



BEACON ROCK RESEARCH

**JANUARY 17, 2012
SPECIAL REPORT
PROJECT VISIT**

AURCANA CORPORATION

(TSX VENTURE: AUN, C\$0.71 PER SHARE)

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Disclosures 1, 2

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Aurcana to Commence Silver Production at Shafter in 2012

Aurcana Corporation (TSX-V: AUN) is scheduled to commence production at its wholly owned subsidiary Rio Grande Mining Company (RGMC) Shafter silver mine in Texas by June of 2012. We visited the Shafter project on December 12th and 13th of 2011 and witnessed rapid progress toward this goal. The Shafter project will be Aurcana's second operating mine, the first being the 92% owned La Negra silver and base metal mine in Mexico.

Both the Shafter project and the operating La Negra mine have potential to increase production through technical improvements, optimization of operations and further expansion beyond designed capacity. Aurcana has expanded La Negra production from the 800 tpd Penoles production rate, to 1000 tpd, then 1500 tpd and now 2500 tpd. To support the production expansion, exploration geologists are continuing underground diamond drilling, exploration and delineation. Aurcana has also contracted with top carbonate replacement deposit (CRD) experts in the exploration industry to fully explore the land holdings away from the immediate mine area at both projects, to potentially increase the future mine resources and a longer mine life.



**Overview of Shafter Office and Mill Construction, (Looking South) January 2012,
Source: Aurcana Corporation**

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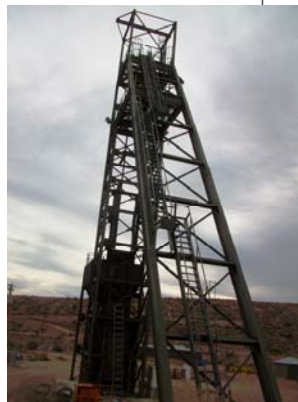
The Shafter-silver project is located adjacent to the historic Shafter ghost town off Hwy 67 in southwest Texas. Shafter is about 44 miles south of Marfa, and 21 miles northeast of Presidio which is on the USA-Mexico border crossing to Manuel Ojinaga, or about 230 road miles east of El Paso. Initially, mining commenced at the outcrop of the historic Presidio mine to the southwest of the town of Shafter. The historic Presidio silver mine operated from about 1883 to 1942, when the mine was closed down to support the war effort. Total silver production at the Presidio mine, estimated at 2.3 million tons, actually produced 35.2 million ounces of silver at an average grade of 15.24 opt silver.



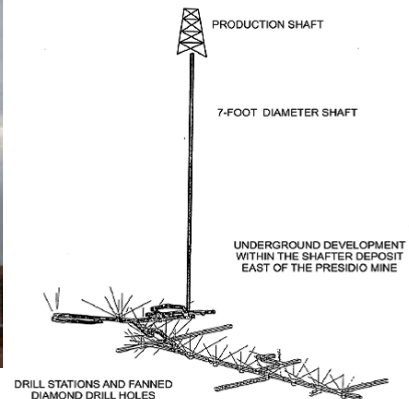
Shafter Project Location

Source: Shafter Feasibility Study, Jack W. Burgess, PE, November 2010

During the high silver prices in the late 1970s, Goldfields drilled a widely spaced pattern of 1000 foot drill holes from surface and after identifying the down dip extension of the Presidio mine, blind bored an exploration shaft and raise bored an escapeway in the extension of the ore body, approximately half way between the original outcrop and the town of Shafter. The “Goldfields shaft” was completed to a depth of 1,052 feet and included underground exploration development under part of the ore body, from which they diamond drilled to get the close spacing required for resource estimation. Goldfields also constructed a headframe and hoist to service the shaft.



Gold Fields' 1052 foot shaft, 5100 feet of Drifting and 10,000 feet of underground drilling.



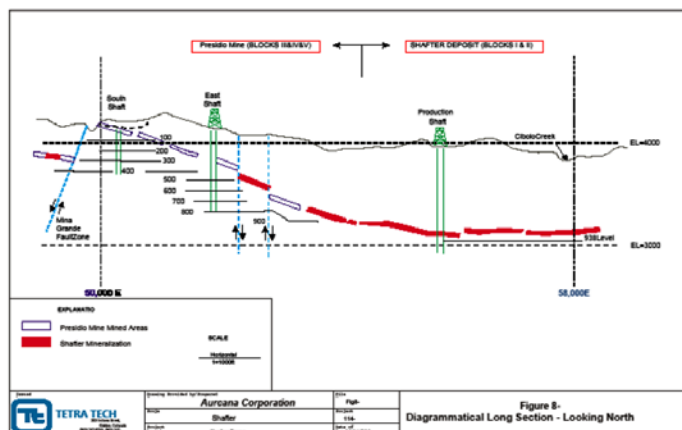
Goldfields Shaft -Shafter Project
(clockwise), Goldfields Shaft schematic,
Source: Shafter Feasibility Study, Jack
W. Burgess, PE, November 2010, Shaft
from Hwy 67, Shaft/escapeway/hoist
building, Goldfields Shaft close up,
Source: Analyst



