AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") interim consolidated financial statements for the period ended March 31, 2014 and 2013, 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 May 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. 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 and financing; 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; in particular the market prices of silver, copper, zinc and lead. 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 operating 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 and a Qualified Person as defined by National Instrument 43-101, has reviewed and approved 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.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

Highlights:

	Q1 2014	Q1 2013	% chg	Q4 2013	% chg
Revenues ($ million) [1]	$13.0	$12.8	Up $0.2	$10.5	Up $2.5
Earnings from mining operations ($ million)	3.4	4.8	Down $1.4	1.6	Up $1.8
Net (loss) Income for the year ($ million)	(4.5)	0.4	Down $4.9	(120.0)	Up $115.5
Operating Cash Flow before movements in working capital items ($ million)	$0.89	$3.3	Down $2.4	($5.11)	Up $6
Silver equivalent ounces produced	919,989	593,017	Up 55%	702,595	Up 31%
Silver equivalent ounces sold [2] [5]	798,788	506,939	Up 58%	615,875	Up 30%
Silver Ounces produced	360,791	310,554	Up 16%	281,558	Up 28%
Silver Ounces sold (Payable at 95%) [2] [5]	310,554	267,349	Up 16%	251,393	Up 24%
Total Cash Cost per silver oz net of by-products [1] [3]	$6.22	$8.82	Down 30%	$9.06	Down 31%
Cash cost per silver Equivalent Oz produced [3]	$8.33	$11.48	Down 27%	$11.28	Down 26%
Production Cash Cost per milled tonne [3] [4]	$29.82	$40.01	Down 25%	$39.95	Down 25%
Copper, lead and zinc concentrates produced (tonnes)	9,812	6,283	Up 56%	7,325	Up 34%
Ore mined (tonnes)	207,544	200,494	Up 4%	212,039	Down 2%
Ore milled (tonnes)	257,140	170,081	Up 51%	198,427	Up 30%
Avge., revenue per payable eq. Silver oz sold [1] [3]	$16.33	$25.17	Down 35%	$17.07	Down 4%

[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 30.
[4] Depreciation and amortization not included.
[5] after the deduction of treatment and refining charges (TCRC).
Remarks: Revenues, earnings from mine operations and production and selling disclosures relate to the La Negra mine only.

Highlights compared to first quarter 2013 (unless otherwise noted):

- Total revenues in Q1 2014 were $13.0 million, up $0.2 million from $12.8 million in Q1 of 2013, mainly due to a combination of more ore being milled, a decrease of the inventories offsetting lower metal prices during the first quarter of the year.
- During Q1 2014 La Negra's mill averaged a throughput of 3,025 tonnes per day (tpd), a 39% increase from 2,181 tpd averaged during Q1 2013. Additional copper concentrate filter capacity was installed to allow sustainable production at these levels.

- 257,140 tonnes were milled in Q1 2014 at La Negra mine, up 51% from 170,081 tonnes in Q1 2013. Eighty-one per cent (81%) 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 a NI 43-101-compliant technical report titled "Technical Report on the La Negra Mine Project, Queretaro, Mexico", prepared by Behre Dolbear & Company (USA), Inc. Nineteen per cent (19%) of the tonnage was mined from other mineralized zones.
- Ore mined from the La Negra mine increased by 4% for a total of 207,544 tonnes during Q1 2014 (Q1 2013: 200,494 tonnes).
- The mill achieved an increase of 51% in ore milled for a total of 257,140 tonnes during Q1 2014 (Q1 2013: 170,081 tonnes).
- Silver equivalent production during Q1 2014 was 919,989 ounces, 55% higher than the 593,017 ounces produced in the same period of 2013.
- Cash cost per silver equivalent oz. produced in Q1 2014 was $8.33, down 27% from $11.48 in Q1 2013, mainly due to a greater increase of silver equivalent oz. produced than the increase to the cash cost compared with Q1 2013.
- Silver production during Q1 2014 was 360,791 ounces, up 16% from 310,554 ounces produced in the same period of 2013, due to an increase in the amount of ore milled. The average silver grade was 55 grams per tonne ("g/t") during Q1 2014, compared to 71 g/t in the same period of 2013. The decrease in silver grade during this period was due to an increase in mine development to support higher mine production rates in the future. 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 early Q3 2014.

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.

