AURCANA
CORPORATION

Management Discussion and Analysis for the year ended December 31, 2009

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 years ended December 31, 2009 and 2008 and the related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. 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 **April 30, 2010.**

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 accompanying consolidated 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 December 31, 2009, the Company had earnings of $3.8 million and a previous history of recurring losses resulting in an accumulated deficit of $41.4 million. The Company will need to raise sufficient funds to meet its obligations as well as fund ongoing exploration and administration expenses. 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 audited 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.

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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 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 in the state of Queretaro. The Company began recognizing revenues from the La Negra mine on July 1 2007, upon reaching consistent production targets beyond 75% of production recorded in the month of June 2007. As well the Company is commencing with detailed engineering for the construction of the Shafter silver mine in Texas. Permitting for Shafter is also ongoing.

Highlights:

Results of Operations

During 2009 we continued to build on the advances which started in the second quarter. Metal concentrate prices continued to improve, and the Company continued to adjust its cost structure, both on the operational and administrative side. The Company is now focused on future growth.

As a result of the rise of the Canadian dollar, the Company had a foreign exchange gain of $7.7 million year-to-date and a gain of $1.2 million on the restructuring of debt, primarily since much of the debt and revenue of the Company are denominated in US dollars. The foreign exchange gain effectively reverses a substantial portion of the foreign exchange loss incurred at the 2008 year end; however the Company remains exposed to foreign currency fluctuations. The Company had net earnings of $3.8 million for 2009 compared to a loss of $24.1 million for 2008.

The most significant items during the year were:

- The Company decided to expand mine production to 1,500 metric tonnes per day ("TPD") with our current mine staff and committed to contract mining of the Maravillas orebody, which is logistically separate from the other working places;
- Commenced an expansion of the mill is from 1,000 TPD (metric tons per day) which should result in 1,000 TBD January to April, 1,250 TPD in May, 1,350 TPD in June and 1,500 TBD in July;
- The plant was shut down from September 15th to the 28th to repair the ball mill motor, resulting in a significant reduction of concentrate production;
- Exploration drilling in the Cobriza Zone defined a new mineralized manto with a drill indicated tonnage of approximately 80,000 tonnes;
- The work towards expansion to 1,500 TPD continued with modifications to the flotation circuit and installation of new flotation tanks, foundations for cyclone pack, second ball mill and conditioning tanks. A second ball mill and motor were reconditioned. Fabrication of conditioning tanks, cyclone pack and launders were underway ;
- Silvermex Resources completed the acquisition of the Rosario Project; and
- The Company diluted Reyna Mining & Engineering S.A. de C. V ("Reyna") from a 20% interest in the La Negra mine to approximately 8% (see Change in Corporate Structure below).
- The Company restructured many of its agreements, including those relating to concentrate purchases, convertible debenture interest and deferred revenue silver payments.
- Completed a private placement which raised $2.4 million.

La Negra

- 300,952 tonnes of ore processed during the year;
- Copper concentrate produced – 9,940 tonnes (10,335 tonnes sold);
- Zinc concentrate produced - 3,794 tonnes (4,315 tonnes sold);
- Silver produced - 749,942 ounces (746,493 ounces sold);
- The difference between production and shipment in all cases reflects the timing of the shipping relative to month end and varying inventory levels.

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 disclosing a measured and indicated resource estimated at 24.6 million ounces of silver and an inferred resource estimated at 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 required infrastructure in place. The Company received a positive pre-feasibility study in June 2009 based on a $13.55 / ounce silver price, and continued advancing the permitting process during the 3rd quarter,

Rosario

- During the year, the Company entered into an agreement to sell the Rosario property for cash in the amount of $250,000, one million shares of Silvermex Resources, and the assumption of all future property payments. A further 250,000 shares were received as payment for an extension on the closing date from September 30 to November 30, 2009. Additional consideration of $1.0 million and 1 million shares is to be paid in two $500,000 installments following commencement of production or at 24 and 36 months from the sale closing date of November 30, 2009.

Corporate

- Lenic Rodriguez was appointed President and CEO;
- Ron Nichols was appointed Senior vice President;
- Nils von Fersen was appointed Vice President of Exploration;
- Ricardo Rodriguez and Antonio Berlanga resigned as directors; and
- Ken Booth resigned as CEO and a director of the Company.

