

AURCANA CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Month-Period Ended March 31, 2007

May 25, 2007

This Management Discussion and Analysis supplements, but does not form part of, the unaudited consolidated financial statements of the Company and the notes thereto for the period ended March 31, 2007. Consequently, the information set forth below should be read in conjunction with the unaudited consolidated financial statements for the period ended March 31, 2007 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles.

Additional information, including the audited consolidated financial statements and the notes thereto, for the year ended December 31, 2006, can be found on SEDAR at www.sedar.com. All amounts are expressed in Canadian dollars unless otherwise indicated.

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

La Negra

During the 3 month period ended March 31, 2007, refurbishment of the mill at La Negra continued with a focus on upgrading the floatation circuit for zinc and copper and the construction of new, larger thickener tanks for zinc and copper concentrates. These upgrades will create efficiency in the mill but they are also aimed at increasing the daily throughput to 1,000 tonnes. In addition to this work staff at the mine was completing work on minor components in the mill that would allow for a start-up of operations in the second quarter. In the mine, progress in the first quarter was made on increasing the above ground stockpile to approximately 50,000 tonnes of ore in anticipation of starting the mill in April. The ore produced in the first quarter was from the Alacran zone where the Company began mining in the fourth quarter ended December 31, 2006.

On January 24, 2007 the Company's Mexican subsidiary Minera La Negra entered into an agreement withTrafigura for the La Negra Mine to sell its zinc concentrate to Trafigura. The Company was able to negotiate with Trafigura a US\$500,000 working capital loan which was drawn down 100% at the time of the advance. The Loan is to be repaid in installments to commence April 1, 2007 to December 1, 2007 and the Company has signed as Guarantor on 100% of the loan.

On February 9, 2007 the Company reached an agreement to amend the terms of the original purchase agreement to acquire the La Negra Mine from Industrias Penoles, SA de CV ("Penoles"), whereby the Company paid the remaining and final payment to Penoles totaling US\$1,000,000 by the issuance of 1,114,631 common shares of the Company. With this amendment, the Company has no further payments to Penoles and now owns with its partner, Reyna Mining, 100% of La Negra.

Rosario

On February 8, 2007 the Company entered into an Option Agreement with Grupo Mexico to acquire a 100% interest in the silver – zinc – lead – gold Rosario Property located in south eastern Sinaloa State, Mexico. Under the terms of the Option Agreement the Company has the exclusive option, but not the obligation, to purchase the assets of the Rosario Property (the "Option to Purchase"). The Company may, subsequent to its technical and legal review of the Rosario Property agree to execute, within a term of six (6) months following the date of signing the Option Agreement, exercise the Option to Purchase and execute a Sale and Purchase Agreement to acquire the 100% undivided interest in the Rosario Property. In the event the Company executes the Sale and Purchase Agreement, consideration for the purchase of the Rosario Property is US\$3,000,000.00 ("Purchase Price"), US\$250,000 is due upon signing of the

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Overview and Overall Performance (Cont'd)

Option Agreement (paid). Should the Company proceed with the Purchase Agreement the US\$250,000 payment will form part of the Purchase Price. The remaining Purchase Price of US\$2,750,000 will be payable over two years and is subject to a guarantee from Aurcana ("Guarantee").

A cash finders fee of US\$182,500 is payable to Reyna Mining Engineering S.A. de C.V. upon execution of the Sale and Purchase Agreement and the delivery of the Guarantee.

Financing

On March 7, 2007 and March 9, 2007 the Company closed a brokered private placement and a non-brokered private placement respectively for gross proceeds of \$21.0 million by issuing in aggregate 16.8 million units at a price of \$1.25 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at any time up to 18 months after the closing of the private placement at a price of \$1.85 per share; provided that if the closing price of the Company's shares as traded on the TSX-VE, subsequent to four months from Closing, is at or over \$3.00 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 holders thereof.