Review of Mine Operating Results - La Negra Mine

Quarter Ended	Mar-31 2014	Dec-31 2013	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012
Mine Production									
Mine Days	90	91	92	89	88	90	90	89	88
Mill Days	85	85	84	77	78	83	86	85	85
Ore mined (tonnes)	207,544	212,039	207,458	249,036	200,494	197,959	196,401	143,717	132,438
Ore milled (tonnes)	257,140	198,427	221,118	235,388	170,081	187,255	196,843	176,591	130,570
Average tonnes milled per day	3,025	2,334	2,632	3,057	2,181	2,256	2,289	2,078	1,536
Average Grade									
Silver (g/t)	55	58	55	59	71	72	80	80	81
Copper (%)	0.39%	0.45%	0.44%	0.40%	0.40%	0.44%	0.48%	0.42%	0.37%
Zinc (%)	1.31%	1.25%	1.21%	1.27%	1.27%	1.27%	1.43%	1.49%	1.53%
Lead (%)	0.26%	0.29%	0.28%	0.31%	0.39%	0.32%	0.36%	0.41%	0.45%
Recovery									
Silver	80	79	81	81	81	81	82	83	84
Copper	72%	71.6%	73.9%	70.2%	68.9%	74.1%	73.3%	71.1%	68.8%
Zinc	77%	71.3%	73.7%	72.6%	70.4%	73.3%	74.6%	74.4%	74.4%
Lead	73%	74.0%	74.8%	79.3%	80.6%	79.9%	80.1%	81.1%	81.2%
Metal Production (contained in concentrates)									
Silver (oz)	360,791	281,558	312,122	351,210	310,554	336,956	376,687	373,037	287,486
Copper (tonnes)	724	642	714	683	514	618	732	541	326
Zinc (tonnes)	2,579	1,766	1,965	2,210	1,530	1,611	2,120	1,950	1,478
Lead (tonnes)	496	426	452	558	518	491	553	575	482
Silver Equivalent (oz)	919,989	702,595	754,788	818,060	593,017	624,159	718,063	690,162	491,056
Concentrate grades									
Copper (%)	22%	23%	23%	23%	24%	26%	24%	22%	22%
Zinc (%)	46%	46%	46%	46%	46%	47%	46%	46%	48%
Lead (%)	59%	63%	61%	64%	64%	62%	61%	59%	62%

Management Discussion and Analysis for the quarter ended March 31, 2014

Quarter Ended Concentrate Inventories (tonnes)	Mar-31 2014	Dec-31 2013	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012
Copper									
Initial inventory	698	1,705	910	490	454	662	158	67	162
Production	3,342	2,791	3,133	2,968	2,139	2,419	3,063	2,516	1,475
Sales	3,808	3,093	2,338	2,548	2,103	2,627	2,559	2,425	1,570
Final Inventory	232	698	1,705	910	490	454	662	158	67
Zinc									
Initial inventory	501	655	443	467	249	479	83	79	242
Production	5,638	3,859	4,238	4,857	3,333	3,440	4,631	4,248	3,103
Sales	6,091	3,865	4,026	4,881	3,115	3,670	4,235	4,244	3,266
Final Inventory	48	501	655	443	467	249	479	83	79
Lead									
Initial inventory	66	113	105	81	31	145	109	75	39
Production	832	675	747	867	813	778	903	979	773
Sales	895	661	739	843	763	892	867	945	737
Final Inventory	3	66	113	105	81	31	145	109	75

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 was installed and commissioned during Q1 of 2014, to complete the expansion to allow for sustainable production at this level.
- During Q2 2013, the Company initiated a 15-hole surface 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 3,219 metres of diamond drilling during Q1 2014 versus 3,364 meters in the same period of 2013.
- 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 Project

On December 19, 2013 the Shafter Project was placed on "care and maintenance" following consideration and review of the development in light of existing economic conditions, lower silver prices and the likelihood of diminished resources that limited mining developments.

- During the three months ending March 31, 2014, the Company reduced operating overhead at the site through staff reductions, suspending capital-intensive projects and curtailing mill and refinery improvements. Site activities focused on interim reclamation measures including securing and stabilizing the tailings and the evaporation pond as well as maintaining required permits in good standing.
- During the comparable period ending March 31, 2013, the Shafter Project was under active development with the Company focused on increasing production, identifying higher grade zones and making capital improvements to the processing facility in order to improve throughput rate and recoveries.
- During the year ending December 31, 2013, the Company engaged Mine Development Associates ("MDA") to prepare a new resource estimate for the Shafter Project. This was made necessary by the inability of previous resource models to adequately predict grades and tonnages of those mineralized domains targeted for exploitation during ramp development towards the unmined deeper, eastern extension. 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 early access to this non-mined area delineated by Goldfields in the late 1970's and early 1980's. Following the decision to place the Shafter project on care and maintenance, the Company did not proceed with the completion of the new resource estimate in order to reduce costs.
- For the three months ending March 31, 2014, the Company recorded expenses related to putting mine in care and maintenance of $909,482 ($ nil for Q1 2013 and Q4 2013). This amount is mainly attributable to property taxes, maintenance, insurance premiums, rental equipment, supplies, contractor services and general expenses.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

