Management Discussion and Analysis for the Year ended December 31, 2013

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") consolidated financial statements for the years ended December 31, 2013 and 2012, and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. The information in this MD&A is current to April 30, 2014.

Forward-Looking Statements

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, except as required by law.

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, capital and operating and cash flow estimates contained in the Company's technical reports and feasibility studies; and the access to financing and appropriate equipment and sufficient labour, 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. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: requirements for additional capital; dilution; loss of its material properties; interest rate fluctuations; the global economy; future metals price fluctuations, the speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of the Company's Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; and those risks identified herein under the heading "Risks and Uncertainties".

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. The major factors which could affect the Company's cash flows are the price at which the Company sells its concentrates, the incremental cost and capacity currently planned, and the ability of the Company's mines to meet production budget for concentrates produced at budgeted costs. See also the factors discussed herein under the heading "Liquidity".

The Corporation's Financial Statements and Management Discussion and Analyses may be found on SEDAR at www.sedar.com and on the Company's website www.aurcana.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Figures are expressed in United States dollars, unless otherwise stated.

Qualified Person

Mr. Jerry Blackwell, (PGeo.) a technical advisor to Aurcana Corp, a Qualified Person as defined by National Instrument 43-101, has reviewed the technical information contained herein.

All National Instrument 43-101 technical reports filed by Aurcana can be found on the Company's website at www.aurcana.com or on SEDAR at www.sedar.com.

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Highlights:

	Year to date		Change
	2013	2012	Year-on-Year
Revenues ($ million) [1]	$45.0	$56.9	Down $11.9
Earnings from mining operations ($ million)	11.5	25.0	Down $13.5
Net (loss) Income for the year ($ million)	(134.8)	10.0	Down $144.8
Operating Cash Flow before movements in working capital items ($ million)	($5.01)	$21.5	Down $26.5
Silver equivalent ounces produced	2,868,460	2,523,441	Up 14%
Silver equivalent ounces sold [2] [5]	2,392,823	2,236,183	Up 7%
Silver Ounces produced	1,255,444	1,374,166	Down 9%
Silver Ounces sold (Payable at 95%) [2] [5]	1,073,072	1,231,740	Down 13%
Total Cash Cost per silver oz net of by-products [1] [3]	$8.22	$6.43	Up $1.79
Production Cash cost per silver equivalent oz [3]	$10.00	$9.42	Up 6%
Cash Cost per milled tonne [3] [4]	$34.76	$34.39	Up 1%
Copper, lead and zinc concentrates produced (tonnes)	30,418	28,363	Up 7%
Ore mined (tonnes)	869,027	670,930	Up 30%
Ore milled (tonnes)	825,014	691,260	Up 19%
Avge., revenue per payable eq. Silver oz sold [3]	$18.79	$25.46	Down 26%

[1] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).

[2] Difference between silver ounces produced vs sold is mainly due to change in concentrates inventory and percentage payable for each metal.

[3] A non IFRS financial measure - See additional information on non-IFRS financial measures page 34.

[4] Depreciation and amortization not included.

[5] after TCRC.

Remarks: Revenues, earnings from mine operations and production and selling disclosures relate to the La Negra mine only.

- Total revenues from La Negra mine for the year 2013 were $45.0 million, down $11.9 million from $56.9 million in 2012 mainly due to lower silver prices, fewer silver ounces sold due to a combination of; lower silver grades processed; more mill feed ore sourced from lower grade material mined in the development of new producing areas and higher unsold inventories at the end of the year.

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- During the year 2013 La Negra's mill averaged 2,546 tonnes per day (tpd), a 25% increase from 2,035 tpd averaged during 2012. Additional copper concentrate filter capacity is being installed to allow sustainable production at these levels. For the year 2014, La Negra is planning to mill 3,000 tpd until April 2014 and 3,300 tpd thereafter.

- 825,014 tonnes were milled for the year 2013 at La Negra mine, up 19% from 691,260 tonnes in 2012. Eighty-four per cent (84%) of the tonnage was mined from lower grade portions of the mineralized zones defined as Measured & Indicated Resources reported by the Company on October 10, 2012 in the NI 43-101 Technical Report. The report was prepared by Behre Dolbear & Company (USA), Inc. Sixteen per cent (16%) of the tonnage was mined from other mineralized zones.

Basis of Presentation:

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.

Nature of Business and Company Description:

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.

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 Querétaro, through Real de Maconi S.A. de C.V. ("Real de Maconi"). Aurcana acquired an interest in Real de Maconi in 2007 and on February 17, 2012, the Company increased its ownership in Real de Maconi from 92% to 99.86%. In addition to the Mexico operations, the Company also holds the Shafter Silver property ("Shafter") located in Presidio County, southwest Texas through the Company's 100% owned US subsidiary, Silver Assets Inc.

After consideration and review of the development and mining options for the Shafter project under current economic conditions and low silver prices, the Company elected to put the Shafter Project on "care and maintenance" on December 19, 2013.

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Review of Mine Operating Results - La Negra Mine

