenditures on mineral properties and plant and equipment, and repayment of debt.

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

Financial Data for the last Eight Quarters

Quarter Ended		June 30 2009		March 31 2009		December 31 2008		Sept. 30 2008
Total Revenues	$	5,223,323	$	3,387,366	$	1,388,542	$	3,848,356
Loss before other items	$	(685,116)	$	(509,492)	$	(5,583,643)	$	(3,790,677)
Net Income (loss)	$	2,837,670	$	(879,946)	$	(18,960,624)	$	(3,745,500)
Income (loss) per share	$	0.03	$	(0.00)	$	(0.19)	$	(0.04)

		June 30 2008		March 31 2008		December 31 2007		Sept. 30 2007
Total Revenues	$	3,205,640	$	3,347,273	$	2,643,781	$	3,936,456
Income (loss) before other items	$	(1,045,140)	$	(229,670)	$	236,230	$	(144,422)
Net Income (loss)	$	(962,245)	$	(438,417)	$	236,230	$	(144,422)
Income (loss) per share	$	(0.01)	$	(0.00)	$	(0.00)	$	(0.00)

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 of $4,039,708. These results are not typical and are not indicative of future results.

Liquidity: At June 30, 2009 the Company had a working capital deficit of $588,684 (2008 – surplus of $3,262,648) which consisted of $1,031,730 held in cash and short term deposits, account receivables of $1,016,324 (trade) and $1,170,682 (other) prepaid expenses of $188,639, due from joint venture partner of $1,042,495 and inventory of $1,119,322. These amounts are offset by accounts payable of $3,561,307 and the current portion of the Company's notes payable of $2,596,569 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 negotiations with Trafigura moved a significant portion of the current portion of long term debt at year end to non-current, and also resulted in a gain of $1,022,725.

The Company's long term debt relates to the convertible debenture with Silver Standard in relation to the Company's Shafter Project ($8,558,673) and unearned revenues in relation to the silver purchase agreement with Silver Wheaton ($25,058,444).

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.

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

As at June 30, 2009, 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 June 30, 2009, the Company had 7,695,000 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, there were 10,447,500 options outstanding.

As at June 30, 2009, the Company had no warrants outstanding as all warrants had expired or been exercised in 2008. 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 119,031,433 shares would be issued and outstanding.

Off-Balance Sheet Arrangements: The Company had no off-balance sheet arrangements as at June 30, 2009 or as at the date hereof.

Transactions with Related Parties:

During the 6 month period ended June 30, 2009, the Company paid or accrued:

- Management fees of $81,000 (2008 - $109,000) to a company controlled by common directors;
- Administrative management fees of $71,096 (2008 - $240,000) to a company controlled by a director;
- Technical, geological and consulting services of $46,844 (2008 - $84,000) to a company controlled by a director;
- Consulting fees of $84,000 (2008 - $42,000) to officers or a company controlled by an officer.

As at June 30, 2009:

- Prepaid expenses and deposits included an amount of $nil (2008 - $9,000) for management fees paid to a company controlled by common directors;
- Accounts payable included $nil (2008 - $12,000) to an officer and to a company controlled by a director.

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

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: These financial statements are presented in accordance with generally accepted accounting principles applicable in Canada, and have been prepared in accordance with the Significant Accounting Policies described in Note 2 of our audited financial statements for the year ended December 31, 2008 except as noted below.

Adoption of new accounting standards

Effective January 1, 2009, CICA Handbook Section 3064, "Goodwill and Intangible Assets", replaces Section 3062, "Goodwill and Intangible Assets," and CICA Section 3450, "Research and Development Costs," and EIC-27, "Revenues and Expenditures During the Pre-operating Period". The new Section also caused amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," and CICA Section 1000, "Financial Statement Concepts." The Standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarifies the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that may not meet the definition and recognition criteria are eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The effect of this change is being evaluated by the Company.

Emerging Issues Committee Abstract EIC 173, "Credit Risk and the Fair Value of Financial Assets and Liabilities" was adopted effective January 20, 2009. The EIC determines that counterparty credit risk and an entity`s own credit risk should be taken into account in estimating the fair value of financial assets and liabilities, including derivatives. It was determined that this Abstract did not have a material impact on the consolidated financial statements of the Company, as the previously recognized fair values of financial assets and liabilities reflected an appropriate measure of the parties' credit risk.

Emerging Issues Committee Abstract EIC 174, "Impairment Testing of Mineral Exploration Properties" was adopted effective February 28, 2009. The EIC provides guidance on the appropriateness of capitalizing exploration costs prior to establishing mineral reserves and also provides additional guidance to evaluating capitalized exploration costs for possible impairment. The adoption of this Abstract did not have any impact on the Company`s consolidated financial statements since it is the Company's accounting policy to expense exploration costs incurred on any properties in the pre-feasibility stage.

International Financial Reporting Standards ("IFRS")

Publicly listed enterprises will be required to adopt IFRS in replacement of Canadian Generally Accepted Accounting Principles on January 1, 2011. This transition will require the Company to present its March 31, 2011 financial statements under IFRS, with restated comparative information. The conversion to IFRS will impact the Company's accounting policies, information technology, and financial reporting systems which include internal controls over financial reporting, data systems, and disclosure controls and procedures.

The Company commissioned a third party service provider to prepare a diagnostic of the key elements of the transition to IFRS that will impact the Company's financial statements. This diagnostic has identified and ranked the key IFRS to Canadian GAAP differences applicable to Aurcana, assessed the potential impact to the financial statements, note disclosures, and exemptions available on transition. During 2009 to date, the Company has completed a project plan with timelines and key milestones.

The Company expects to determine specific impacts to financial reporting in the fall of 2009. This assessment shall be instrumental in determining the approach required for record keeping in 2010, the first year in which IFRS will apply as comparative information in the 2011 financial statements.

The Company's Audit Committee is overseeing the IFRS conversion project and holds Management accountable for a successful IFRS transition. The Company will continue to communicate progress of this conversion in its upcoming quarterly reports.

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 mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurcana's financial performance and results of operations. The Company carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible but which may not provide adequate coverage in all circumstances.

Uncertainty of Mineral 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 payable metals 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

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 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.**