

AURCANA CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2006

General

The following information, prepared as at May 23, 2006, should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2006 as well as the audited consolidated financial statements for the year ended December 31, 2005, the notes attached thereto and the related annual management's discussion and analysis. The company's critical accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars.

Introduction

Aurcana Corporation (the Company) 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.

Overview and Overall Performance

Aurcana is a junior natural resource issuer engaged in the acquisition and exploration of mineral exploration properties. Aurcana's primary focus is the exploration for gold and silver deposits in Mexico.

During the three months ended March 31, 2006 the Company:

On February 2, 2006, signed a LOI with Reyna Mining & Engineering S.A. de C.V. ("Reyna") to acquire the La Negra silver-zinc-copper-lead mine in Queretaro State, Mexico, approximately 250 kilometres northeast of Mexico City.

Under the terms of the LOI, the Company and Reyna will form a joint venture whereby the Company will own an 80% interest in La Negra, and Reyna will own 20%. Reyna has a LOI to acquire 100% of the La Negra mine from Industrialas Penoles S.A. de C.V. ("Penoles"). Under the terms of the acquisition Aurcana will own an 80% interest in the La Negra Mine and Reyna will own 20%. Aurcana will be responsible for the cost of the acquisition and up to US\$3.0 million in expected costs and working capital to bring the mine back into production. The total cost of the acquisition is US\$3.0 million of which US\$2.0 million is to be paid to Penoles on closing. The remaining payment of US\$1.0 million, will be due 12 months from closing. Under the terms of the LOI Aurcana is required to pay Reyna US\$25,000 on execution of the LOI (paid), US\$500,000 and US\$725,000 on the date which is twelve and twenty four months respectively from the execution of a definitive joint venture agreement. Aurcana will issue to Reyna three million shares of which one million shares will be issued on the execution of a definitive agreement and one million shares on each of the dates, which is twelve and twenty four months, respectively, following the execution of a formal joint venture agreement. In addition the Company will issue 1,000,000 warrants at a price of \$0.25 to Reyna. Each warrant will entitle Reyna to purchase one common share for a period of two years.

A finder's fee of 4% of the gross transaction of US\$4,250,000 in the amount of US\$170,000 will be paid in cash.

On March 17, 2006, announced a best efforts non-brokered private placement, for up to 22,500,000 units at a price of \$0.20 per unit for total gross proceeds of \$4,500,000. Each unit consists of one common share (a "Share") and one-half of a share purchase warrant. One full warrant (a "Warrant") will permit the holder to purchase a further common share (a "Warrant Share") for a period of 12 months from closing at a price of \$0.25 per Warrant Share. If the closing price of the Company's shares as traded on the TSX Venture Exchange ("Exchange") is at or over \$0.45 per share for 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the

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Overview and Overall Performance (Cont'd)

holders thereof. As at March 31, 2006 the Company had received subscriptions for 11,215,000 units for proceeds of \$2,243,000.

Subsequent to March 31, 2006 the Company:

On April 17, 2006 received Exchange approval on its non-brokered private placement for 22,350,000 Units for total proceeds of CDN\$4,470,000. Finders' fees in the amount of \$205,350 cash and 1,071,300 warrants were paid on portions of the placement. Each warrant entitles the holder to purchase one common share at a price of \$0.25 in accordance with the same terms and conditions of the Warrants described above.

On April 17, 2006 also received Exchange approval for its acquisition of the La Negra Mine from Penoles under the terms of the LOI between Aurcana and Reyna.

On May 18, 2006 executed the formal agreements with Penoles and Reyna for the acquisition of the La Negra Mine.

On May 23, 2006 triggered the Accelerated Expiry of the Warrants pursuant to the non brokered private placement for 22,350,000 units. The Warrant Expiry Date has been advanced to the close of business June 23, 2006. Any Warrants that have not been exercised on or before the Warrant Expiry Date will have been deemed cancelled. Should all of the Warrants be exercised, the Company will receive proceeds of approximately \$3.06 million and will have approximately 66.3 million shares issued and outstanding. Funds received will be used to advance development of La Negra as well as to provide general working capital.

Results Of Operations

Loss for the Period:

The Company is currently in the exploration stage, and does not have revenues from operations and, except for income from cash and cash equivalents, relies on equity financing for its continuing financial liquidity. The primary focus during the three months ended March 31, 2006 was the acquisition of the La Negra Mine. In support of this activity during the three months ended March 31, 2006, the Company reported a net loss of \$52,867 (\$0.00 loss per share) compared to a loss of \$33,606 (\$0.00 loss per share) reported on March 31, 2005. Included in the loss for the period were general exploration expenditures of \$7,708 compared to \$4,800 for the three months ended March 31, 2005.

The Loss before Other Items for the three months ended March 31, 2006 was \$45,628 compared to \$28,806 for the three months ended March 31, 2005. Although there were no significant increases reported for the three months ended March 31, 2006, in comparison to the three months ended March 31, 2005, the Company recorded a general increase for all cost centers as a result of the Company's work in relation to the acquisition of the La Negra Mine and the initiation of a non-brokered financing.

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Results Of Operations (Cont'd)

Capitalized Exploration Expenditures

Total investments in and expenditures on mineral properties for the three months ended March 31, 2006 was \$58,519 compared to \$8,755 for the comparative period March 31, 2005. The expenditures for the current period were acquisition costs incurred for the La Negra Mine, and for the comparative period related to the Company's Mexican projects, Altiplano and Real de Catorce.