On the brokered private placement, the Company paid to the Agent a commission of \$350,000 representing 7% of the gross proceeds of the private placement and issued to the Agent 50,000 common shares of the Company in payment of a corporate finance fee. In addition, the Agent received 280,000 Agent's warrants (the "Agent's Warrants") representing 7% of the Units sold. Each Agent's Warrant is exercisable at any time up to 18 months following the closing of the private placement at an exercise price of \$1.50 per share.

The Company in connection with the non-brokered private placement will pay finders fees of 5% of the gross proceeds and warrants representing 5% of the gross Units sold on a portion of the financing. The warrants will be exercisable at any time up to 18 months following the closing of the private placement at an exercise price of \$1.50 per share.

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Risk Factors

The operations of Aurcana are speculative due to the high risk nature of its business which involves the exploration and development of mining properties. The a detailed list of the nature of the risk faced is disclosed in the annual management discussion and analysis report at December 31, 2006. This is available on SEDAR at www.sedar.com

Results of Operations

Loss for the Period:

The Company is currently in the development 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 period ended March 31, 2007 was redeveloping the operational capacity of the La Negra mine. In support of this activity during the period ended March 31, 2007, the Company reported a loss before other items of \$3,086,219 compared to a loss of \$46,764 for March 31, 2006. The substantial increase in expenditures related to primarily to stock based compensation expense of \$2,863,621 (2005 - \$nil); the increase in investor relations expense of 52,552 (2006 - \$nil) related to substantial market interest in the growth of the company; and expense increases related to the activities of putting the mine into operation in the following areas: management fees of \$44,125 (2006 - \$21,000), consulting fees of 34,073 (2006 - 7,063), professional fees of 21,951 (2006 - 250) travel fees of \$16,852 (2006 \$nil), regulatory fees of 11,582 (2006 - 7,500) transfer agent and shareholder information fees of \$8,786 (2006 - 3,442) and insurance of 6,077 (2006 - \$nil) were recorded.

The net loss of \$3,331,634 (\$0.04 loss per share) compared to a loss of \$52,867 (\$0.00 loss per share) reported in 2006, included property evaluation expenditures of \$4,219 (2006 - \$nil), a foreign exchange conversion loss of \$319,880 (200 - \$469) and other income of \$78,684 (2006 - \$1,136).

Capitalized Mineral Property Expenditures

Expenditures on mineral properties for the period ended March 31, 2007 was \$2,161,753 compared to \$58,519 for the comparative period March 31, 2006. The expenditures for the current year were acquisition and deferred explorations costs incurred for the La Negra Mine and the Rosario property, and for the comparative period related to the initial costs of acquiring La Negra.

Purchase of equipment for the period ended March 31, 2007 was \$96,079 (2006 - \$nil) primarily related to the La Negra mine.

Cash Flows:

Cash inflows in operating activities for the period ended March 31, 2007 was \$349,894 compared to \$85,285 for the comparative period ended March 31, 2006. This was primarily related to changes in non cash working capital.

Cash used in investing activities for the period ended March 31, 2007 was \$2,300,257 related to expenditures on mineral properties for acquisition and deferred exploration costs for the La Negra mine and for the purchase of mine vehicles, mining equipment and computer equipment. For the comparative period ended March 31, 2006 cash used in investing activities was \$58,519 which related to acquisition expenditures on the La Negra site.

Cash provided by financing activities for the period ended March 31, 2007 was \$20,379,214 which was the result from proceeds from the issuance of common shares pursuant to two private placements, the exercise or warrants and options. In addition the Company received proceeds of \$509,593 from a loan payable for capital equipment acquisitions at La Negra.

