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AURCANA CORP. (TSXV: AUN): NEW RECOMMENDATION / January 6, 2010

[Home page of AUN](#)

[Chart 5 year](#)

AURCANA CORP.: RETURN ON CAD 10,000 INVESTMENT					
<u>Purchase Date</u>	<u>No. of Shares</u>	<u>Purchase Price</u>	<u>Cost (CAD)</u>	<u>Price Today</u>	<u>Value Today</u>
December 22, 2009	33'400	0.30	10'020.00		
Total	33'400	0.30	10'020.00	0.335	11'189.00
Profit					1'169.00
Profit (in %)					12%



SHARES OUTSTANDING / FULLY DILUTED	MARKET CAP
108,583,933 / 126,276,450	CAD 39.4 Million
52 WEEK LOW / HIGH	TSXV
CAD 0.085 to 0.35	330,300 (200-day)
RECOMMENDATION	RISK RATING
BUY	HIGHEST

ON TRACK TO PRODUCE 5 MILLION OUNCES OF SILVER IN MEXICO AND TEXAS

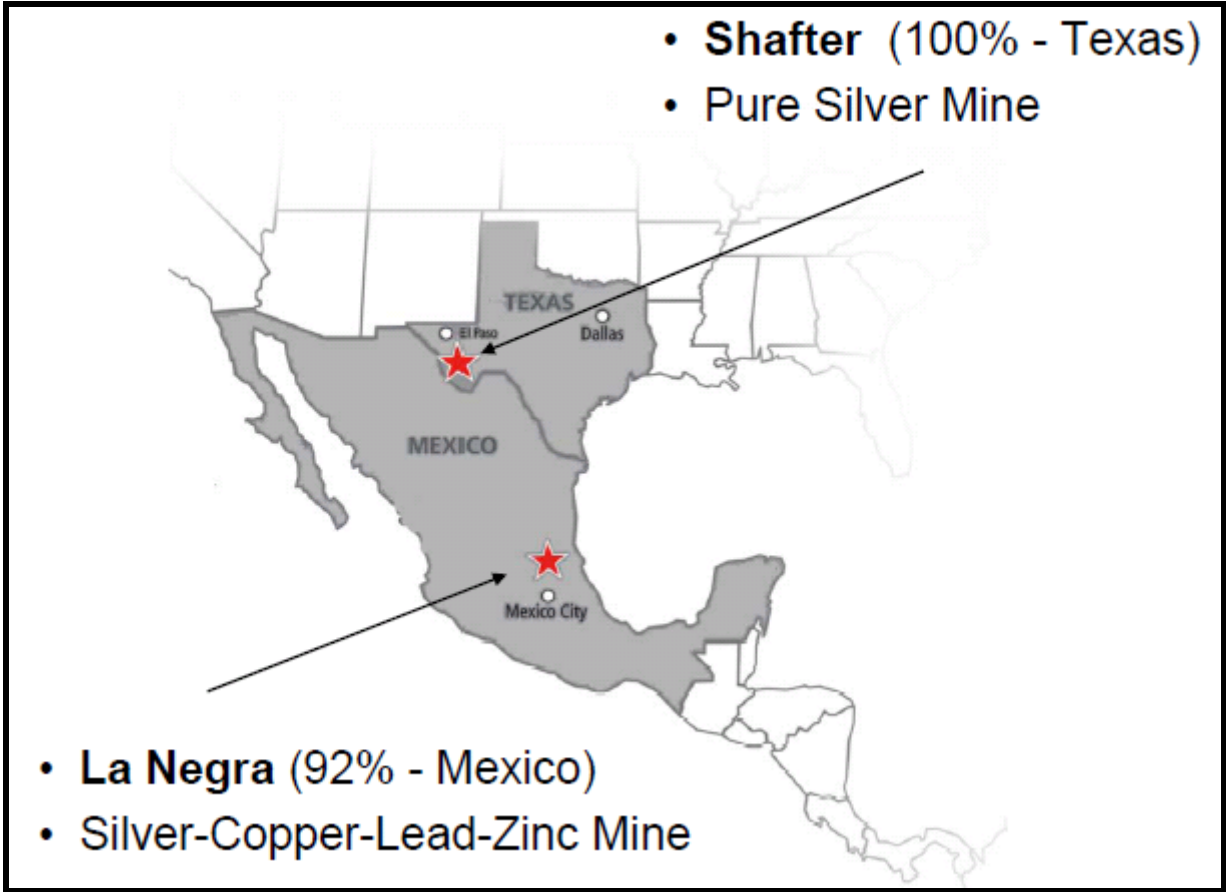
Business Summary

Aurcana Corporation owns 92% of the **La Negra silver-copper-lead-zinc mine** and **100% of the Shafter silver mine**. The company's current projects have the potential to produce over five million ounces silver per year.