Quarter Ended	Dec-31 2013	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011
Mine Production									
Mine Days	91	92	89	88	90	90	89	88	92
Mill Days	85	84	77	78	83	86	85	85	87
Ore mined (tonnes)	212,039	207,458	249,036	200,494	197,959	196,401	143,717	132,438	131,776
Ore milled (tonnes)	198,427	221,118	235,388	170,081	187,255	196,843	176,591	130,570	125,262
Average tonnes milled per day	2,334	2,632	3,057	2,181	2,256	2,289	2,078	1,536	1,440
Average Grade									
Silver (g/t)	58	55	59	71	72	80	80	81	81
Copper (%)	0.45%	0.44%	0.40%	0.40%	0.44%	0.48%	0.42%	0.37%	0.40%
Zinc (%)	1.25%	1.21%	1.27%	1.27%	1.27%	1.43%	1.49%	1.53%	1.53%
Lead (%)	0.29%	0.28%	0.31%	0.39%	0.32%	0.36%	0.41%	0.45%	0.46%
Implied Recovery									
Silver	76.1%	79.8%	78.7%	80.0%	77.7%	74.4%	82.1%	84.5%	81.3%
Copper	71.9%	73.4%	72.5%	75.6%	75.0%	77.5%	72.9%	67.5%	71.5%
Zinc	71.2%	73.4%	73.9%	70.8%	67.7%	75.3%	74.1%	74.0%	72.0%
Lead	74.0%	73.0%	76.5%	78.1%	81.9%	78.0%	79.4%	82.0%	80.7%
Metal Production (contained in concentrates)									
Silver (oz)	281,558	312,122	351,210	310,554	336,956	376,687	373,037	287,486	265,230
Copper (tonnes)	642	714	683	514	618	732	541	326	358
Zinc (tonnes)	1,766	1,965	2,210	1,530	1,611	2,120	1,950	1,478	1,380
Lead (tonnes)	426	452	558	518	491	553	575	482	465
Silver Equivalent (oz)	702,595	754,788	818,060	593,017	624,159	718,063	690,162	491,056	468,343
Concentrate grades									
Copper (%)	23%	23%	23%	24%	26%	24%	22%	22%	21%
Zinc (%)	46%	46%	46%	46%	47%	46%	46%	48%	45%
Lead (%)	63%	61%	64%	64%	62%	61%	59%	62%	64%

Quarter Ended Concentrate Inventories (tonnes)	Dec-31 2013	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011
Copper									
Initial inventory	1,705	910	490	454	662	158	67	162	30
Production	2,791	3,133	2,968	2,139	2,419	3,063	2,516	1,475	1,679
Sales	3,093	2,338	2,548	2,103	2,627	2,559	2,425	1,570	1,547
Final Inventory	1,403	1,705	910	490	454	662	158	67	162
Zinc									
Initial inventory	655	443	467	249	479	83	79	242	76
Production	3,859	4,238	4,857	3,333	3,440	4,631	4,248	3,103	3,058
Sales	3,865	4,026	4,881	3,115	3,670	4,235	4,244	3,266	2,892
Final Inventory	649	655	443	467	249	479	83	79	242
Lead									
Initial inventory	113	105	81	31	145	109	75	39	31
Production	675	747	867	813	778	903	979	773	729
Sales	661	739	843	763	892	867	945	737	721
Final Inventory	127	113	105	81	31	145	109	75	39

Sales figures are before treatment and refining charges (TCRC).

- The La Negra mill upgrade to a nominal 3,000 tpd was partially completed at the end of March 2014, on time and on budget, resulting in an increase in ore mined and milled capacity. Additional concentrate filter capacity is being installed and commissioned during Q1 of 2014, to complete the expansion to allow for sustainable production at this level.
- Ore mined from the La Negra mine increased by 30% for a total of 869,027 tonnes during the year 2013 (2012: 670,930 tonnes).
- The mill achieved an increase of 19% in ore milled for a total of 825,014 tonnes during the year 2013 (2012: 691,260 tonnes).
- Silver equivalent production during the current year was 2,868,460 ounces, 14% higher than the 2,523,441 ounces produced in 2012.
- Silver production during the current year was 1,255,444 ounces, down 9% from 1,374,166 ounces produced in 2012, due to processing lower grade ores. The average silver grade was 60 grams per tonne ("g/t") during the current year, compared to 78 g/t in 2012. The decrease in silver grade during this year was due to an increase in mine development to support higher mine production rates in the future. Currently sufficient mine development has been completed at the La Negra mine to support two years of production and the Company will reduce mine development in the short term. La Negra's mine plan includes a transition to mining higher silver grade mineralized zones from the upper levels of the La Negra mine in 2014 and 2015. Aurcana has ordered a raise-boring machine to construct ventilation raises and ore passes to provide ventilation in the new mining areas and allow for the transfer of ore via gravity from the upper levels to the main haulage level below. It is anticipated that this will increase productivity and reduce operating costs. The raise-borer is expected to be commissioned at the end of Q2, 2014.
- The inventory of copper/silver concentrates increased to 1,403 tonnes, with commensurate reductions in metal sales and revenues. The mine and plant expansion combined with greater production from the copper rich lower levels of La Negra, resulted in higher copper concentrate production than anticipated exceeding the capacity of the existing filter press and constraining mill throughput. A new larger capacity filter press has been received and commissioned in Q1 2014.
- During Q2 2013, the Company initiated a 15-holesurface drill program in order to better define gold mineralization. A total of 1,773 meters were drilled but mineralized structures lacked continuity, gold grades were erratic and the program was suspended.
- Underground diamond drilling and mine development at La Negra continue to delineate additional mineralized zones. Drill crews completed 13,374 metres of diamond drilling during 2013 versus 12,311 meters in 2012.
- The existing tailings facility currently has three more years of capacity at a milling rate of 3,000 tpd. Studies are being undertaken to determine the best option for increasing tailings storage capacity; a new tailings facility, expansion of the existing facility, dry stacked tailings and hydraulic/paste backfill are all being considered.
- In response to lower silver prices, La Negra has undertaken cost cutting measures to improve margins while cutting back on capital expenditures. These include:
  - (i) suspension of surface exploration diamond drilling activities;
  - (ii) refocusing mine development to areas of higher grade mineralization;

(iii) reducing the use of contractors;
(iv) optimizing power usage by rescheduling certain activities, particularly crushing, to off-peak hours thereby reducing energy costs;
(v) improving equipment maintenance to increase utilization rates and productivities thereby reducing the need for additional capital investment; and
(vi) Metallurgical testing is being conducted in order to increase recoveries rates.