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Summary of Quarterly Results

Quarter Ended	Mar 31, 2007	Dec 2006	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase of Equipment	\$ 96,079	\$ 80,339	\$ -	\$ (190,212)	\$ -	\$ -	\$ -	\$ -
Expenditures on Mineral Properties	\$ 2,161,753	\$ (3,293,897)	\$ 120,804	\$ 2,730,460	\$ (58,519)	\$ 82,569	\$ -	\$ (19,557)
Income (loss) before other items	\$ (3,086,219)	\$ (1,395,015)	\$ (1,482,114)	\$ (180,502)	\$ (45,628)	\$ (66,583)	\$ (34,968)	\$ (64,479)
Net Income (loss)	\$ (3,331,634)	\$ (1,922,656)	\$ (1,210,249)	\$ (428,441)	\$ (52,867)	\$ (238,716)	\$ (45,874)	\$ (300,419)
Income (loss) per share	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
			\$	\$	\$	\$	\$	\$

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

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

- 1) June 30, 2006 - \$157,759
- 2) December 31, 2005 - \$164,429
- 3) June 30, 2005 - \$222,621
- 4) December 31, 2004 - \$191,986

Liquidity and Capital Resources

As at March 31, 2007, the Company had a working capital surplus of \$17,390,281 as result of the Company's current assets of \$21,078,725 including \$20,440,309 in cash, \$608,080 of receivables, and \$30,336 in prepaid expenses less \$1,359,709 of accounts payable, current portion of long term debt of \$360,694, loans payable of \$1,405,403.

For the period ended March 31, 2007, cash inflows exceeded cash outflows by \$18,428,851, which when combined with the \$2,011,458 cash balance from the period ended December 31, 2006, resulted in an ending cash position of \$20,440,309.

The primary factors that influence the future financial condition of the Company include the ability to bring the La Negra mine into full operation and effectively produce concentrates.

Transactions with Related Parties

During the 3 month period ended March 31, 2007, the Company paid or accrued

- Management fees of \$67,984 (2006 - \$36,214) to a company controlled by directors;
- Technical, geological and consulting services of \$30,484 (2006 - \$3,088) to a company controlled by a director;
- Rent of \$11,582 (2006 - 15,000) to a company controlled by directors;

As at March 31, 2007:

- Prepaid expenses and deposits included an amount of \$6,625 (December 31, 2006 - \$6,625) for management fees paid to a company controlled by directors; and
- Accounts payable included \$1,077 (December 31, 2006 - \$1,077) to a company controlled by a director.

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

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Commitments

Supply agreement

On November 14, 2006, Minera La Negra signed a purchase contract with Trafigura Beheer B.V. ("Trafigura") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper concentrate to be produced during the years 2007, 2008 and 2009 by the La Negra Mine. Production is estimated to be 8,000 to 10,000 tons per year for prices based on the published prices in the Metal Bulletin in London in US dollars (note 9).

Office Lease

Effective October 1, 2006, the Company executed a lease for new office space for a period of 14.5 months less two days, expiring on December 13, 2007, at a monthly rate of \$3,420 per month.

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 March 25, 2007 – 89,188,933 common shares were issued and outstanding at a recorded value of \$45,411,782.

Outstanding options, warrants and convertible securities as at March 25, 2007 were:

Options	Exercise	Number
Expiry Date	Price	of Shares
August 18, 2008	\$ 0.59	75,000
September 28, 2008	\$ 0.13	20,000
November 18, 2008	\$ 0.14	5,000
August 18, 2011	\$ 0.59	2,150,000
August 24, 2011	\$ 0.59	600,000
March 22, 2012	\$1.50	2,200,000
March 30, 2012	\$1.65	300,000
		<hr/> 5,350,000 <hr/>

Share Purchase Warrants	Exercise	Number
Expiry Date	Price	of Warrants
May 18, 2008	\$ 0.25	1,000,000
November 7, 2008	\$1.85	2,000,000
November 9, 2008	\$1.85	6,400,000
November 9, 2008	\$1.50	705,950

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.

As of December 31, 2005, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of March 31, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*) and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the President and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In conducting the evaluation management is aware due to the current small size of the Company that it relies upon certain informal procedures and communication, and upon "hands on" knowledge of senior management. Management intends to formalize certain of its procedures. In the interim, and until such time as the additional staff has been identified, the Company will continue to rely on an active Board Management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. It should be noted that any system of controls whether formal or informal, are based upon certain assumptions designed to obtain reasonable assurances as to the effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should any such occurrence transpire, the Company will take all reasonable steps necessary to minimize the consequences thereof.

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