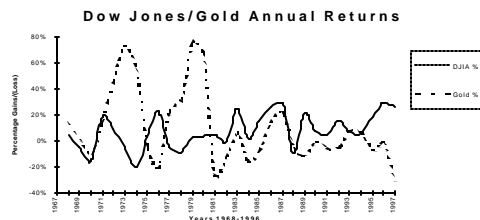




Gold & Technology Stocks



Weekly Hotline Message

(Now in our 25th Year)

November 9, 2007

New Buy Recommendation

Aurcana Corporation An Emerging Silver Play in Mexico



Business: Aurcana Corporation (AUN) owns two mines in Mexico: **La Negra** and **Rosario**. **La Negra** was just brought into production in 6/07. It produces silver, zinc, lead, and copper. **Rosario** is expected to be in production in 2008. It produces silver, gold, lead, and zinc.

Traded TSX Venture:	AUN
Pink Sheets:	AUNFF
Shares Outstanding:	90,468,933
Share Price:	US\$0.932
Market Cap:	US\$84 Million
Fully Diluted:	106.6 million
Cash:	16.5 million
Telephone:	604-331-9333
Web Site:	www.aurcana.com

The La Negra Mine, which produces silver, zinc, lead, and copper, was successfully brought into production in June of 2007. AUN owns 80% of the mine and is the operator. The 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. During its 30 years of operation, from 1970 and 2000, the mine produced 36 million ounces of silver, 323 million pounds of Zinc, 70 million pounds of copper, and 161 million pounds of lead.

Historical Reserves: Not NI 43-101, but on the basis of historical drill results, the project holds 5.2 million ounces of silver, 25.2 million pounds of copper, 23.6 million pounds of lead, and 75.2 million pounds of zinc from 1.22 million tonnes.

AUN acquired La Negra in May 2006 and finished mill refurbishment in April 2007. The mine was put into production in June 2007. At 1,000 tonnes per day, the ores are sufficient for a three- to four-year mine life. However, AUN believes the reserves have significant upside and recently started a 15,000-meter drilling program to expand the reserve in all of its 23 deposits. Using historical data, AUN gave guidance of \$20 million cash of operating flow in 2008, or about US\$0.22 per share. If the company is successful in generating that level of cash flow, it would mean Aurcana is selling at approximately 4 times cash flow.

The would seem to be a rather low multiple especially in a silver bull market for a company expected to grow very rapidly. AUN has a plan to double its mill to process 2,000 tonnes per day. The upgrade will cost about \$10 million and will double its cash flow to \$40 million per year. The decision to upgrade will be made after the 15,000-meter drilling results some time next year. If things go as planned, La Negra may provide AUN cash flow of \$40 million

in 2009, assuming silver as well as base metals prices are stable. And those cash flows could improve even more if metals prices continue to trend higher.

AUN is about to present a 43-101 reserve report on one of its 23 ore bodies, as well as Q3 results, very soon. By that time, the management should be able to provide details of operation and cash flow for 2008.

The Rosario Property consists of 18 concessions totaling approximately 8,515 hectares and is located approximately 94 kilometers southeast of Mazatlán and 57 kilometers from the town of Rosario. Access to the property is gained by an all-weather road.

Grupo México has historically reported past production on the Rosario Property from 1986 to 2000 at an average rate of 600 tonnes per day with a total of 2.5 million tonnes of ore processed at an average grade of 190.5 g/t silver (Ag), 2.02% zinc (Zn), 2.38% lead (Pb), and 0.92 g/t gold (Au). This mining facility is all but ready for production with surface rights, underground workings, water, power, offices, shops, warehouses, lab, mill infrastructure, and a town site all in place.

Historical reserves from the Rosario have been calculated from two main areas, the San Juan and the La Cruz mines. In the San Juan area, west of the Rosario Mine site, Grupo México (the prior owner) has reported reserves of 256,756 tonnes at a grade of 329.3 g/t Ag, 3.73% Zn, 1.69% Pb, and 0.19 g/t Au. The zone is still open to depth.

At the La Cruz Mine, historical reserve calculations completed by Grupo México in 2000 resulted in a total of 638,756 tonnes of 1.05 g/t Au, 136.0 g/t Ag, 3.21% Zn, and 2.23% Pb.

AUN plans to upgrade the mill from 600 tpd to 1200 tpd and put it into production by the end of 2008. The focus will be on San Juan first. Because of its higher grade and 100% ownership, Rosario's cash flow should be significantly higher than La Negra.

Finance

AUN successfully finished a 21-million-share private placement in March of 2007 at \$1.25. The company believes it has sufficient cash on hand to bring the Rosario Mine into production as well as to further expand production on the La Negra, without any further dilution of its shares.

Management

AUN has a very experienced management team. Senior members of management include the following gentlemen.

Ken Booth – President and Director – Mr. Booth's experience includes mining corporate finance and management of exploration and mining companies. Prior to joining the company Mr. Booth worked for a junior gold mining company in corporate development and focused on the mining sector during a seven-year tenure at two of Canada's largest investment banks. Mr. Booth holds a geology degree and an MBA.

Ron Nichols – Vice President, Exploration and Director – Mr. Nichols has been involved in the exploration sector for more than 30 years. He has expertise in both project management and property generation from his work with junior and senior companies. Mr. Nichols spent 20 years with Cominco Ltd. before becoming a consulting geologist and eventually manager of several exploration companies. He has been involved with either the discovery or delineation of such deposits as Black Angel in Greenland and the Valley Copper and Snip mines in British Columbia.

Grant Smith – Chief Financial Officer – Mr. Smith is a Chartered Accountant and his background includes experience in both operating and exploration mining companies throughout North and South America. He brings audit experience from two of Vancouver's highly respected audit and accounting firms and has audit experience in mining companies with reporting for TSX, TSX Venture, and AMEX. His management background extends over 20 years and includes a diverse variety of operations and organizations.

SUMMARY & CONCLUSION

In the next few weeks, AUN will provide 43-101 update as well as results from its first quarter of operations. With the 43-101, the company should be able to provide detailed guidance of its future cash flow, at which point, investors should get a clearer picture of the company's direction. If the company can deliver on the kind of numbers we suggested above, these shares should perform very well to the upside.

We see near-term production as only the beginning. Many Mexican historical mines have great potential by applying modern technology and increasing the size of their operations to take advantage of economies of scale. In La Negra, for example, AUN is mining only from 1 out of 23 existing ore bodies. Clearly, if several more mining faces can be exploited, a larger operation on an ongoing basis has the potential to expand production and profits dramatically. That's why the management is confident in upgrading the mill after new resources are found. In Rosario, historical silver grade is twice as high as La Negra, plus it has significant gold values. Also, we think new discoveries are likely and as such can significantly add to AUN's resource base. Most importantly, future exploration should be fully funded by operating cash flows and thus reduce shareholder dilution.

AUN has a market cap of only about \$84 million and \$16.5 million in the bank. It has a real possibility in our view of generating operating cash flow of \$20 million in 2008 and a very real chance of tripling that over the following two years. A strong balance sheet should allow AUN to achieve its production goal without any further dilution of its stock, according to the management. In addition, its shares came down more than 50% during the recent correction and are trading at 30% below its recent private placement level. All things considered, we believe AUN has a lot of upside if it can continue delivering into 2008.

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