The 1,000 tons per day **La Negra silver-copper-lead-zinc mine** is located in **Queretaro State, Mexico**. Production for 2009 is forecast at 750,000 ounces silver and 3 million pounds copper. Plans for increasing production to 1,500 tons per day, when complete, will result in yearly production of 1.2 million ounces silver and 5 million pounds copper.

The **Shafter** silver mine is located in **Presidio County, Southwest Texas**. The project has a 43-101 silver resource of 24.6 million ounces Measured and Indicated, 22.8 million ounces Inferred and a prefeasibility completed. Production year one is forecast at 3.9 million ounces silver recovered. Construction is expected to take 18 months **subject to financing and permitting**.

Projects



Mexico : La Negra: Silver-Copper-Lead-Zinc Mine

The **La Negra mine** was discovered and developed by Industriales Peñoles S.A. de C.V. The mine commenced production in 1970 and produced until the mine was put on care and maintenance in 2000.

In order to re-commission the mine, Aurcana made the following expenditures:

- \$3m Acquisition
- \$6m start-up CapEx

to:

- increase throughput by 50% to 1,500 tpd to substantially improve mine profitability

and gain access to

- 23 ore bodies outlined historically by Peñoles. Accessible through over 50 km of underground development on five main levels
- Over 10 year projected mine life, based on mining history of 30 years

Historical production as reported by Peñoles was approximately 6.6 million tons of ore with metal production as follows:

36 million oz	Silver
323 million lbs	Zinc
70 million lbs	Copper
161 million lbs	Lead

Historical Reserves

In addition to the 6.6 million tons of ore mined by Peñoles the historical reserves* amount to 1.22 million tons grading:

161 grams / ton	Silver
(5.2 ounces per ton)	
2.80%	Zinc
0.94%	Copper
0.88%	Lead
(*Note: This data is not NI 43-101 compliant)	

The key data of the mill are as follows:

1,000 tpd mill:

- 3 stage crushing plant
- 8' x 10' ball mill
- upgrades being done to increase capacity from 800 tpd to 1,000 tpd
- mill produces zinc, copper and lead concentrates

23 known ore bodies:

- all accessible by existing workings
- large ore bodies
- amendable to low cost long hole, open stope mining methods
- all reserves are above the 2,000 level main haulage way - ore

Exploration potential is very good:

- many zones open at depth

Infrastructure is in place:

- power provided by existing power lines
- company owned housing
- water available

All permits and agreements in place:

- very good local support for the project

During the 3rd quarter, the Company continued to advance the operations of the La Negra mine, including the process of expanding the mill and flotation plant to a rate of 1,500 tons per day of production. A decision to initiate production from the Maravillas zone was also made. The zone will be mined by a Contractor, who is on site, preparing to commence work.

In spite of an extended 14 day down period in September to repair the main ball mill motor, the results from the La Negra mine for the period were positive. Contributing factors were: rising metal concentrate prices, positive foreign exchange rates, and management's continued efforts to contain costs.

<i>La Negra Mine (100%)</i>	3 months ended September 30, 2009	9 months ended September 30, 2009
Tonnes of ore Processed	72,716	221,182
Tonnes of payable Zinc metal sold	358	1,092
Pounds of Zinc	789,247	2,407,423
Tonnes of payable Copper metal sold	323	1,068
Pounds of Copper	712,086	2,354,513
Ounces of payable Silver sold	162,356	553,828
Revenues	\$5,228,565	\$12,647,262
Earnings from Mining Operations	\$1,433,685	\$1,513,498
Income from Operations	\$466,232	\$(728,465)
Net Income	\$2,388,932	\$4,346,646

Underground at La Negra



Photo by Peter Zihlmann during a visit to the mine in November 2009.