Shafter Mine

- After consideration and review of the development and mining options for the Shafter project under current economic conditions and low silver prices, the Company elected to put the Shafter Project on "care and maintenance" on December 19, 2013.
- During 2013 the Company made capital improvements to the processing facility in order to improve throughput rate and recoveries.
- During 2013 the Company engaged Mine Development Associates ("MDA") to prepare a new and revised resource estimate for the Shafter Project. This was made necessary by the changing project economics with respect to lower silver prices, higher cut-off grades and achievable optimum throughput rates for both mine and mill. Concurrently, plans were being developed to rehabilitate the mine shafts, hoisting systems and mine dewatering system in the eastern extension of the mineralized zone thereby allowing access to this non-mined area delineated by Goldfields in the late 70's and early 80's.
- In the first nine months of 2013, capitalized expenses (net of proceeds generated from silver sales of $2.3 million) totalled $9.6 million.
- For the year 2013 the Company recorded an impairment charge to property, plant and equipment in the amount of $86,540,338 (2012 - $nil) and mineral properties in the amount of $ $27,587,021 (2012 - $nil), mainly as a result of lower metal prices and their impact on the Project's mineral resources, and the suspension of mining and milling activities.
- For the year 2013 the Company recorded production delay and other costs in the amount of $12,311,827 (2012 - $nil), which includes expenses of property taxes, maintenance, insurance expenses, repairs of the mill and mine equipment.
- For the year 2013 the Company recorded restructuring costs of $3,594,990 (2012 - $nil), which includes employee severance, inventory impairment and write-off of an electric power prepayment as a result of placing Shafter on care and maintenance.

Following the decision taken to put the Shafter property on care and maintenance, the Company obtained an independent, confidential valuation for the Shafter mineral property as well as the existing mill and related infrastructure. A summary of the estimated fair values is shown in the following table:

Asset Category	21-Mar-14 Assessed Value	Assessed Additional land value [1]	From Jan-March 20, 2014 Offsite Equipment [2]	Sold or transfer to La NegraEquipment [2]	December 2013
Underground mobile equipment	$ 4,800,000		$ -	$ 1,597,000	$ 6,397,000
Underground support Equipment	400,000		-	68,500	468,500
Mineral/Exploration Properties	3,500,000		-	-	3,500,000
Mill Process Equipment	6,000,000		1,274,110	445,599	7,719,708
Material Handling Equipment	500,000		-	33,000	533,000
Vehicles	-		-	97,400	97,400
Light Industrial Buildings	100,000	775,000	-	-	875,000
Total	**$ 15,300,000**	**$ 775,000**	**$ 1,274,110**	**$ 2,241,499**	**$ 19,590,608**

Total Valuation	Range from	Appraiser's Range to	Total new value	
Infrastructure			$ 19,590,608	
Mineral Properties	9,600,000	18,700,000	15,500,000	[1]
Grand Total	**$ 9,600,000**	**$ 18,700,000**	**$ 35,090,608**	

[1] appraiser valued

[2] This equipment was not appraised by the independent valuation company since it was either sold or held offsite at the valuation date. Management valuaed these assets based on the subsequent selling prices.

A summary of the resulting Shafter property assets at fair value is shown in the following table:

	Buildings	Plant and Equipment	Mine Development	Vehicles	Computer Equipment	Assets Under Construction	Acquisition cost	Surface Exploration	Total
Balance at December 31, 2012	$ 280,017	$ 11,761,499	$ -	$ 271,521	$ 24,854	$ 74,309,473	$ 37,964,850	$ 4,136,498	$ 128,748,712
Additions	-	-	-	-	-	20,346,834	-	985,673	21,332,507
Disposals	-	(863,252)	-	-	-	-	-	-	(863,252)
Reclasification	2,516,073	35,679,899	3,500,000	103,958	348,426	(42,148,356)	-	-	-
Impairment of property, plant and equipment assets and mining interests	(1,921,090)	(31,459,938)	-	(278,079)	(373,280)	(52,507,951)	(22,464,850)	(5,122,171)	(114,127,359)
Balance at December 31, 2013	$ 875,000	$ 15,118,208	$ 3,500,000	$ 97,400	$ -	$ -	$ 15,500,000	$ -	$ 35,090,608

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Shafter Exploration

- During the year ending December 31, 2013 exploration activities at Shafter were focused upon refining targets for core drilling from surface by means of geological mapping and sampling, detailed review of all current and historic geophysical and geochemical results and integrating these insights into the on-going mapping and mining activities within the historic Presidio Mine. This work located a number of drill set-ups to test for new, "near mine" silver and gold mineralization in close proximity to both Shafter and Presidio.
- These targets remain high priority for future drill campaigns; however continuing pressure from mining operations caused a transfer of several exploration geologists and technicians into the mining group during the second and third quarters. The Exploration group at Shafter was disbanded in late October, 2013.

Overall Performance

Earnings

The Company had earnings from La Negra mining operations for the year ended December 31, 2013 in the amount of \$11.5 million (2012: \$25.0 million). The decrease in earnings from La Negra mining operations for year 2013 as compared to the previous year was mainly related to the decrease in metal prices, lower silver grade at La Negra mine and higher copper concentrate inventory, despite the increase in the volume of ore produced as result of the recent expansion.

Revenue

Revenues:	Year ended December 31,			
La Negra mine		**2013**		2012
Revenues from mining operations	**$**	**44,972,176**	$	56,928,792

Figures in $million:				
Gross revenues from Mining operations	**$**	**55.0**	$	69.6
Deductions T.C., refining and smelting charges deducted by the customers		**10.0**		12.7
Revenues from mining operations	**$**	**45.0**	$	56.9
Net Revenues by customer:				
Customer "A"	**$**	**28.2**	$	31.2
Customer "B"		**16.8**		25.7
Revenues from mining operations	**$**	**45.0**	$	56.9

	Year ended December 31,	
Revenues derived from:	**2013**	2012
Silver	46%	52%
Copper	29%	26%
Zinc	18%	15%
Lead	7%	7%
Total	**100%**	**100%**

Metals payable at: Silver 95%, Lead 95%, Copper 96.5% and Zinc 85%.