Cash Flows:

Cash provided by operating activities for the three months ended March 31, 2006 was \$85,285 compared to cash used of \$45,190 for the comparative period ended March 31, 2005. The decrease in cash used was primarily a result of tax refunds received and an advance of funds provided by a director of the Company of \$30,000 for the initial cash payment of US\$25,000 required on signing of the LOI for the La Negra acquisition.

Cash used in investing activities for the three months ended March 31, 2006 was \$58,519 compared to \$8,755 for the comparative period March 31, 2005, all of which was for capitalized exploration expenditures as referred to above.

Cash provided by financing activities for the three months ended March 31, 2006 was \$2,243,468 and includes the exercise of stock options of \$23,500, the receipt of subscriptions in the amount of \$2,243,000, and net of shares issue costs of \$23,032. During the three months ended March 31, 2005 the Company did not receive any funds from financing activities.

Summary of Quarterly Results

Three Months Ended	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	Jun 30, 2005
Total Revenues	\$ —	\$ —	\$ —	\$ —
Investment in and expenditures on mineral properties	\$ (58,519)	\$ 82,569	\$ —	\$ (19,557)
Income (loss) before Other Items	\$ (45,628)	\$ (66,583)	\$ (34,465)	\$ (64,479)
Net Income (loss)	\$ (52,867)	\$ (238,716)	\$ (45,874)	\$ (300,419)
Income (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)

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Summary of Quarterly Results (cont'd)

Three Months Ended	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004	Jun 30, 2004
Total Revenues	\$ —	\$ —	\$ —	\$ —
Investment in and expenditures on mineral properties	\$ (8,755)	\$ (159,144)	\$ (168,084)	\$ (104,043)
Income (loss) before Other Items	\$ (28,806)	\$ (47,288)	\$ (47,006)	\$ (58,668)
Net Income (loss)	\$ (33,606)	\$ (269,902)	\$ (67,640)	\$ (95,473)
Income (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)

Significant items to report for the quarterly results are as follows:

The Net Loss for the following quarters included write off of mineral properties as follows:

- 1) December 31, 2005 - \$164,429
- 2) June 30, 2005 - \$222,621
- 3) December 31, 2004 - \$191,986
- 4) June 30, 2004 - \$21,000

The Loss before Other Items for the following quarter included stock based compensation expense as follows:

- 1) December 31, 2005 - \$33,203

Liquidity And Capital Resources

As at March 31, 2006, the Company had working capital of \$2,189,683, including \$2,306,894 in cash, \$6,257 of taxes receivable, less \$42,254 of accounts payable and \$81,214 of amounts due to related parties.

For the three months ended March 31, 2006, cash inflows exceeded cash outflows by \$2,270,234, which when combined with the \$36,660 cash balance from the year ended December 31, 2005, resulted in an ending cash position of \$2,306,894.

As at March 31, 2006 the Company was committed to rental payments of \$32,500 in aggregate to a company controlled by directors over the term of the lease expiring in January 2007.

As of May 23, 2006 the date of this discussion and analysis, the Company had triggered the Accelerated Expiry of its Warrants and should all Warrants be exercised the Company will received proceeds of approximately \$3.06 million which will be utilized to funds its obligations under the joint venture agreement as described hereinabove.

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Liquidity And Capital Resources (cont'd)

The primary factors that influence the future financial condition of the Company include the continued ability to raise equity capital and the level of expenditures required to meet its current commitments. As a mineral exploration company with no current revenue generating operations, the Company's cash flows consist of cash outflows for general and administrative expenses, mineral property expenditures, and expenditures for depreciable equipment such as computers and office equipment. Interest expense and income is expensed or credited against costs. Financing activities, such as share issuances, exercise of options and warrants result in cash inflows to the Company.

Transactions with Related Parties

During the three months ended March 31, 2006:

- (a) \$51,214 was due to companies related by common directors for management fees, rent and consulting fees; and
- (b) \$30,000 was due to a director for an advance of funds to the Company.

During the three months ended March 31, 2006, the Company:

- (a) paid or accrued management fees of \$21,000 to a company controlled by directors;
- (b) paid or accrued technical, geological and consulting services of \$3,088 to a company controlled by a director; and
- (c) paid or accrued rent of \$7,500 to a company controlled by directors.

These fees were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Changes in Accounting Policies

There were no changes or adoptions of new significant policies in the period.

Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value.

Issued and outstanding:

As at May 23, 2006 - 54,325,730 common shares were issued and outstanding at a recorded value of \$19,944,878.

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Outstanding Share Data (Cont'd)

Outstanding options, warrants and convertible securities as at May 23, 2006 were:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	12,246,300	\$0.25	June 23, 2006
Share purchase warrants	1,000,000	\$0.15	December 16, 2006
Stock options	475,000	\$0.12	February 28, 2007
Stock options	100,000	\$0.16	August 22, 2007
Stock options	20,000	\$0.13	September 25, 2008
Stock options	5,000	\$0.14	November 18, 2008
Stock options	750,000	\$0.10	December 15, 2010

There were no shares in escrow as at May 23, 2006.

Forward Looking Statements

This MD&A may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

Management's Responsibility For Financial Statements

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Company's management, including the chief executive officer and the chief financial officer, are responsible for the establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

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