12th largest pure silver mine in world*

- Will Add 10% to US Production*

- Acquired July 08 from SSO for \$0.82 / oz
- Low CapEx of \$39.9 m or \$0.84 / oz
- Total Acquisition and Development cost of \$1.66 per ounce

	Tons	Grade oz/t	Total oz Ag
Measured & Indicated	2,900,000	8.48	24,592,000
Inferred	2,167,000	10.52	22,797,000

cut off at 4 ounces per ton

Aurcana acquired 100% of the Shafter silver mine from Silver Standard Resources Inc. in July 2008. **Shafter is located in Presidio County, southwest Texas and is fully accessible via paved highway from El Paso, Texas.**

Silver was mined in the region from 1883 until 1942, when the mine was closed by the War Act.

Production during that period was 2.3 million tons of ore containing 35 million ounces of silver at an average grade of 15.24 ounces per ton.

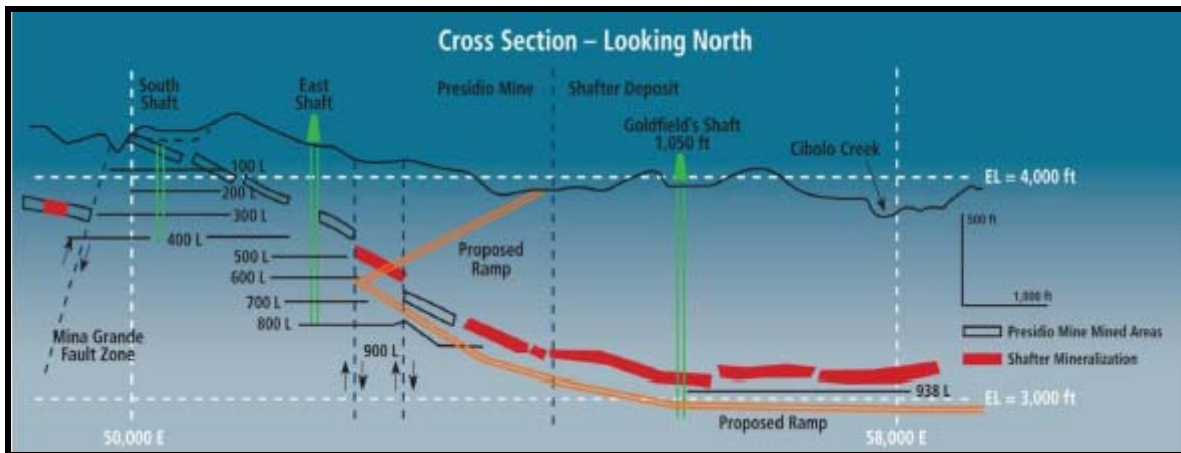
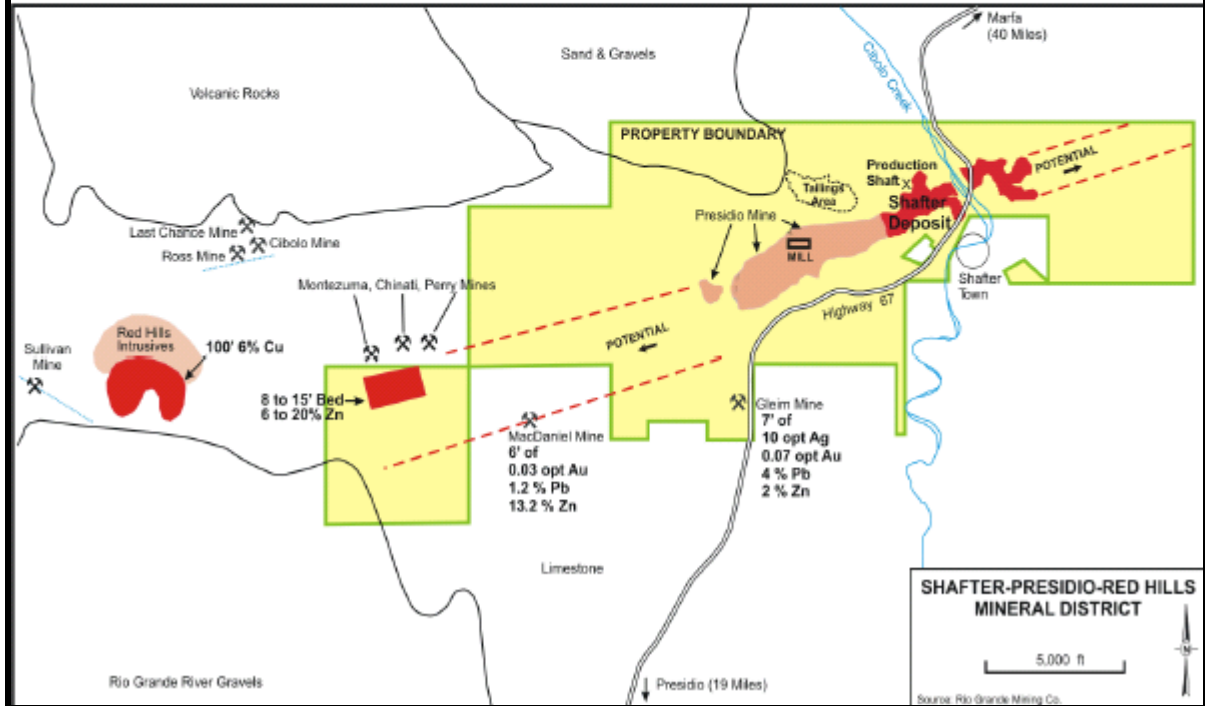
On June 29, the Company announced the results of a pre-feasibility study. The highlights of the report were:

- Payback of under 2 years based on a silver price of \$13.55 per ounce;
- An internal rate of return ("IRR") of 25% pre tax;
- A pre tax net present value ("NPV") of \$23 million at a 5% discount rate;
- An initial estimated capital expenditure of under \$40 million;
- Silver production of 3.75 million ounces in year one and 4 million ounces in year two; and
- An average total cost of \$7.50 per ounce of silver produced in the first two years.

Mr. Sandy McVey P.Eng., M.Sc., PMP. has been appointed project manager for Shafter and is commencing with the detailed engineering on the project. Mr McVey is also coordinating all of the permitting necessary for the mine start up. Mr. McVey has over 30 years experience working on mining operations and capital construction projects in North America, Africa and Europe, and has held positions of plant superintendent and mine manager for underground operations.

Shafter - Property Map

Favorable Location – State Permitting - No BLM
Resource open along strike



Fundamental Considerations

AURCANA PRESENTLY HAS A MARKET CAPITALIZATION OF CAD 40 MILLION. IN 2010, AURCANA PROEJCTS TO PRODUCE ABOUT 2.6 MILLION OUNCES OF SILVER EQUIVALENT.

IF THEY CAN ACHIEVE THIS GOAL, A MARKET CAPITALIZATION OF AT LEAST DOUBLE THE PRESENT ONE WOULD BE JUSTIFIED, ESPECIALLY IF SUPPORTED BY HIGHER AVERAGE METAL PRICES THAN IN 2009.

BUT BY 2012, WHEN THE SHAFTER MINE IN TEXAS IS SCHEDULED TO PRODUCE 5 MILLION OUNCES OF SILVER ANNUALLY, A MARKET CAPITALIZATION OF USD 300 MILLION SHOULD BE REALISTIC.

	Base	Upside
Year	2012	2012
Silver Price (US \$/oz)	\$14	\$20
Production (combined)		
Silver –million ounces (L1.2 – S3.9)	5.1	5.1
Copper – million pounds (L)	5.0	5.0
Lead – million pounds (L)	1.5	1.5
Zinc – million pounds (L)	5.0	5.0
Operating profit	\$48.6m	\$81.6m
EBITDA	\$68.9m	\$91.5m
Operating Cash Flow	\$46.5m	\$70.0m
Shares Issued & Outstanding	108.6	108.6
CFPS(\$US)	\$0.42	\$0.64
CFPS(\$CDN)	\$0.45	\$0.69
CFPS Multiple	5 X's	5 X's