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Revenues are recorded net of charges for treatment, refining and smelting (TCRC). TCRC deducted from revenues for each concentrate is as follows:

	Year ended December 31,	
	2013	2012
TCRC:		
Copper/Silver Concentrate	13%	11%
Zinc Concentrate	28%	27%
Lead/Silver Concentrate	19%	21%

The average prices for sales of zinc, copper, silver and lead before metals' payable and TCRC deductions are as follows:

	Year ended December 31,	
Price of metals sold:	**2013**	2012
Silver ($/oz)	$22.92	$31.12
Copper ($/lb)	$3.29	$3.59
Zinc ($/lb)	$0.86	$0.88
Lead ($/lb)	$0.97	$0.94

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Cost of Sales

The cost of sales from La Negra mine for the year ended December 31, 2013 was $33.5 million (2012: $31.9 million), which includes royalties, delivery freight, depletion, depreciation and amortization in the amount of $6.0 million for the current year (2012: $7.9 million). Depletion, depreciation and amortization decreased in the current year due to the increase in resources subject to depletion, supported by the recently filed NI 43-101 report.

The production cash cost per milled tonne for the year ended December 31, 2013 was $34.76 (2012: $34.39). (*For discussion of this non-IFRS financial measure see page 34 and following*).

Market trend for metal prices is as follows:

Market Average Price	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Silver ($/oz)	$ 20.82	$ 22.56	$ 23.16	$ 30.08	$ 32.66	$ 29.80	$ 29.42	$ 32.62
Copper ($/lb)	$ 3.24	$ 3.25	$ 3.23	$ 3.60	$ 3.59	$ 3.50	$ 3.57	$ 3.77
Zinc ($/lb)	$ 0.86	$ 0.84	$ 0.84	$ 0.92	$ 0.88	$ 0.86	$ 0.87	$ 0.92
Lead ($/lb)	$ 0.96	$ 0.95	$ 0.93	$ 1.04	$ 1.00	$ 0.90	$ 0.89	$ 0.95

* Source: London Metal Exchange

The Company is currently reviewing its options with respect to hedging. At this time, the Company is able to fix prices on a monthly basis with its concentrate buyer.

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Administrative Costs

	Year ended December 31, 2013	2012
Administrative costs[1]	**$ 3,050,252**	$ 3,293,190
Professional fees	**959,946**	323,716
Investor relations	**367,011**	357,112
Marketing	**487,046**	551,476
Listing and filing fees	**109,265**	88,271
	$ 4,973,520	$ 4,613,765

[1] Administrative costs break down:

	2013	2012
Management fees	**$ 513,162**	$ 928,860
Rent and overhead	**181,215**	160,138
Travel and accommodation	**248,605**	304,182
Office	**261,255**	226,485
Salaries and Consulting fees	**1,221,435**	972,378
Directors Fees	**257,142**	217,172
Other	**367,438**	483,975
	$ 3,050,252	$ 3,293,190

Professional fees
The increase was due to legal advice relating to the class action lawsuit ($96k), Company's financing activities ($300k), audit fees related to Shafter ($112k) and other.

Marketing
The Company is assessing its marketing efforts in an effort to maximize the Company's exposure and market recognition in the most effective way.

Listing and filing fees
The increase was primarily due to higher TSX Venture sustaining fees.

Management fees
Fees were lower for 2013 primarily due to non-payment of bonuses.

Salaries and consulting fees
The increase was due to the addition of an in-house Corporate Communications, VP of Operations, and the Interim COO.

Directors' fees
The increase was mainly due to the addition of a new director.

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Selected Annual Information

	December	December	December
Fiscal Year Ended	2013	2012	2011
	$	$	$
Total revenues	44,972,176	56,928,792	47,544,858
Administrative expenses	4,973,520	4,613,765	4,563,380
Depletion, depreciation and amortization	2,971,089	4,880,544	3,479,244
Stock - based compensation	2,682,612	4,807,807	7,811,935
Earnings from mining operations	11,479,269	25,011,033	23,181,812
Net income	(134,842,510)	9,951,340	7,656,847
Operating cash flow after taxes before movements in working capital ($ million)	($5.0)	$ 21.5	$ 19.5
Basic (loss)/gain per share	(2.31)	0.02	0.02
Fully diluted (loss)/gain per share	(2.31)	0.02	0.02
Total assets	124,067,687	192,367,811	154,187,709
Current assets	29,190,963	20,881,560	44,101,239
Property, Plant & Equipment	69,965,516	123,701,038	52,728,808
Mineral properties	19,050,541	45,751,535	55,116,656
Current liabilities	32,932,944	13,682,744	10,463,373
Total liabilities	82,664,601	21,082,698	14,870,083
Cash dividends declared	$Nil	$Nil	$Nil

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Management Discussion and Analysis for the Year ended December 31, 2013

The Company's financial quarterly information is as follow:

Quarter Ended		Dec-31 2013		Sep-30 2013		Jun-30 2013		Mar-31 2013
Total Revenues	$	10,513,695	$	10,359,644		11,337,026	$	12,761,811
Earnings from mine operations	$	1,569,125	$	2,565,765		2,551,101	$	4,793,278
Net Income (loss)	$	(120,020,146)	$	(15,468,790)		254,689	$	391,737
(loss) per share	$	(2.05)	$	(0.26)		-	$	-

Quarter Ended		Dec-31 2012		Sep-30 2012		Jun-30 2012		Mar-31 2012
Total Revenues	$	16,290,724	$	14,950,026	$	13,739,509	$	11,948,533
Earnings from mine operations	$	7,615,012	$	6,407,942	$	5,480,639	$	5,507,440
Net Income	$	2,960,480	$	3,595,607	$	1,403,126	$	1,992,127
Income per share	$	0.01	$	0.01	$	-	$	-

- In the quarter ended December 31, 2013, earnings from mine operations decreased $989,837 or 39% compared to the quarter ended September 30, 2013, primarily attributed to the decrease of the metal prices and the decrease in ore milled. Net loss for the period was $120,020,146, mainly due to the increased financing expenses of $858,558, and the results of the appraisal in Shafter, which are the following: the impairment of PP&E and mining interest $107,988,917; production delay and other costs $5,498,098; restructuring costs $3,594,990.