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 Real de Maconi S.A. de C.V. In addition to the Mexico operations, the Company has 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.

Change in Corporate Structure

In early July, 2009 the Company elected to dilute its former joint venture partner in the La Negra mine from a 20% interest to an 8% interest as a result of an imbalance in capital contributions to the joint venture. The Company also took direct operational control of the mine upon the appointment of the new CEO.

As a result of the change in structure, the accounting for the Company also changed. Prior to dilution the Company consolidated its 80% interest in the assets, liabilities and earnings of the joint venture. Effective for this quarter, and reflecting the dilution of the former joint venture partner, the Company now consolidates 100% of the assets, liabilities and earnings of the La Negra mine, less an 8% non-controlling interest. This non-controlling interest represents the estimated net book value of the La Negra mine at the date of dilution and an 8% interest in the net income or loss of the mine at each period end subsequent to dilution.

The reported amounts for the non-controlling interest are an estimate based on book values and reported results, and do not represent an acknowledgement of the value of the shares of the subsidiary, a liability to, or an intent to pay funds to the former joint venture partner.

Also as a result of the Company assuming direct operational control of the mine, the Company received a notice of a legal action filed in Mexico by Mechanismos Mineros de Mexico S.A de C.V. ("Mechanismos"), a former contractor who was responsible for labour outsourcing at the La Negra mine. The suit alleged that Mechanismos was entitled to severance payments of approximately MP$1 million (approximately $80,000). The Company denies any such liability and filed a counter claim for MP$2.4 million (approximately $190,000) for the alleged non-payment of payroll deductions withheld. The Company further alleges that Mechanismos has unlawfully retained legal, personnel, and tax documents which are the property of the Company, which may be damaging to the Company. Mechanismos was retained on a month-to-month basis and was terminated by the Company at the time the Company took operational control of La Negra.

Subsequent to year end, the Company received a notice of assessment with respect to IVA and other taxes which the Government of Mexico believes are outstanding in the amount of MP$66 million (approximately $5.3 million). The notice was issued due to the inability of the Company to provide documentation to the government to support previous tax filings. The documentation had been retained by Mechanismos as noted above. Pursuant to a court order the documentation was eventually returned to the Company, and as of the date of the report is being submitted to the government. The Company is currently in communication with the tax authorities, and believes that the assessment is in error and will be reversed. No provision is recorded for this amount in the financial statements of the Company.

Earnings

The Company had net earnings of $3.8 million and comprehensive earnings of $4.1 million for 2009 compared to a loss and comprehensive loss of $24.1 million in 2008. Excluding foreign exchange and non-recurring gains and losses and other income, the loss from operations was $3.8 million as compared to a loss of $10.9 million in 2008. Earnings per share were $0.03 per share (fully diluted $0.03) compared to a loss of $0.24 per share for the previous year.

Revenue

During the year ended December 31, 2009, the Company realized revenues from the sale of 10,335 tonnes of copper content (2008- 9,957 tonnes), 3,443 tonnes of zinc content (2008 – 3,119 tonnes) and 746,493 ounces of silver (2008 – 451,955 ounces) for total net revenues of $16.1 million (2008 - $8.8 million). These figures exclude sales resulting from deferred revenue.

The average price for sales of copper, zinc and silver during the period were Cu - $2.3422 Ag - $14.674 and Zn $0.7525. Metal prices, were a significant factor in the increased profitability of the Company.

The Company renegotiated the terms of its agreement with its concentrate buyer, to set a one month term for final pricing with the possibility of locking in prices on a monthly basis, month-to-month, 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 re-priced 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 $1.25 million has been recognized. The Company expects to renegotiate the terms of its agreement with its concentrate buyer in the first half of 2010.