Shafter Exploration

- The Company did not conduct any exploration activities during the three months ending March 31, 2014. During the comparable three months ending March 31, 2013, the Company's exploration group undertook a limited field programme of detailed mapping and sampling, anticipating a drill programme in the second quarter of 2013. This work located a number of drill set-ups to test for new silver and gold mineralization in close proximity to both the unmined Shafter and historical Presidio deposits.
- 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.
- During late March through May of 2014, the Company engaged several consultants to complete detailed reviews of the current and historic technical databases for the Project, in part to support a second group that was retained to provide an independent, confidential valuation of the Shafter Project.

Overall Performance

Earnings

The Company had earnings from mining operations at La Negra for the quarter ended March 31, 2014 in the amount of $3.4 million (2013: $4.8 million). The decrease in earnings from mining operations at La Negra for the current period against the same period of the previous year was mainly related to the decrease in metal prices, lower silver grade at La Negra mine; despite the increase in the volume of ore produced as result of the expansion of the La Negra mill throughput.

Management Discussion and Analysis for the quarter ended March 31, 2014

Revenue

Revenues: La Negra mine	Three months ended March 31, 2014	2013
Revenues from mining operations	**$ 13,045,780**	$ 12,761,811

Figures in $million:	2014	2013
Gross revenues from mining operations	**$ 16.4**	$ 15.0
Deductions treatment charges, refining and smelting charges deducted by the customers	**3.4**	2.2
Revenues from mining operations	**$ 13.0**	$ 12.8
Net Revenues by customer:		
Customer "A"	**$ 3.0**	$ 7.1
Customer "B"	**10.0**	5.7
Revenues from mining operations	**$ 13.0**	$ 12.8

Revenues derived from:	Three months ended March 31, 2014	2013
Silver	40%	53%
Copper	32%	26%
Zinc	22%	14%
Lead	6%	7%
Total	**100%**	**100%**

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

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

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

	Three months ended March 31,	
	2014	2013
TCRC:		
Copper/Silver Concentrate	13%	11%
Zinc Concentrate	34%	23%
Lead/Silver Concentrate	21%	16%

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

	Three months ended March 31,	
Price of metals sold:	**2014**	2013
Silver ($/oz)	$20.71	$29.52
Copper ($/lb)	$3.17	$3.62
Zinc ($/lb)	$0.92	$0.91
Lead ($/lb)	$0.94	$1.02

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

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

Cost of Sales

The cost of sales from the La Negra mine for the period ended March 31, 2014 was $9.7 million (2013: $8.0 million), which includes royalties, delivery freight, depletion, depreciation and amortization in the amount of $1.8 million for the current period (2013: $1.3 million). Depletion, depreciation and amortization increased in the current year due to the increase in mined and milled tonnes.

The production cash cost per milled tonne for the period ended March 31, 2014 was $29.82 (2013: $40.01). (*For discussion of this non-IFRS financial measure see page 30 and following*).

Market trend for metal prices is as follows:

Market Average Price	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Silver ($/oz)	$ 20.48	$ 20.82	$ 22.56	$ 23.16	$ 30.08	$ 32.66	$ 29.80	$ 29.42
Copper ($/lb)	$ 3.19	$ 3.24	$ 3.25	$ 3.23	$ 3.60	$ 3.59	$ 3.50	$ 3.57
Zinc ($/lb)	$ 0.92	$ 0.86	$ 0.84	$ 0.84	$ 0.92	$ 0.88	$ 0.86	$ 0.87
Lead ($/lb)	$ 0.96	$ 0.96	$ 0.95	$ 0.93	$ 1.04	$ 1.00	$ 0.90	$ 0.89

* 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.