- In the quarter ended September 30, 2013, earnings from mine operations increased $14,664 or 1% compared to the quarter ended June 30, 2013, primarily attributed to the rise of the silver price partially offset by a 6% decrease in ore milled. Net loss for the period was $15,468,790, mainly due to the impairment of PP&E $4,527,094 and mineral properties $1,611,348 in Shafter, as a result of lower metal prices, and temporary suspension on mining and milling activities, idled mine cost of $6,813,729, and increased financing expenses of $1,446,686 relating to the debt financing which closed in September, 2013, Stock-based compensation of $1,082,323 and a loss on sale of short-term investments of $420,968.

- In the quarter ended June 30, 2013, earnings from mine operations decreased $2,242,177 or 47% compared to the quarter ended March 31, 2013, primarily attributed to a reduction in metal prices, lower silver grade and higher copper concentrates held in inventory, partially offset by more ore milled and less depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $137,048 or 35% compared to the preceding quarter, due mainly to the reduction of the earnings from mine operations that more than off-set a general reduction in expenses.

- In the quarter ended March 31, 2013, earnings from mine operations decreased by $2,821,734 or 37% compared to the quarter ended December 31, 2012, primarily attributed to the reduction in metal prices and a 9% decrease in ore milled, partially offset by a lower depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $2,568,743 or 87% compared to the preceding quarter, due mainly to the increase in the stock-based compensation and foreign exchange costs, partially offset by lower income taxes.

- In the quarter ended December 31, 2012, earnings from mine operations increased by $1,207,070 or 19% compared to the quarter ended September 30, 2012, primarily attributed to rise of the metal prices, partially offset by 5% decrease of the ore milled and less depletion of mineral properties, depreciation and amortization expense. Net income for the period decreased by $451,264 or 13% compared to preceding quarter, due mainly to the increase in the administrative costs and income tax, partially offset with lower stock-based compensation for the previous quarter.

- In the quarter ended September 30, 2012, earnings from mine operations increased $927,303 or 17% compared to the quarter ended June 30, 2012, primarily attributed to a higher silver price and 11% increase of the ore milled. Net income for the period increased by $1,824,755 or 115% compared to the preceding quarter, due mainly to the decrease in administrative costs and the stock-based compensation, partially offset with increased income tax.

- In the quarter ended June 30, 2012, earnings from mine operations decreased $26,801 compared to the quarter ended March 31, 2012, primarily attributed to a reduction in metal prices and additional depletion of mineral properties, depreciation and amortization, partially offset by 35% additional ore milled. Net income for the period decreased by $405,138 or 20% compared to the preceding quarter, due mainly to the increase in administrative costs and the stock-based compensation, partially offset with increased foreign exchange for the previous quarter.

- In the quarter ended March 31, 2012, earnings from mine operations decreased $201,143 or 4% compared to the quarter ended December 31, 2011, primarily attributed to increase of mineral and mill supplies, salaries and benefits, and depletion of mineral properties, partially offset by increase of metals prices and 4% additional ore milled. Net income for the period increased by $417,807 or 27% compared to the preceding quarter, due mainly to the reduction of the stock-based compensation.

Liquidity

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite the current liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing operating cash flows for the Company. The Company indicates that the cash flow generated from the operating activities may not be sufficient to meet the Company's commitments and the Company is exploring various alternatives of financing.

As at December 31, 2013, the Company had consolidated cash and cash equivalents of $20.3 million, a consolidated working capital deficiency of $3.7 million and an accumulated deficit of $158.3 million. The consolidated working capital deficiency is largely a result of the current portion of amounts due under the Company's borrowings; please refer to the note 15 of these consolidated financial statements.

During 2013, MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion Mine Finance Fund I ("Orion") provided the Company with a $50 million loan and related offtake agreement related to Shafter production to sell silver and gold produced from the Shafter mine to Orion at market prices for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision. The Loan proceeds were used by the Company to finance the construction and upgrade work for Shafter mine and the balance of the Loan was used to repay certain indebtedness and for operating purposes of the La Negra properties. The loan was for 39 months and required monthly payments commencing 4 months after closing, which occurred September 19, 2013. The loan agreement provided for an early repayment option at any time without charge. Interest payable was set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. The related offtake agreement required the Company to sell silver and gold produced from the Shafter mine to Orion at the prices selected by Orion as either spot price at the delivery date or an average spot price during the first, second or third week after the delivery date for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision.

On December 19, 2013, the Company placed the Shafter Mine on care and maintenance and in January 2014 the Company entered into negotiations with Orion to amend the terms of the loan and the offtake agreement.

Subsequent to December 31, 2013, the Company and Orion reached an agreement to amend the credit facility agreement, terminate the offtake agreement and announced a bought deal private placement; please refer to the note 34 of these consolidated financial statements.

The Company also entered into a short-term loan in the amount of $18 million with one of its concentrate purchasers. As of December 31, 2013, the unpaid balance of such loan was $4,750,000.

The Company believes that based on its current cash position, the amendment to the Orion loan, the termination of the Shafter offtake agreement and cash generated from the operation of the La Negra mine, that it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months. Liquidity beyond the twelve month period is dependent on the results of the La Negra mine operations and ongoing prices for silver.

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 by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

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

Capital Resources

At December 31, 2013, the Company had $20.3 million in cash and cash equivalents and a working capital of ($3.7) million.

a) The Company has commitments for capital expenditures as of December 31, 2013 related to capital equipment contracts for the amount of $5,240,404 due as follows:

Schedule of principal repayments is as follows:	December 31 2013
2013	$ -
2014	2,782,667
2015	2,442,923
2016	14,814
	$ 5,240,404

The Company expects to ultimately meet these commitments with the cash flow generated by operations, and the proceeds of the Loan or other financing activities.

b) The Company has commitments for operating expenditures as of December 31, 2013 related to leased equipment contracts for the amount of $3,057,828 due as follows:

	December 31 2013	December 31 2012
2013	**$ -**	$ -
2014	**1,197,144**	-
2015	**1,197,144**	-
2016	**663,540**	-
	$ 3,057,828	$ -

As of December 2013, the Company has a commitment in the amount of $1,712,663 to an equipment manufacturer in order to acquire a raise bore machine for La Negra mine.

c) The Company anticipates that the cash flow generated from the operating activities may not be sufficient to meet the Company's commitments and the Company is exploring various alternative sources of financing.