Sale of Silver

In June 2008, the Company agreed to sell to Silver Wheaton (Caymans) Ltd. (“Silver Wheaton”) the equivalent of 50% of the silver metal produced from ore extracted during the mine-life at La Negra *(Notes 18 and 22)*. The agreement was made in consideration of a prepayment to Cane Silver Inc., a 100% owned subsidiary of the Company, of US$25 million in cash. A fee per ounce of silver of US$3.90 is also payable to Cane, subject to an inflationary adjustment in year three. Under the terms of the agreement, the Company must deliver sufficient ounces of silver to Silver Wheaton within a forty year term, on a prescribed formula, or a portion of the deferred revenue, without interest, will become repayable to Silver Wheaton. All of the shares of La Negra have been pledged as security for the agreement with Silver Wheaton. As the sale amount and the corresponding deferred revenue are denominated in US dollars, the amount included in the consolidated financial statements includes an adjustment for unrealized foreign exchange variations.

During the first quarter of 2009, due to ongoing negotiations surrounding the re-pricing of shipments with the 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 negotiated a draft agreement to remedy this situation. At the date of this report the definitive agreement was still being finalized The draft agreement and subsequent verbal agreements required that a minimum 10% of the Silver owed would be repaid each month, with the balance of ounces owing to accrue interest at a rate of 3.25% (US Prime rate). US$1.29 million (C$1.35 million) of silver arrears are included in accounts payable.

The related deferred revenue amounts are calculated as follows:

	US Dollars	Canadian Dollars
Balance, December 31, 2007	$ -	$ -
Sale advance	25,000,000	25,331,192
Recognized as revenue on deliveries	(986,298)	(1,052,074)
Unrealized foreign exchange loss	-	5,084,837
Balance, December 31, 2008	$ 24,013,702	$ 29,363,955
Recognized as revenue on deliveries	(1,523,807)	(1,739,730)
Unrealized foreign exchange gain	-	(4,086,301)
	$ 22,489,895	$ 23,537,924
Reclassified to accounts payable	(1,292,019)	(1,352,227)
Balance, December 31, 2009	$ 21,197,876	$ 22,185,697

The denomination of the deferred revenue liability in US dollars continues to cause realized and unrealized foreign exchange changes during the year. Any further changes in the Canadian dollar will result in further gains or losses, while a strengthening will result in gains; consequently it is not possible to determine the extent of any additional gains or losses.

Cost of Sales

The cost of sales in 2009 was $12.0 million compared to $12.3 million for 2008. As production costs track the tonnage produced, these numbers are not directly comparable unless tonnage is considered.

La Negra Mine

Mining operations continue to delineate additional mineralized mantos between or as extensions of known ore zones which add to the life of the La Negra Mine. During the year 58,000 tonnes were mined that were not in the reserve base. A new drill indicated tonnage of 80,000 tonnes for the Cobriza Zone. Operationally, La Negra has the benefit of multiple mineral deposits that have existing development and are primarily copper-silver rich. A new NI43-101 compliant resource review of the Maravillas deposit was completed and increased historic reserves by 47% to 188,941 tonnes.

The operation is under constant review to monitor operational and cost cutting measures. A new inventory control system linking operations, maintenance and warehouse was introduced in the third quarter and will be fully functional by year end. A planned maintenance system has been implemented. Management cost variance reports have been designed and were implemented in 2010. La Negra manages 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 improved the safety factor and extended the life of the tailings facility for another ten years at a production rate of 1,000 tonnes per day. With the planned expansion of the plant to 1,500 TPD, the life of the tailings facility will be reduced and additional options to maintain extended capacity are under consideration.

On September 15, 2009 the ball mill motor failed and required a complete rewind. The ball mill resumed normal operations on September 29, 2009.

The Company took direct operational control of the mine in the second quarter, and subsequently diluted the JV partner to an 8% ownership interest in the current quarter. As a result, onsite personnel are in control of the daily functions of the mine operations, and key senior positions have been strengthened with the addition of highly qualified staff.

Plant optimization studies continued throughout the year. Metallurgical studies were conducted to investigate the production of a lead-silver concentrate using gravimetric separation which would remove a penalty for lead and result in a higher quality copper concentrate. Additional metallurgical studies were conducted for mill expansion design, optimizing the flotation circuit, and the potential of stockpiling high lead and high copper ore types for separate process to reduce penalties and produce a lead concentrate.