Administrative Costs

	Three months ended March 31, 2014	2013
Administrative costs[1]	**$ 539,346**	$ 743,320
Professional fees	**107,502**	162,735
Investor relations	**38,997**	130,675
Marketing	**46,393**	157,796
Listing and filing fees	**11,009**	68,184
	$ 743,247	$ 1,262,710

[1] Administrative costs break down:

	2014	2013
Management fees	**$ 100,442**	$ 122,175
Rent and overhead	**37,596**	46,027
Travel and accommodation	**27,198**	103,835
Office	**27,105**	87,698
Salaries and Consulting fees	**241,768**	251,015
Directors Fees	**36,064**	72,917
Other	**69,173**	59,653
	$ 539,346	$ 743,320

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

The Company's financial quarterly information is as follows:

Quarter Ended		Mar-31 2014		Dec-31 2013		Sep-30 2013		Jun-30 2013
Total Revenues	$	13,045,780	$	10,513,695	$	10,359,644	$	11,337,026
Earnings from mine operations	$	3,360,700	$	1,569,125	$	2,565,765	$	2,551,101
Net Income (loss)	$	(4,496,612)	$	(120,020,146)	$	(15,468,790)	$	254,689
(loss) per share	$	(0.08)	$	(2.05)	$	(0.26)	$	-

Quarter Ended		Mar-31 2013		Dec-31 2012		Sep-30 2012		Jun-30 2012
Total Revenues	$	12,761,811	$	16,290,724	$	14,950,026	$	13,739,509
Earnings from mine operations	$	4,793,278	$	7,615,012	$	6,407,942	$	5,480,639
Net Income	$	391,737	$	2,960,480	$	3,595,607	$	1,403,126
Income per share	$	-	$	0.01	$	0.01	$	-

- In the quarter ended March 31, 2014, earnings from mine operations increased $1,791,575 or 114% compared to the quarter ended December 31, 2013, primarily attributed to the increase of the milled ore and reduction of the inventories. Net loss for the period was $5,422,314; mainly due to the increased unrealized foreign exchange expense of $2,290,591, the accretion of borrowings of $1,784,122, loss on change of the fair value of derivatives of $919,678, and expenses related to Shafter care and maintenance of $909,482.

- In the quarter ended December 31, 2013, earnings from mine operations decreased $996,640 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 results of the appraisal of 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, and also due to increased financing expenses of $858,558.

- 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 of $4,527,094 and mineral properties of $1,611,348 in Shafter, as a result of lower metal prices, and temporary suspension of 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.

Liquidity

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities; in particular the prices of silver, copper, zinc and lead. 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.

As at March 31, 2014, the Company had consolidated cash and cash equivalents of $5.6 million, and a consolidated working capital deficiency of $10.2 million. The consolidated working capital deficiency is largely a result of the current portion of amounts due under the Company's borrowings.

During 2013, MF2 Investment Holding Company (Cayman) Limited ("Orion"), an affiliate of Orion Mine Finance Fund I, entered into a loan agreement (the "Loan Agreement"), pursuant to which Orion provided the Company with a $50 million loan. Orion and the Company also entered into an offtake agreement (the "Offtake Agreement") related to Shafter production to sell silver and gold produced from the Shafter mine to Orion at market prices for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision. The loan proceeds were used by the Company to finance the construction and upgrade work for the Shafter mine and the balance of the loan was used to repay certain indebtedness and for operating purposes of the La Negra properties. The loan was for 39 months and required monthly payments commencing 4 months after closing, which occurred September 19, 2013. The Loan Agreement provided for an early repayment option at any time without charge. Interest payable was set at 3 month US$ 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 March 31, 2014, the Company and Orion reached an agreement to amend the Loan Agreement, terminate the Offtake Agreement and announced a private placement; please refer to the Subsequent Events section for more information.

The Company also entered into a short-term loan in the amount of $18 million with one of its concentrate purchasers. As of March 31, 2014, the remaining $4,750,000 balance of this loan was fully paid.

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.

See also subsequent events on page 20.

Capital Resources

At March 31, 2014, the Company had $5.6 million in cash and cash equivalents and a working capital deficiency of $10.2 million.

a) The Company has commitments for capital expenditures as of March 31, 2014 related to capital equipment contracts for the amount of $3,358,528 due as follows:

Schedule of principal repayments is as follows:		March 31 2014
	2014	$ 2,101,287
	2015	1,242,427
	2016	14,814
		$ 3,358,528

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 March 31, 2014 related to leased equipment contracts for the amount of $2,758,542 due as follows:

Operating Leasing

	March 31 2014	December 31 2013
2014	**$ 897,858**	$ 1,197,144
2015	**1,197,144**	1,197,144
2016	**663,540**	663,540
	$ 2,758,542	$ 3,057,828

As of March 2014, the Company has a commitment in the amount of $1,212,663 to an equipment manufacturer in order to acquire a raise bore machine for La Negra mine.