Readers are cautioned that there are many factors which may impact cash provided by operations which are difficult to predict and forecast.

Outstanding Share Capital:

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

As at April 29, 2014, the Company had 58,412,564 common shares issued and outstanding.

As at April 29, 2014, the Company had 3,459,375 common share purchase options outstanding at various exercise prices and maturing at various future dates.

As at April 29, 2014, the Company had 6,805,231 common share purchase warrants outstanding as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
1,000,000	$2.31	September 26, 2014
5,511,481	$3.28	December 7, 2014
293,750	$2.49	June 30, 2015
6,805,231		

The 1,000,000 warrants oustanding with expiry date of September 26, 2014 were issued in connection with a bridge loan received by the Company in September 2013. Refer to related party section below for more details.

Related Parties

The Company's related parties consist of companies owned by executive officers and directors and payments to these parties are as follows:

	Note	December 31 2013	December 31 2012
Technical and consulting fees	(i)	$ 519,448	$ 222,702
General and administrative expenses	(ii)	-	147,530
Management fees	(iii)	513,162	928,860
Related party transactions fees		$ 1,032,610	$ 1,299,092

i) To companies controlled by former officers of VP Operations ($283K) and the VP Exploration ($236K) for management services performed.
ii) To a company controlled by the former corporate secretary for management services performed as an officer.
iii) To a company controlled by the President & CEO for management services performed.

During the year ended December 31, 2013, transactions with related parties were measured at fair value. On September 11, 2013, the Company was advanced a $5 million bridge loan ("Bridge Loan") by First Access Financial Group, Inc. ("First Access"), a company controlled by the President and Chief Executive Officer of the Company. The Bridge Loan was intended to provide additional liquidity to the Company until the closing of the loan with Orion. The terms of the Bridge Loan provided interest at a rate of 1.25% per month, with the first 90 days of interest being prepaid in advance and an origination fee of US$125,000 and the issuance of 1,000,000 common share purchase warrants. The Warrants expire on September 26, 2014, have an exercise price of $2.31 per share, and were ascribed an aggregate fair value of US$688,931 using the Black-Sholes model. The fair value of the warrants was recorded as financing expense for the year 2013. Assumptions used in the Black-Sholes model are: risk free interest rate: 1.22%, expected life: 1 year, expected volatility: 101.42%, expected dividend per share: $nil.

Upon the closing of the loan with Orion, the Bridge Loan was fully repaid to First Access and, in consideration of the short time the Bridge Loan was outstanding, First Access agreed to amend the terms of the Bridge Loan such that the origination fee and all pre-paid interest were refunded to the Company, and interest was only paid on the period from the date of advancement of the Bridge Loan until its repayment in the amount of $ 56,667.

Compensation of key management personnel:

	December 31 2013	December 31 2012
Related party transactions fees	$ 1,032,610	$ 1,299,092
Directors' fees	257,142	217,172
Officer salaries	302,971	278,614
Stock-based compensation	2,785,191	3,609,283
	$ 4,377,914	$ 5,404,161

Commitments and contingencies:

On November 14, 2006, the Company's subsidiary, Minera La Negra S.A. de C.V. ("Mineral 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 the copper and zinc concentrate to be produced at the La Negra mine during the years 2007, 2008, 2009 and extended until the end of 2013. On March 2011, Minera La Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced at the La Negra mine until the end of 2013. Prices set in both agreements are based on the average of the month in which the shipment is made as per the published prices in the Metal Bulletin in London in US dollars. During July 2013, the agreement with Glencore was extended until 2016.

On September 19, 2013, the Company executed the Loan Agreement and the Off-take Agreement with MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion, for the Loan in the principal amount of US$50,000,000 and the off-take of silver and gold produced at the Company's Shafter mine.

On June 30, 2013 the Company signed an operating lease agreement for mining equipment for Shafter in the amount of $1,227,024 with a term of 30 months and $44,467 equal payments.

The company has an operating lease agreement for La Negra in the amount of $1,954,756 with a term of 36 months and $55,295 equal payments; signed on September 24, 2013.

As of December 2013, the Company has a commitment in the amount of $1,712,663 to an equipment manufacturer in order to acquire a raise bore machine for La Negra mine.

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers of the Company as defendants. The plaintiff asserts that certain of the Company's news releases misrepresented the production level at the Shafter Property. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between December 14, 2012 and May 17, 2013 and seeks damages on behalf of that class in the sum of $50 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations. Management has not disclosed the amount of any provision or expected insurance recovery as the net amount of these is not expected to be material and to disclose the amounts could be prejudicial.

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).

Subsequent events:

In January 2014, the agreement with TAB Bank was amended to allow for the pay off the remaining balance in 2014. In the first quarter of 2014, the Company paid $1,733,957 to TAB Bank, leaving a balance of $1,811,000 due on May 1, 2014. Additionally, the Company paid to TAB Bank $12,500: $5,000 forbearance fee and $7,500 for the appraisal of equipment.

On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 outstanding unsecured loan owing to MF2 Investment Holding Company (Cayman) Limited (the "Original Lender"), an affiliate of Orion Mine Finance Group, as originally announced on September 19, 2013. The Original Lender assigned all of its rights and obligations under the original credit agreement and related transaction documents to Orion Mine Finance (Master) Fund I LP (the "Lender"), an affiliate of Orion Mine Finance Group. Pursuant to an amended and restated credit facility agreement (the "Amended Credit Facility Agreement") between the Company and the Lender dated April 29, 2014. The principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana agreed to issue up to 16,499,501 common shares of the Company (the "Settlement Shares") to Orion at a deemed issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Loan and terminating the Shafter Mine silver and gold offtake agreement. The Company has issued an aggregate of 6,418,249 such Settlement Shares, with the balance of 10,081,252 common shares to be issued upon receipt of regulatory approval. The Settlement Shares are subject to a hold period under applicable securities laws expiring four months and one day following the date of their issuance and will be deposited in escrow on closing pursuant to the terms of a voluntary escrow agreement, to be released in quarterly installments over a period of 12 months from closing, subject to earlier release in certain circumstances. The Loan is to be repaid in 48 equal monthly installments. Early prepayment may occur at any time without charges. Interest on the Loan will continue to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The Loan will continue to be guaranteed by Aurcana's subsidiaries and will also be secured against all of the Company's and its subsidiaries' present and future assets. Concurrently, Aurcana entered into offtake agreements with the Lender in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020.