Production at La Negra

Quarter Ended	Dec 31 2009	Sept 30 2009	June 30 2009	March 31 2009	Dec 31 2008	Sept 30 2008	June 30 2008	March 31 2008
Inventory (start of period)								
Ore stockpiles (tonnes)	15,688	6,632	1,220	720	835	812	3,662	4,878
Zinc concentrate (tonnes)	56	120	371	350	110	8	101	111
Copper/silver concentrate (tonnes)	60	45	210	370	195	7	5	20
Production								
Ore mined (tonnes)	89,208	83,250	79,110	69,366	73,666	84,042	78,732	70,344
Ore milled	86,358	72,716	72,323	69,555	70,236	81,989	73,768	71,874
Average grade								
Zinc	0.95%	0.88%	1.19%	0.94%	1.60%	1.04%	0.73%	0.96%
Copper	0.50%	0.54%	0.48%	0.65%	0.77%	0.74%	0.74%	0.91%
Silver (g/t)	91	85	99	99	85	74	67	77
Zinc concentrate (tonnes)	1,022	842	1,018	912	1,318	996	439	670
Containing zinc metal (tonnes)	344	353	429	358	573	452	178	301
Copper concentrate (tonnes)	2,731	2,432	2,154	2,622	2,608	2,661	2,354	2,443
Containing copper metal (tonnes)	335	334	311	390	445	504	428	497
Silver (ounces)	211,244	159,157	176,206	166,031	145,032	138,931	105,362	125,528
Ore stockpiles (tonnes)	11,736	15,688	6,632	1,220	720	835	812	3,662
Zinc concentrate (tonnes)	49	56	120	371	520	108	8	101
Copper/silver concentrate (tonnes)	93	60	45	310	450	12	7	5
Sales								
Zinc concentrate (WMT)	1,050	1,030	1,190	1,045	1,063	993	454	609
Payable zinc metal (tonnes)	344	358	403	331	339	363	162	224
Copper concentrate (WMT)	2,705	2,428	2,332	2,869	2,595	2,614	2,434	2,314
Payable copper metal (tonnes)	335	323	313	432	385	463	412	436
Payable Silver (ounces)	192,926	162,356	200,825	190,647	117,393	124,572	100,780	109,210

Rosario Project

At December 31, 2008, the Company determined that it was unlikely to proceed with any further activity on the Rosario property, accordingly the Company wrote down the value of the property to its estimated recoverable value, incurring a loss of $4,039,708, comprised of $2,045,131 of property, plant and equipment and $1,994,577 on the mineral property costs.

On October 9, 2009 the Company entered into a definitive agreement for the sale of the Rosario exploration and development project located in Sinaloa, State, Mexico. Under the terms of the Agreement, Silvermex paid $250,000 and reimbursed Aurcana for all maintenance expenses incurred from August 1, 2009 to November 15, 2009 less the amounts due from the sale of certain equipment to Aurcana. In addition Silvermex issued 1,000,000 common shares on closing, and also issued 250,000 shares as a fee for the extension of the closing period from September 30 to November 30, 2009. Upon commencement of commercial production or within 24 months from November 30, 2009, Silvermex will issue an additional 1,000,000 common shares. A further $1 million is due in two payments of $500,000 on the earlier of 24 and 36 months from November 30, 2009 or 12 and 24 months after the commencement of production. This amount is recorded at a 12% discount on the balance sheet as $766,357 and will be accreted to full value at receipt. Aurcana at its election may take common shares in lieu of cash payments effective as of installment three. Silvermex also assumed the payment obligations to Grupo Mexico (“IMMSA”) due on August 7, 2009 (US$366,893 paid by Silvermex) and US$731,500 plus Mexican Value Added Tax (“IVA”) due on February 7, 2010.

At December 31, 2009, as a result of the sale, the Company recorded a loss of $1.3 million on the sale of Rosario. The Company holds 1,250,000 (2008 – Nil) shares of Silvermex Resources Inc., acquired pursuant to the sale of the Rosario property. One million of these shares are held in escrow and will be released quarterly in 2010. An additional 1,000,000 shares are recorded as Marketable Securities – Long term as they represent future payments to be received on the earlier of Silvermex entering into production or 24 months from the closing date of the sale. A further $1 million is recorded in the financial statements as non-interest bearing amounts receivable at the discounted value of $766,357.