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 May 29, 2014, the Company had 74,912,065 common shares issued and outstanding.

As at May 29, 2014, the Company had 3,328,134 common share purchase options outstanding at various exercise prices and maturing at various future dates.

As at May 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	$2.04	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 the Related Parties 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	March 31 2014	March 31 2013
Technical and consulting fees	(i)	$ -	$ 110,047
Management fees	(ii)	100,442	122,175
Consulting fees		$ 100,442	$ 232,222

i) To companies controlled by officers or directors.
ii) To a company controlled by the President & CEO for management services performed.

During the three month period ended March 31, 2014, 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-Scholes model. The fair value of the warrants was recorded as a 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.

Orion is a related party based on their current shareholdings after the time the loan amendment was agreed on April 29, 2014. See also subsequent events on page 20.

Compensation of key management personnel:

	March 31 2014	March 31 2013
Consulting fees	$ 100,442	$ 232,222
Directors' fees	36,064	72,917
Officer salaries	77,021	77,381
Stock-based compensation	128,762	1,909,498
	$ 342,289	$ 2,292,018

Commitments and contingencies:

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. Subsequent to March 31, 2014, the Company and Orion reached an agreement to amend the Loan Agreement and terminate the Offtake Agreement; for further information, see the Subsequent Events section.

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 March 2014, the Company has a commitment in the amount of $1,212,663 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 and former 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.

Off Balance sheet arrangements – None applicable.

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:

On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 outstanding unsecured loan (the "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 Loan 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 issued 16,499,501 common shares of the Company (the "Settlement Shares") to the Lender 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 Offtake Agreement in respect of the Shafter Mine. 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 were 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 continues to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The Loan continues to be guaranteed by Aurcana's subsidiaries and is 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.

The Company entered into an engagement letter with Dundee Securities Ltd. (the "Underwriter"), pursuant to which the Underwriter has agreed to act as a sole underwriter in connection with a marketed underwritten private placement of an aggregate of up to 8,000,000 units (each unit a "Unit") of the Company at a purchase price of Cdn$0.65 per Unit (the "Purchase Price") for aggregate gross proceeds to the Company of up to Cdn$5,200,000 (the "Offering") as announced April 29, 2014.

Each Unit will consist of one common share (a "Share") of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase an additional common share (a "Warrant Share") of the Company at an exercise price of Cdn$0.90 per Warrant Share for a period of 24 months from the closing of the Offering.

In addition, the Company will grant to the Underwriter an option (the "Over-Allotment Option") to purchase up to an additional 1,200,000 Units (for additional gross proceed of Cdn$780,000) exercisable at the Purchase Price at any time in whole or in part up to 48 hours prior to the closing date. If this option is exercised in full, the aggregate gross proceeds of the Offering to Aurcana will be Cdn$5,980,000.

In consideration for the services provided by the Underwriter to the Company under the Offering, the Company will pay to the Underwriter a commission of 6% of the gross proceeds raised under the Offering, including any Units sold under the Over-Allotment Option payable by the issuance of Units. In addition, the Company will issue to the Underwriter a compensation warrant which entitles the Underwriter to purchase such number of common shares of the Company as is equal to 6% of the number of Units sold under the Offering, including any Units sold under the Over-Allotment Option, exercisable at the Purchase Price for a period of 24 months from the Closing.

Completion of the Offering is subject to the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange. All securities issued in connection with the Offering will be subject to a hold period under applicable securities laws expiring four months and one day following issuance of the securities. There is no guarantee that the private placement can be completed.

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 March 31, 2014, the Company’s Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		March 31, 2014
Cash and cash equivalents	CDN$	33,256
Other receivable		63,241
Accounts payable		(258,633)
	CDN$	(162,136)
USD$ Equivalent		**(146,663)**

Based on the above net exposures as at March 31, 2014, 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 $14,666 change to the Company's net income for the period.

At March 31, 2014, 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:

		March 31, 2014
Cash and cash equivalents	MXP$	560,377
Other receivable		2,013,616
Accounts payable		(81,590,092)
	MXP$	(79,016,099)
USD$ Equivalent		**(6,039,278)**

Based on the above net exposures as at March 31, 2014, 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 $603,928 change to the Company's net income for the period.

Debt host and embedded derivatives

The offtake derivative is a written option and is 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 fair value through profit and loss 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 $1.8 million has been recognized for the period ended March 31, 2014.