Financial Instruments:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates in currencies other than the functional currency of each entity. A significant change in the currency exchange rates between the local functional currency of each entity and the other currencies it employs 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, 2013, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		December 31, 2013
Cash and cash equivalents	CDN$	57,011
Other receivable		40,003
Accounts payable		(349,717)
	CDN$	(252,703)
USD$ Equivalent		**(237,592)**

Based on the above net exposures as at December 31, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN Dollar would result in a $23,759 change to the Company's net income for the year.

At December 31, 2012, the Company's Mexican operations (U.S. dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		December 31, 2013
Cash and cash equivalents	MXP$	304,980
Other receivable		1,764,702
Accounts payable		(50,940,513)
	MXP$	(48,870,831)
USD$ Equivalent		**(3,737,302)**

Based on the above net exposures as at December 31, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the USD Dollar against the Mexican Peso would result in a $373,730 change to the Company's net income for the year.

Debt host and embedded derivatives

The offtake derivative is a written option and has to be carried at fair value through profit and loss. The Orion loan is a hybrid instrument, containing a debt host component and two embedded derivatives – a prepayment and interest floor options that require separation as derivatives. These features were recorded at fair value with the remainder of the proceeds of transaction allocated to the loan.

The debt host component is classified as other financial liability and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the loan. Accretion of $2.0 million and gain from the change in the fair value of derivative of $2.9 million has been recognized since the initial measurement as of September 19, 2013 to December 31, 2013.

Credit risk:

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, accounts receivable and amounts receivable.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with banks of investment grade. As the Company has its operations in developing countries, it is unavoidable that some cash is held with regional banks in areas where the banking system does not operate as efficiently as in major financial centers. In these circumstances, the Company attempts to keep only minimal balances with such banks.

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2013 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. 100% of the Company's product sales and trade accounts receivable are generated from two customers representing 100% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

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 by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

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 from the La Negra mine; equity financing; loans, leasing financing and entering into joint venture agreements, or a combination thereof.

Management Discussion and Analysis for the Year ended December 31, 2013

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

	Payments due by period (000's)					
	Total	< 1 year	1-2 years	2-3 years	3-4 years	Thereafter
	$	$	$	$	$	$
Accounts payable	15,332	$15,332	$ Nil	$ Nil	$ Nil	$ Nil
Long Term-debt	5,241	4,603	623	15	$ Nil	$ Nil
Notes payable	54,751	21,417	16,667	16,667	$ Nil	Nil
Total	$75,324	$41,352	$17,290	$16,682	$ Nil	$ Nil

Price risk:

				10% variance on:				Sensitivity effect on	
Metal content	**2013 Average sales price**	**Price as at December 31, 2013**	**Unit**	**Average sales price**	**Price as at December 31, 2013**	**Volume on Sales of 2013**	**Unit**	**Average sales price**	**Price as at December 31, 2013**
Silver	$ 22.92	$ 19.50	oz	$ 2.29	$ 1.95	1,073,072	oz	$ 2,459,481	$2,092,490
Copper	3.29	3.35	lb	0.33	0.34	2,190	tn	1,588,453	1,617,421
Zinc	0.86	0.95	lb	0.09	0.10	5,946	tn	1,127,347	1,245,325
Lead	0.97	1.00	lb	0.10	0.10	1,709	tn	365,467	376,770
								5,540,748	5,332,007
				T.C. refining and smelting charges				1,043,530	1,004,216
				Revenues before royalties				4,497,218	4,327,791
				Royalties on Revenues				120,224	115,695
				Net revenues				4,376,993	4,212,096

The impact of a 10% variance on 2013 average price represents an increase or decrease of $4,376,993 in revenues from mining operations.

The impact of a 10% variance on price at December 31, 2013, represents an increase or decrease of $4,212,096 in revenues from mining operations

The Company is subject to revenue price risk from fluctuations in the market prices of copper, silver, lead 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.

Based on the gross revenues generated from sales of copper, silver, lead and zinc for the year ended December 31, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation in the prices of these commodities would result in a $4.4 million decrease or increase, respectively, to the Company's reported in earnings or loss for the year.

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities, borrowings, embedded derivative liability and long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

The Company classifies the fair value of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The following tables summarize the fair value hierarchy, as of December 31, 2013:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (10,932,524)	$ -	$ -	$(10,932,524)	Level 3
Borrowings	-	-	(41,816,660)	(41,816,660)	n/a
Capital lease	-	-	(5,240,404)	(5,240,404)	n/a
	$ (10,932,524)	**$ -**	**$ (47,057,064)**	**$(57,989,588)**	

Non-recurring measurements:

Assets at fair value	Fair value at December 31, 2013	Fair value Hierarchy
Inventories	$ 312,444	Level 3
Property pland and equipment	19,590,608	Level 3
Mineral properties	15,500,000	Level 3
Total	**$ 35,403,052**	

Management Discussion and Analysis for the Year ended December 31, 2013

The following table summarizes the fair value hierarchy, as of December 31, 2012:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Short-term investments	$ 715,780	$ -	$ -	$ 715,780	Level 1
Amounts receivable	-	599,525	-	599,525	n/a
	$ 715,780	**$ 599,525**	**-**	**$ 1,315,305**	
Financial Liabilities					
Capital lease	-	-	(7,082,292)	(7,082,292)	n/a
	$ 715,780	**$ 599,525**	**$ (7,082,292)**	**$ (5,766,987)**	

Fair value of $312,444 inventories were determined based on proceeds from sale of these inventories. Fair value of Shafter Property plant and equipment and mineral properties was determined by an independent appraiser.