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, resulting in a 43-101 compliant prefeasibility study which was filed on June 29, 2009. The pre-feasibility study includes trade off studies in mine, mill and infrastructure to optimize production capacity and maximize the project's economic return. The study recommends the use of a decline to access the deposit, and mechanized room and pillar extraction. The decline facilitates the efficient movement of supplies and large equipment for production and allows the existing shaft to be used for hoisting ore from the deepest area of the mine and reducing the truck haulage distance. Daily production is expected to be sustained at a rate of up to 1,500 tons per day. The decline is also expected to allow 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.

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

- Payback estimated at under 2 years based on a silver price of $13.55 per ounce;
- An internal rate of return ("IRR") estimated at 23% pre tax;
- A pre tax net present value ("NPV") estimated at $25 million at a 5% discount rate;
- An initial estimated capital expenditure estimated at under $40 million;
- Silver production estimated at 3.8 million ounces in year one and 4 million ounces in year two; and
- An average total cost estimated at $7.50 per ounce of silver produced in the first two years.

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

- Average silver production estimated at 3.2 million ounces per year, life of mine; and
- An estimated 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. With declines in commodities and overall financial markets in mid 2008, copper was at US$1.31/lb on December 31, 2008 and then has steadily improved to US$3.3321/lb at December 31, 2009.

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$1.1657/lb as of December 31, 2009.

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 an increase to US$16.99/ounce as of December 31, 2009.

The Company is currently reviewing its options with respect to hedging in 2010. Currently we can fix prices on a monthly basis with our concentrate buyer.

Results of Operations: The Company's operating loss for the year ended December 31, 2009 was $3.8 million (2008: $10.9 million) and its net earnings and comprehensive earnings after the non-recurring items were $3.8 million and $4.1 million respectively – earnings of $0.03 per share (fully diluted also $0.03) (2008: a loss of $24.1 million – a loss of $0.24 per share).

Revenues for the year ended December 31, 2009 were $16.1 million compared to $8.8 million for 2008 after excluding the effects of deferred revenues, and the cost of sales was $12.0 million compared to 2008 $12.3 million. The Company's earnings from mining operations were $1.2 million compared to a loss of $7.1 million in 2008.

The Company experienced a loss from trading activities of $1.5 million compared to a loss of $0.1 million in 2008. The increase in loss results from the increase in silver prices during the year. The Company recognizes the US$3.90 per ounce received from Silver Wheaton plus the portion of the deferred revenue on a per ounce basis. As this amount was significantly less than the cost of acquiring silver certificates, to deliver to Silver Wheaton, on the market, a loss is incurred.

In 2008 the Company experienced a significant decline in metal concentrate prices and adverse foreign exchange rates with respect to the US dollar. In 2009 recovering metal concentrate prices along with the rising Canadian dollar have resulted in the significant foreign exchange gains which more than reversed the foreign exchange losses incurred last year, and higher margins in metal concentrate sales. In addition, operating costs appear to have stabilized.

Non cash operating expenses for the year ended December 31, 2009 include depletion of mineral properties of $1.7 million (2008: $2.8 million) as we are adjusted the calculation of depletion to reflect production within and without of the 43-101 and historical reserve amounts (historical reserves significantly understate mine production as much of the current year production came from areas outside of the historical reserves), amortization of $0.8 million (2008: $0.7 million) and accretion of ARO of $58,000 (2008: $46,000) and stock based compensation of $0.8 million (2008: $0.4million).

Administrative expenses

Administrative expenses for the year ended December 31, 1.80 million (2008: $1.89 million):

	Year ended December 31			
		2009		2008
Management fees	$	307,000	$	201,000
Rent and overhead		93,000		77,000
Travel and accommodation		158,000		62,000
Office		36,000		453,000
Insurance		24,000		23,000
Consulting		817,000		626,000
Maintenance of Rosario mine		258,000		448,000
	$	1,803,000	$	1,890,000

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 year of $222,000 (2008: $493,000). The decrease in expenditures was the result of lower legal and accounting fees due to reduced activity in these areas during the year.

Investor Relations

The Company incurred investor relation expenditures for the year of $216,000 (2008: $365,000) These expenditures were reduced due to lower attendance at conferences and an emphasis on cost containment.

Property evaluation

Property evaluation expenditures for the year of $87,000 (2008: $387,000) 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 fact that the company was concentrated on its existing projects and did not actively review many new projects this year .