Subsequent to March 31, 2014, the Company and Orion reached an agreement to amend the Loan Agreement and terminate the Offtake Agreement; for further information, see the Subsequent Events section.

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 March 31, 2014 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 period. 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.

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 March 31, 2014:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (10,926,500)	$ -	$ -	$(10,926,500)	Level 3
Borrowings	-	-	(34,684,115)	(34,684,115)	n/a
Capital lease	-	-	(3,358,528)	(3,358,528)	n/a
	$ (10,926,500)	**$ -**	**$ (38,042,643)**	**$(48,969,143)**	

The following table summarizes 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)**	

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of March 31, 2014 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. The prepayment option derivative was valued upon initial measurement and subsequent periods using a methodology, which is based on Monte-Carlo simulation. The default intensity of the Company is generated using a square-root diffusion process. Monte Carlo simulation is a technique that 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 its valuation include: the USD discount curve, the USD 1 month forward curve, the USD 1 month historical LIBOR rate, 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 probability of the early acceleration of the loan repayment and expected recovery.

Subsequent to March 31, 2014, the Company and Orion reached an agreement to terminate the Offtake Agreement; for further information, see the Subsequent Events section.

The Company's credit spread as of the respective inception dates of September 19, 2013 was calibrated by setting the fair value of the credit facility and the silver Offtake Agreement equal to total proceeds of transaction, resulting in a credit spread of 31.33% as at the inception date ("the calibrated spread"). The credit spread assumption as at March 31, 2014 was 45% given the decreased credit worthiness of the Company and expectations of the accelerated loan repayment. The probability assumption for the scenario of accelerated repayment of the Orion loan and the Offtake Agreement at March 31, 2014 was 25%, while the probability assumption for the scenario of the restructure of the Orion loan and the Offtake Agreement was 75%. The expected recovery rate in the event of default was 50% in both scenarios.

Sensitivity of the derivatives valuation to changes in the assumptions

	5% decrease in credit spread	5% increase in credit spread
Increase/(decrease in fair value at March 31, 2014	$254,732	($209,557)

	5% decrease in probability for accelerated repayment	5% increase in probability for accelerated repayment
(Decrease)/increase in fair value at March 31, 2014	($44,252)	$44,252

	10% decrease in recovery	10% increase in recovery
(Decrease)/increase in fair value at March 31, 2014	($1,230,232)	1,376,603

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 15.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

Risks and Uncertainties*:*

The operations of Aurcana are speculative due to the high risk nature of its business which involves silver, copper, lead and zinc production and the exploration and development of mining properties. The following is a brief discussion of the 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.

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.

Litigation Risk

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers and former 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 it is a law now. 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. 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 mineral 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, subject to applicable corporate laws, 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 mine 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 mine 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.

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 are 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.

	Three months ended March 31,	
	2014	2013
Cash cost		
Cost of sales per financial statements	**$ 9,685,080**	$ 7,968,533
Less royalties, profit sharing employees and changes in inventories	**(587,982)**	(141,182)
Less freight and delivery	**(507,829)**	(300,543)
Less depreciation and amortization	**(892,434)**	(687,148)
Less depletion of mineral properties	**(28,731)**	(34,054)
Total production cash cost	**7,668,104**	6,805,606
Silver Equivalent Oz. Produced	**919,989**	593,017
Cash cost per silver Equivalent Oz produced	**$ 8.33**	$ 11.48

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.

	Three months ended March 31,	
	2014	2013
Cash cost		
Cost of sales per financial statements	**$ 9,685,080**	$ 7,968,533
Less royalties, profit sharing employees and changes in inventories	**(587,982)**	(141,182)
Less freight and delivery	**(507,829)**	(300,543)
Less depreciation and amortization	**(892,434)**	(687,148)
Less depletion of mineral properties	**(28,731)**	(34,054)
Total production cash cost	**7,668,104**	6,805,606
Tonnes milled	**257,140**	170,081
Production Cash Cost per milled tonne	**$ 29.82**	$ 40.01

c) Average revenue per payable equivalent silver oz. sold

	Three months ended March 31,	
	2014	2013
Revenues from mining operations	**$ 13,045,780**	$ 12,761,811
Silver equivalent ounces sold	**798,788**	506,939
Average revenue per payable eq. Silver oz sold	**$ 16.33**	$ 25.17

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2014

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 52-109 – Certification of disclosure in an Issuer's Annual and Interim Filings ("NI 52-109"), 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 inNI 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**.**