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of December 31, 2013 are approximately the same. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

The floor option derivative was valued upon initial measurement and subsequent periods using the Black-Scholes model adjusted to account for the Company's credit risk. The prepayment option derivative was valued upon initial measurement and subsequent periods using a methodology which is based on two coupled Black-Scholes partial differential equations which are solved using a finite difference. Key inputs used by the Company in its valuation include: the USD discount curve, the USD 1 month forward curve, the interest rate implied volatility, and the Company's credit spread.

The offtake agreement derivative was decomposed into the sum of cash flows which depends on Comex and London silver prices. Future Comex and London silver prices were generated using a correlated geometric Brownian motion. A Monte Carlo simulation is used to value the offtake written option; this technique relies on random sampling and is often used when there is no analytic or exact solution to the valuation. Key inputs used by the Company in the Monte Carlo simulation include: the USD risk free rate, the silver convenience yield calculated from silver future prices, Comex and London historical silver prices, the historical correlation of the Comex and London silver price return, the silver at-the-money implied volatility.

Key unobservable inputs used in the valuation model are the estimated delivery schedule based on the Company's life of mine plan and the credit spread of the Company.

The Company's credit spread as of the inception dates was calibrated by setting the fair value of the credit facility and the silver agreement equal to total proceeds of transaction, resulting in a credit spread of 31.33% as at the inception date ("the calibrated spread"). The spread as at December 31, 2013 was then obtained by adding 3% over the calibrated spread given the decreased credit rating of the Company.

	5% decrease in credit spread	5% increase in credit spread
Increase/(decrease in fair value at December 31, 2013	$520,364	($364,625)

Management of Capital:

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from operations.

See also Liquidity discussion on page 17.

Adoption of New and Amended IFRS Pronouncements:

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied.

ii) IFRS 13, Fair value measurement

The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did had an impact on the Company's consolidated financial statements for the current period – please refer to Note 32 of these consolitated financial statements.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 which required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these consolidated financial statements.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have a material effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have a material effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

Risks and Uncertainties*:*

The operations of Aurcana are speculative due to the high risk nature of its business which involves the silver, copper, lead and zinc production and the 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.

Litigation Risk

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers of the Company as defendants. The plaintiff asserts that certain of the Company's news releases misrepresented the production level at the Shafter Property. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between December 14, 2012 and May 17, 2013 and seeks damages on behalf of that class in the sum of $50 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations. Management has not disclosed the amount of any provision or expected insurance recovery as the net amount of these is not expected to be material and to disclose the amounts could be prejudicial.

Mexican tax legislation changes

On October 31, 2013, the Mexican Senate passed the Mexican Tax Reform Bill enacting a tax deductible 7.5% mining royalty on earnings before the deduction of interest, taxes, depreciation and amortization. Further, precious metals mining companies will pay an additional 7.5% royalty on precious metals revenue and maintain a corporate tax rate of 30%. The proposal has been approved and is expected to be published in the Official Gazette at which point it will become Mexican law. The effective date of the law will be January 1, 2014. The tax is expected to adversely affect future earnings from the Company's mining operations in Mexico.

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 Resources and 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 grade of mineralized material 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 silver, copper, lead 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 a mineralized deposit 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 resources and 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 Resources and Reserves

There are a number of uncertainties inherent in any program relating to the location of economic mineral resources and 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 resources and reserves to replace mined reserves and to expand current mineral resources and 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 pre-disturbance 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 sites. 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 mineral development 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

Some 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 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 effect 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. 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 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 operating performance, underlying asset values or future prospects. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

Impairment of property, plant and equipment assets and mining interests

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, production and grades, operating costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances could alter these projections materially, which could impact the recoverable amount of the assets.

As at December 31, 2013, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver metal constituted impairment indicators, and completed an appraisal assessment for the Shafter property on a fair value less costs to sell basis.

The results of the valuation are reflected on the page 8.

Non-IFRS Financial Measures

The Company has included certain non-IFRS financial measures including "Total cash cost per Silver equivalent oz sold", "Total cash cost per Silver oz sold, net of by-products" and "Cash cost per milled tonne" to supplement its Condensed Interim Consolidated Financial Statements, which are presented in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with useful information to evaluate the underlying performance of the Company. Non-IFRS financial measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS.

a) Total production cash cost per Silver equivalent oz

The Company uses cash cost per Silver equivalent oz to describe its cash production costs on an overall basis. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. This performance measure is commonly utilized in the mining industry.

AURCANA CORPORATION

Management Discussion and Analysis for the Year ended December 31, 2013

	Year ended December 31,	
	2013	2012
Cash cost		
Cost of sales per financial statements	**$ 33,492,907**	$ 31,917,759
Less royalties, PSE and changes in inventories	**75,483**	(1,914,611)
Less freight and delivery	**(1,919,734)**	(1,347,974)
Less depreciation and amortization	**(2,863,747)**	(3,905,656)
Less depletion of mineral properties	**(107,342)**	(974,888)
Total cash cost	**28,677,567**	23,774,630
Silver Equivalent Oz. Produced	**2,868,460**	2,523,441
Production Cash cost per silver equivalent oz	**$ 10.00**	$ 9.42

b) Cash cost per milled tonne

The Company uses cash costs per milled ton to describe its cash production costs based on tonnes of ore milled. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its cash costs per milled tonne internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

	Year ended December 31,	
	2013	2012
Cash cost		
Cost of sales per financial statements	**$ 33,492,907**	$ 31,917,759
Less royalties, PSE and changes in inventories	**75,483**	(1,914,611)
Less freight and delivery	**(1,919,734)**	(1,347,974)
Less depreciation and amortization	**(2,863,747)**	(3,905,656)
Less depletion of mineral properties	**(107,342)**	(974,888)
Total cash cost	**28,677,567**	23,774,630
Tonnes milled	**825,014**	691,260
Cash cost per milled tonne	**$ 34.76**	$ 34.39

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.

Disclosure Controls and Procedures

Disclosure controls and procedures ("**DC&P**") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("**ICFR**") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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