Cash Flows

Cash flow from operating activities (before changes in non-cash working capital) for the year was an outflow of $2.1 million (2008: outflow of $8.0 million) due to increased revenues and improved results from mining operations.

Selected Annual Information

Fiscal Year Ended	December 2009 $	December 2008 $	December 2007 $
Total revenues	16,134,550	8,790,780	6,580,237
Administrative expenses	1,803,427	1,890,546	1,497,591
Depletion of mineral properties	1,727,290	2,789,848	1,204,825
Stock-based compensation	802,287	438,183	2,666,149
Write off and impairment of mineral property costs and property, plant & equipment	-	4,039,708	-
Loss from continuing operations	(3,769,351)	(10,885,934)	(3,827,415)
Net income (loss)	3,770,390	(24,106,786)	(3,827,415)
Basic loss per share	0.03	(0.24)	(0.04)
Fully diluted loss per share	0.03	-	-
Total assets	79,611,470	81,169,336	35,857,695
Current assets	6,440,472	7,466,544	16,006,902
Mineral properties	63,978,122	67,645,254	14,184,404
Current liabilities	5,753,240	4,203,896	3,855,490
Long-term financial liabilities	57,343,648	66,804,447	1,627,335
Cash dividends declared	$Nil	$Nil	$Nil

Financial Data for the last Eight Quarters

Quarter Ended		Dec. 31 2009		Sept. 30 2009		June 30 2009		March 31 2009
Total Revenues	$	2,294,296	$	5,228,565	$	5,223,323	$	3,387,366
Income (Loss) from Operations	$	(3,040,975))	$	466,232	$	(685,116)	$	(509,492)
Net Income (loss)	$	(576,266)	$	2,388,932	$	2,837,670	$	(879,946)
Income (loss) per share	$	(0.01)	$	0.02	$	0.03	$	(0.00)

		December 31 2008		Sept. 30 2008		June 30 2008		March 31 2008
Total Revenues	$	1,388,542	$	2,126,202	$	3,205,640	$	3,347,273
Income (loss) before other items	$	(5,583,643)	$	(4,285,574)	$	(1,045,140)	$	(229,670)
Net Income (loss)	$	(18,960,624)	$	(5,172,711)	$	(962,245)	$	(438,417)
Income (loss) per share	$	(0.19)	$	(0.05)	$	(0.01)	$	(0.00)

The results for the fourth quarter include certain adjustments, which may affect prior quarters. Management is currently assessing the impact and will amend prior quarters should the adjustments prove to be material on a quarterly basis.

The results for the fourth quarter of 2008 and 2009 reflect significant adjustments which were booked at year end. In particular, 2008 adjustments related to price-adjusted sales which were under negotiation at year end, and the write down of the Rosario project of $4,039,708. 2009 includes the final loss of $1,295,063 on Rosario. These results are not typical and are not indicative of future results.

Liquidity: At December 31, 2009 the Company had working capital of $687,232 (2008 – working capital of $3,262,648) which consisted of $2,852,174 held in cash and short term deposits, account receivables of $1,052,517 (trade) and $257,308 (other) prepaid expenses of $279,051, inventory of $1,361,922, and marketable securities of $637,500. These amounts are offset by accounts payable of $4,361,865 and the current portion of the Company's notes payable of $1,391,375 in relation to equipment purchases at the La Negra mine. 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 $1,247,220.

The Company's long term debt relates to the convertible debenture with Silver Standard in relation to the Company's Shafter Project ($8,919,003) and unearned revenues in relation to the silver purchase agreement with Silver Wheaton ($22,185,697).

As required under current Canadian GAAP, the Company has recorded a Future Income Tax Liability of $16,754,344 in its financial statements with respect to the Shafter project. FIT is not considered in the assessment of liquidity as it is an accounting estimate, required under Canadian GAAP, representing the potential future tax liability attached to the Shafter project. Any actual tax liability will exist if as and when the Shafter project comes into production and is profitable. The actual tax liability at that time may differ from the estimate recorded. This accounting estimate may be revised or eliminated upon conversion to IFRS.

While the Company continues to make improvements at its La Negra mine, and considering that the operation generated positive cash flows since the Company assumed direct control at the mine, the operation has yet to reach consistent profitability such that the Company can realize 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 December 31, 2009, the Company had 120,171,660 common shares issued and outstanding. As of the date of this report, the Company had 120,171,660 shares outstanding.