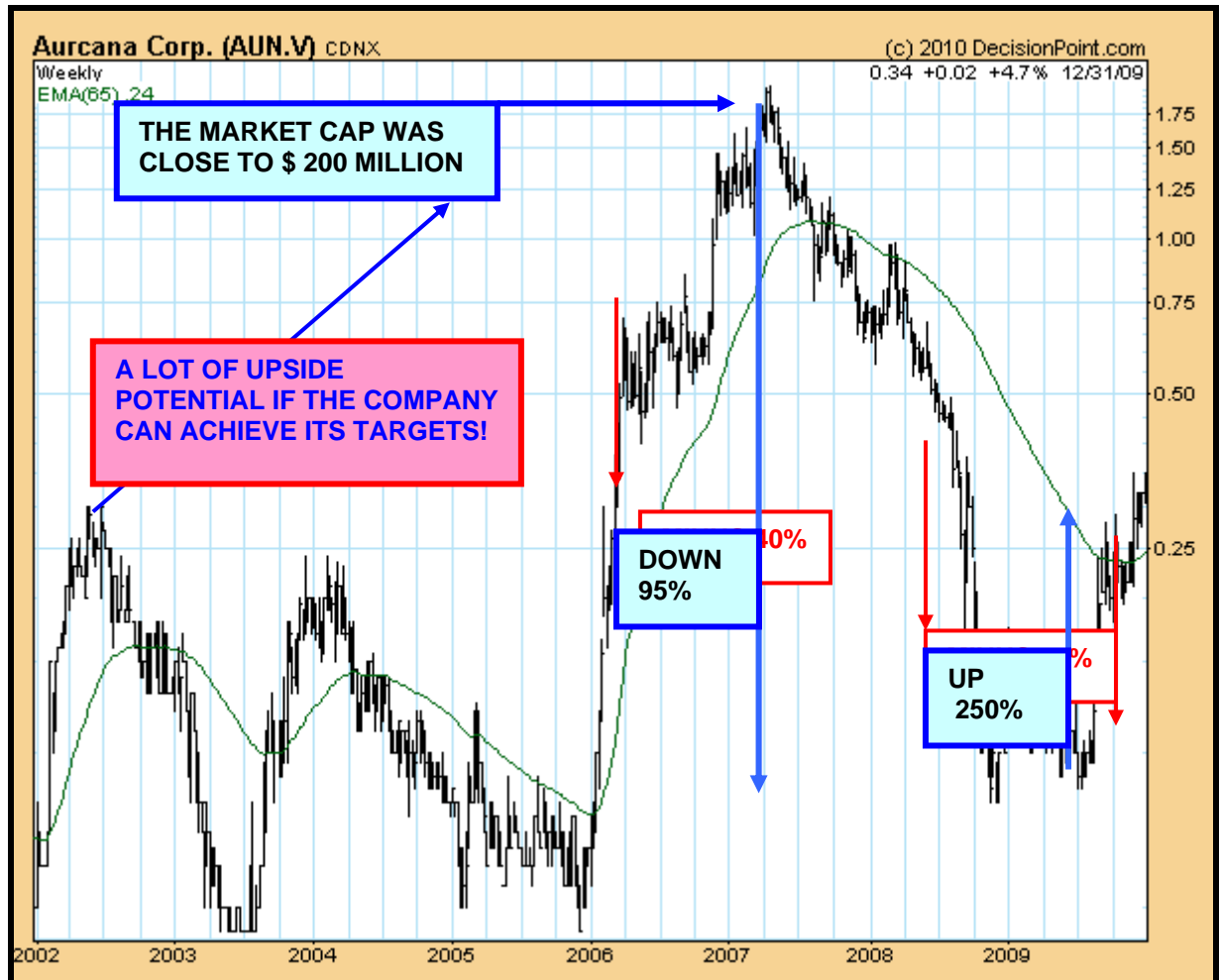
AURCANA WILL NEED TO RAISE ABOUT \$ 40 MILLION TO BRING THE SHAFTER MINE INTO PRODUCTION. THIS MAY NOT BE EASY TO ACHIEVE WHEN THE COMPANY HAS A MARKET CAPITALIZATION OF ONLY \$ 40 MILLION RIGHT NOW.

PART OF THE FUNDS MAY NEED TO COME FROM CASH FLOW, ANOTHER PART FROM EXERCISING STOCK OPTIONS - AT PRESENT, HOWEVER, THESE ARE MOSTLY OUT OF THE MONEY.

AS THE COMPANY MOVES FORWARD AND CONVINCES THE MARKET THAT THEY CAN CONSISTENTLY ACHIEVE THEIR OBJECTIVES, THE SHARE PRICE WILL REACT ACCORDINGLY.