When silver prices declined, Goldfields halted exploration from the underground workings, and part of the “Goldfields shaft” filled with water. The headframe was left in place and the hoist equipment was mothballed, but maintaining in good condition to resume operations with suitable updating. In addition to the “Goldfields shaft,” Aurcana has an abundance of infrastructure assets, including three existing shafts in the Presidio mine that will be used for intake and exhaust ventilation, and to provide emergency egress. Aurcana’s Shafter Silver mine has a capital budget of \$45 million.

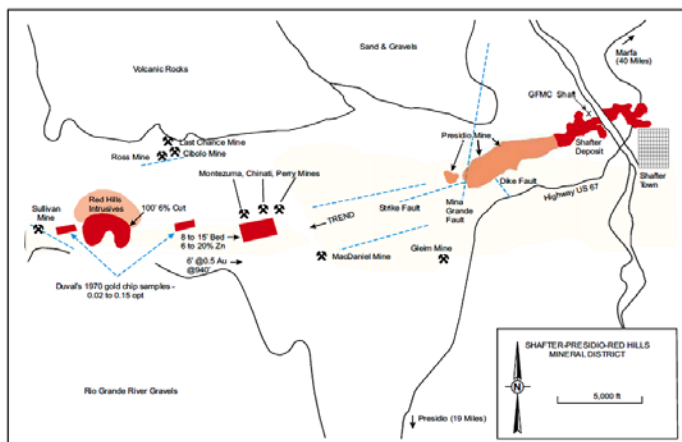
Shafter Project Deposit and Existing Infrastructure Diagram

Source: Shafter Feasibility Study, Jack W. Burgess, PE, November 2010



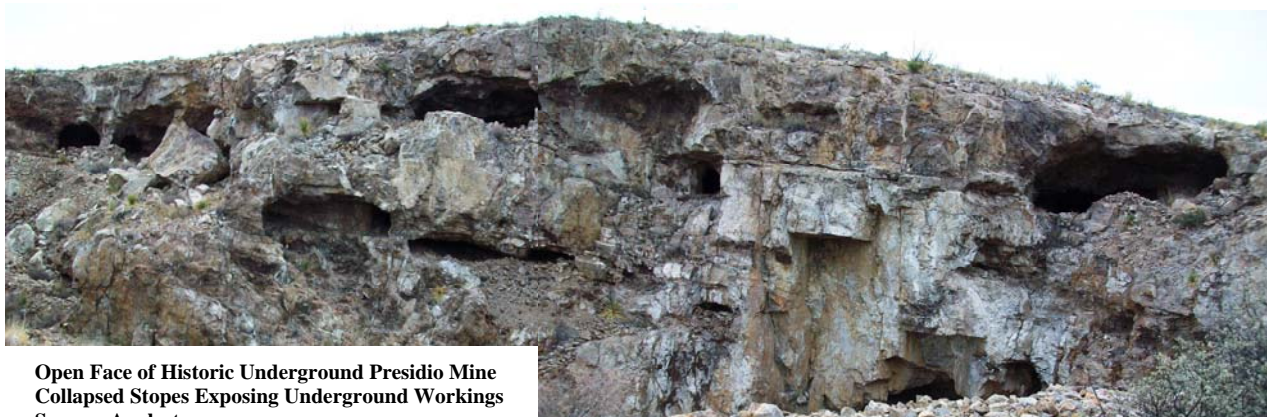
Previous owners, but mainly Goldfields, identified a NI 43-101 Measured and Indicated Resource of 24.6 million ounces of silver (2.9 million tons at 8.48 silver opt) and an Inferred Resource of 22.8 million ounces of silver (2.2 million tons at 10.52 silver opt) using a 4.0 ounce per ton cut off. This deposit is called the Shafter deposit and is the down dip extension of the old Presidio mine. The carbonate replacement deposit mineralization occurs in a tabular manto style bodies in gently dipping to the northeast toward Shafter. The ore body remains open down dip, and is hosted in reef-derived dolomites and limestone rock.