As at December 31, 2009, the Company had 12,012,500 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, there were 12,012,500 options outstanding.

As at December 31, 2009, the Company had 6,208,560 warrants outstanding exercisable at a price of $0.30 and $0.35 expiring May 16, 2011. As of the date of this report 6,208,560 warrants were outstanding.

As of the date of this report, on a fully diluted basis, if all options and warrants were exercised, a total of 138,392,720 shares would be issued and outstanding.

Subsequent to December 31, 2009, the Company announced a non-brokered private placement of the issuance of up to 40,000 units (the "Units") consisting of silver-secured notes and common share purchase warrants at an anticipated purchase price of US$1,000 per Unit for anticipated gross proceeds of US$40,000,000 (the "Financing"). Each Unit is anticipated to consist of seventy six (76) troy ounce silver principal amount secured non-interest bearing notes ("Senior Secured Notes") and 500 common share purchase warrants (each a "Warrant"). Each Warrant is anticipated to entitle the holder to purchase one common share (a "Warrant Share") of the Company during the period of four (4) years from the Closing Date at a purchase price of $1.00 per Warrant Share provided that if the closing price of the Company's shares as traded on the Exchange, subsequent to four months from the Closing Date, is at or over $1.25 per share for a period of 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the holders thereof. Finders' fees in accordance with the Policies of the Exchange may be paid on all or a portion of the Financing. The Senior Secured Notes are anticipated to be non-interest bearing and are anticipated to mature in four years and will permit the holder to elect to take repayment of the principal amount in either cash or in silver bullion, based on 25% discount to a silver price of US$17.50 per ounce silver. The Senior Secured Notes are anticipated to be repaid commencing January 1, 2011 in twenty four (24) monthly installments at 25,000 ounces per month and thereafter until maturity on December 1, 2014 in twenty four (24) monthly installments of 101,984 ounces per month. Each monthly installment is anticipated to be paid on the first day of each month (each a "Repayment Date") through the delivery by the Company of physical silver to a trustee to be appointed. Holders of the Notes may periodically request the physical delivery of silver from the trustee in minimum amount of 25,000 ounces (or other minimum amounts at the digression of the Company) to an authorized London pool account. The Company plans to use the net proceeds from the Financing to begin development of the Shafter Silver mine, the repayment of certain debt obligations and general working capital.

The effect of the private placement is not included in the fully diluted total as, at the date of this report, the private placement had just commenced and has not closed. Further, there can be no assurance that the private placement will close in whole or in part or on terms as disclosed above.

Off-Balance Sheet Arrangements:

The Company had no off-balance sheet arrangements as at December 31, 2009 or as at the date hereof.

Transactions with Related Parties:

During the year ended December 31, 2009, the Company paid or accrued:

- Management fees of $183,600 (2008: $160,367) to companies controlled by directors or former directors;
- Administrative management fees of $162,553 (2008: $327,773) to companies controlled by directors.
- Technical and consulting services of $154,457 (2008:$124,200) to companies controlled by directors or officers; and
- Consulting fees of $287,740 (2008: $220,945) to officers, former officers and companies controlled by officers.

As at December 31, 2009:

- Prepaid expenses and deposits included an amount of $nil (2008: $8,925) for management fees paid to a company controlled by common directors;
- Travel advances of $56,434 (2008:$nil) paid to officers and directors; and
- Accounts payable included $nil (2008: $3,230) 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 transacting 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.

Office Lease

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

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. Currently the Company is delivering 10% of production as per amended terms discussed above, and anticipates delivery of the remaining 40% during 2010

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 the Company adopted the following new accounting standards:

i) 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 adoption of this section did not have any impact on the consolidated financial statements of the Company.

ii) On January 20, 2009 the CICA issued EIC 173, "Credit Risk and the Fair Value of Financial Assets and Liabilities". 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.

iii) Financial instruments - disclosures – Section 3862 was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises and other entities that choose to apply this Section. Financial instruments, where fair value is recognized in the balance sheet, have been prioritized into three levels in accordance with the fair value hierarchy included in Canadian GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level three includes inputs for the asset or liability that are not based on observable market data. The amendments apply to annual financial statements for years ending after September 30, 2009. The adoption of Section 3862 resulted in additional disclosures in the notes to the consolidated financial statements.

iv) On March 29, 2009 the CICA issued EIC 174, "Impairment Testing of Mineral Exploration Properties" was adopted effective January 1, 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 PricewaterhouseCoopers ("PwC") 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.