Technical Considerations





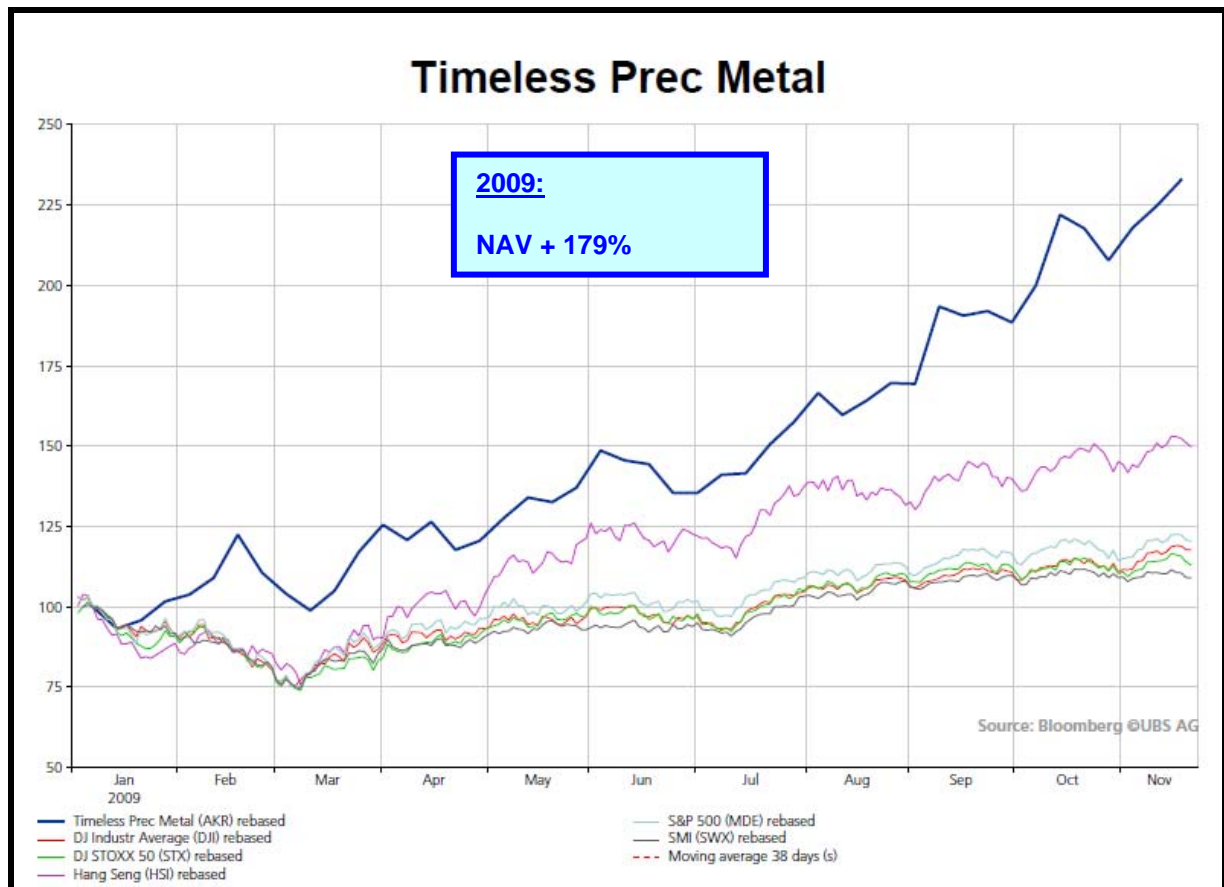
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THE TIMELESS PRECIOUS METAL FUND

is a shareholder in the company and will benefit from any increase in the company's share price.



Disclosure:

The author has not been paid to write this article, nor has he received any other inducement to do so.

Disclaimer:

The author's objective in writing this article is to invoke an interest on the part of potential investors in this stock to the point where they are encouraged to conduct their own further diligent research. Neither the information nor the opinions expressed should be construed as a solicitation to buy or sell this stock.

Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions in the stock - or to use their own brains.

In our opinion, the best approach is to buy a diversified portfolio of stocks as represented in THE TIMELESS PRECIOUS METAL FUND or THE SIERRA MADRE GOLD & SILVER VENTURE FUND instead of shares of only a small number of companies.