The ore is oxidized, and amenable to leaching, and the host rock is primarily composed of limestone. The flow sheet provides for dry stacking tailings and recycling water for reuse in processing. Aurcana has received all the necessary permits to complete construction and commence mine operation. They are building a mill with design capacity of 1500 tpd. A ball mill has been installed with the potential to increase capacity at a future date to approximately 2000 tpd, which will come in handy as mining reaches flat dipping areas of mineralization with the potential to develop more production faces and increase overall mine production. At this time the ramp will breakthrough to the Goldfields shaft and allow the existing hoist to be used to supplement the ore truck haulage up the ramp thus providing a built in opportunity to increase the rate of mining, thereby both increasing production and reducing costs.



Shafter Project, Historic Presidio Mine, Local Past Producing Mines

Source: Shafter Feasibility Study, Jack W. Burgess, PE, November 2010



Open Face of Historic Underground Presidio Mine Collapsed Stopes Exposing Underground Workings
Source: Analyst

At the time we visited the Shafter mine site, it was clear that the project had made rapid progress in a short time and that progress was accelerating. The administrative building was complete and personnel were moving out of temporary offices into the office and setting up operations. We found that management was open and able to answer all of our questions to our satisfaction. The safety office was ever present, and activities at the mine had the feel of transitioning from adolescence to maturity. We were particularly impressed with the experienced contractors on site, who appeared competent and were aggressively advancing the schedule. RGMC personnel are managing contractors and subcontractors to meet the schedule on time and on budget.

Workers Pouring Foundation of Merrill Crowe Plant in December, 2011
Source: Analyst



The project site appeared to be well organized and equipment was staged for lead items on the schedule. A significant amount of mining equipment and vehicles were on site. The ball mill was installed, two of the three CIL tanks were in place, and the foundation of the Merrill Crowe plant was being poured. A new power line is currently being built from Marfa in the north to Presidio, which will increase the power available for Presidio and provide sufficient power off the grid to the Shafter mine. This is planned to occur in the second quarter of 2012. RGMC personnel developed the mine portal and have driven the decline to about 1000 feet (as of January 15, 2012). The decline has about 500 feet until it is expected to intersect ore, which is anticipated to occur in mid-February.



Shafter Mill Under Construction, December, 2011
(left to right) Fine Ore Pad, Mill (CIL tanks, ball mill, Merrill Crowe plant), Maintenance Shop
(including warehouse, sample prep and assay lab)
Source: Analyst

The Shafter mine is scheduled to produce 3.8 million ounces of silver in its first year of production. The Measured and Indicated silver resource as scheduled will support the mine life of five years, and if the Inferred resources can be brought up to Measured and Indicated this would increase the potential mine life to nine years, as estimated in the updated Feasibility study. As the mine moves from concept to reality, we anticipate that additional resources will be located, and Inferred resources will be upgraded and mine life extended. The mine operation appears to be under mature, experienced supervision, and we anticipate ore will be safely mined and transported to the mill.

The scheduled mine life may be extended through mining operations silling out the ore zones and the planned underground drilling program. The resource is not completely closed off by surface drilling and remains open down dip and in some areas on strike. It is notable that Aurcana hired Dr Peter McGaw, as technical director and a well respected geologist with extensive experience in CRD deposits and in Mexico, to assess the potential of the area, independent of the mine geologist who has to concentrate on the mine operation. Initially, McGaw will be looking for the feeder to the ore body, and the occurrence of additional stacked ore zones at Shafter, which may be a game changer for the Shafter mine. McGaw is also evaluating the regional potential at Aurcana's La Negra operating mine in Mexico.



Exploration Drilling Shafter Project, December, 2011
Source: Analyst

The 92% owned La Negra silver and base metal mine is located in the State of Queretaro, in central Mexico. The mine was purchased from Penoles to be expanded and restarted by Aurcana. La Negra has produced over a million ounces of silver over the last four quarters. They have been successful in replacing mined ore through exploration. Like Shafter, should McGaw enjoy success locating other resources, this will improve the economic profile of La Negra.

Aurcana owns 100% of the Shafter project and 92% of the operating La Negra mine. La Negra is increasingly profitable as further expansions up to 2500 tpd reduce the unit cost, and we anticipate that Shafter will also be profitable at current market prices. Both projects have potential for further technical improvements, expansion and increasing and upgrading resources. The company has 353.7 million shares outstanding and 424.8 million diluted shares as of the end of its third quarter September 30, 2011.

Aurcana's stock price is trading near to lower end of its 52-week price range of \$0.55 and \$1.10 per share. Investors ascribe increasing value to companies with cash flow, mines moving into production, optimizing operations increasing cash flow growth, converting resources into higher (more certain) resource classifications, and blue sky exploration. From this perspective it would appear that shares of Aurcana may be undervalued.



Analyst at Shafter Mine Portal, December, 2011
Source: Analyst

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