While the Company has begun assessing the adoption of IFRS for 2011 and will begin implementing accounting systems necessary to accommodate the transition within a reasonable timeframe, the financial reporting impact of the transition to IFRS cannot be reasonably quantified at this time. Based on work completed thus far, the Company has identified the following possible financial reporting impacts:

- Business Combinations: Business combinations recorded under IFRS will be significantly different than those recorded under Canadian GAAP. The rules that are the most likely to create differences include: the value the assets and liabilities are recorded at the date of acquisition; the treatment of contingent liabilities; the treatment of contingent consideration or payments; the impact of acquiring a business in steps; the initial measurement of the acquisition non-controlling interest; and the treatment of transaction costs. It is not possible to determine the actual financial statement impact until an actual business combination is being considered.

- Financial Instruments: The Company will need to conduct a comprehensive re-review of contracts and known embedded derivatives to determine the financial statement impact.

- Impairment Testing: Under IFRS there is the potential that impairment losses will arise more frequently, particularly as sites approach closure. IFRS also allows for the reversal of a prior impairment, which could result in greater variability in earnings if the recoverable amount of a previously impaired asset is determined to be higher than its carrying value.

- Income Taxes: An exposure draft on income taxes was released in March 2009, which will likely result in the release of a revised IFRS standard prior to the 2011 conversion date. The Company cannot yet quantify how the differences to Canadian GAAP might impact its financial statements.

- Property Plant and Equipment: IFRS requires a componentization approach, separately identifying and measuring significant individual assets, and depreciating on their useful lives. IFRS also allows companies to elect fair value as the deemed cost of an individual asset as of the date of transition. The company is reviewing the valuation of certain assets in Mexico in this regard. These changes have the potential of significantly changing the results currently reflected in the company's current statements of operations.

- Asset Retirement Obligations: IFRS defines ARO as legal or constructive obligations, and requires remeasurement of the liability at each reporting date. In addition, accretion expense is recorded as a finance cost, not as depreciation. These differences may result in higher volatility and differences in presentation.

- Foreign Currency Translation: IFRS uses a functional currency approach, compared to the Canadian GAAP approach of integrated and self sustaining foreign operations. The Company is assessing the effect of this change.

There are a variety of other differences between Canadian GAAP and IFRS that do not appear to be applicable to the Company at this time or whose effect will be nominal based on current operations. It is possible that other significant differences to Canadian GAAP could arise prior to the January 1, 2011 transition date.

The next phase of the Company's changeover plan is to determine specific financial reporting impacts, select accounting policies and quantify differences to Canadian GAAP. 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.

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, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2009
Cash and cash equivalents	**US$**	**1,382,822**
Accounts receivable		**1,150,791**
Accounts payable		**(6,168,563)**
Future income tax liability		**(16,137,770)**
Deferred revenue		**(19,846,469)**
	US$	**(39,619,189)**
Canadian dollar equivalent	**C$**	**(41,465,443)**

At December 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		December 31, 2009
Cash and cash equivalents	**MP$**	**842,904**
Amounts receivable		**531,781**
Accounts payable and accrued liabilities		**(12,847,281)**
	MP$	**(11,472,596)**
Canadian dollar equivalent	**C$**	**(924,921)**

Based on the above net exposures as at December 31, 2009, 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 $4.2 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	$ 4,362	$ 4,362	$ Nil	$ Nil	$ Nil
Notes payable	$ 3,784	$ 1,391	$ 2,393	$ Nil	$ Nil
Convertible debentures	$10,800	$ 400	$ 10,400	$ Nil	$ Nil
Environmental obligations	$ 1,470	$ Nil	$ Nil	$ Nil	$ 1,470
Total	$20,416	$ 6,153	$ 12,793	$ Nil	$ 1,470

(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 2009 sales and commodity forward selling prices at December 31, 2009, 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 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**.**