AURCANA CORPORATION
Report to Shareholders and
Management Discussion and Analysis of
Financial Position and Results of Operations
For the Nine Months Ended 30 September 2007

22 November 2007

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements as of and for the year ended 31 December 2006 and the unaudited interim consolidated financial statements for the nine months ended 31 September 2007.
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.

To the Shareholders

General
We are pleased to report the results for the nine months ended 30 September 2007 including the results from our silver-copper-lead-zinc mining operations at the La Negra mine, as well as the continuing development of the Rosario project. Net income for the nine-month period was $389,738 ($0.00. per share basic and diluted) before non-cash items and the net loss was $3,373,795 ($0.04 per share basic and diluted) after non-cash items. Sales for the third quarter under review were $3,936,456. Net income for the quarter was $754,142 ($0.01 per share basic and diluted) before non-cash items and a loss of $144,422 ($0.00 per share basic and diluted) after non-cash items.

Nature of Business
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.

The Company is listed on the TSX Venture Exchange under the symbol AUN and 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-Copper-Zinc-Lead mines in Mexico. The Company is currently operating the La Negra mine, through its 80% joint venture share in Real de Maconi S.A. de C.V. in the state of Queretaro and is redeveloping the Rosario mine, through it 100% owned subsidiaries Aurcana de Mexico S.A. de C.V. and Minera Aurcana S.A. de C.V in the state of Sinaloa.

The Company began recognizing revenues from the La Negra mine on 01 July 2007, upon reaching consistent production targets beyond 75% of production in the month of June. Acquisition of the Rosario silver-lead-zinc-gold property located in south eastern
Sinaloa State, Mexico was completed during the quarter and development is well underway, such that management remains committed to beginning production at this facility in the last quarter of 2008.

Overall Performance

La Negra

The Company continues to benefit from strong metal prices and has good cash and working capital position.

During the third quarter the operation performed as expected. Efforts during the first six months of 2007 were concentrated on ensuring the mill was reconditioned to obtain a capacity of 1,000 tonnes per day, an increase of 25% of the previous operating capacity.

Morale at the mine continues to be high and recent monthly production levels at the mine are on target with expectations of an average of 1,000 tonnes per day and monthly sales on target with expectations. A significant level of the stock pile inventory has been processed through the mill. It is expected that with the recent acquisition of new underground equipment the mine will sustain production to meet mill throughput.

Subsequent to the end of the period under review, a 15,000 meter underground diamond drill exploration program commenced.

Rosario

On 22 February 2007, the Company received Exchange approval to enter into an Option Agreement to acquire, through its subsidiary, Aurcana de Mexico, an 100% interest in a silver-zinc-lead-gold Property, Rosario (Rosario) located in Sinaloa State, Mexico for $US 3,000,000.
Following its technical and legal review of the Rosario Property, the Company on 7 August 2007 exercised the Option to Purchase and executed a Sale and Purchase Agreement to acquire a 100% undivided interest in Rosario, under the following terms

22 Feb 2007 US $250,000 upon signing the option agreement (paid)
7 August 2007 US $250,000 upon signing the purchase agreement (paid)
7 February 2008 US $1,250,000
7 February 2009 US $ 1,250,000

Development at the Rosario site has been proceeding well and the Company expects to begin production from the mine before the end of fiscal 2008. To assist in meeting its goal of production start up in the last quarter of 2008, Aurcana has acquired a critical piece of mill equipment. Currently, lead times in the mining industry for both mill equipment and mining equipment are becoming increasingly longer but Aurcana has been successful in securing a SAG ("Semi-Autogenous Grinding") mill that will be instrumental in the refurbishment of the Rosario mill and ensure that timelines are maintained. The SAG mill is capable of processing up to 1200 tonnes per day.

Selected Quarterly Information

All of the quarterly financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles, applied on a consistent basis:

		Q3		Q2		Q1		Q4
Quarter Ended		30 September 2007		30 June 2007		31 March 2007		31 December 2007
Total Revenues	$	3,936,456	$	-	$	-	$	-
Purchase of Equipment	$	330,771	$	358,418		138,504		80,339
Expenditures on Mineral Properties	$	1,495,895	$	845,276		2,161,753		3,293,897
Income (loss) before other items	$	(144,422)	$	(164,761)		(3,086,219)		(1,395,015)
Net Income (loss)	$	(144,422)	$	102,261		(3,331,634)		(1,922,656)
Income (loss) per share	$	(0.00)	$	0.00		(0.04)		(0.03)
		Q3		Q2		Q1		Q4
		30 September 2007		30 June 2007		31 March 2007		31 December 2007
Total Revenues	$	-	$	-		-		-
Purchase of Equipment	$		$	190,212		-		-
Expenditures on Mineral Properties	$	120,804	$	2,688,219		58,519		82,569
Income (loss) before other items	$	(1,482,114)	$	(34,968)		(45,628)		(66,583)
Net Income (loss)	$	(1,210,249)	$	(45,874)		(52,867)		(238,716)
Income (loss) per share	$	(0.01)	$	(0.00)		(0.00)		(0.01)

The third quarter marks the first quarter in which the Company has recognized sales and therefore comparatives are difficult to provide, however, La Negra Mine shipped close to $5,000,000 worth of concentrate in the quarter, of which $3,936,456 represents the company's 80% share of the joint venture.

In the prior periods the Company has recorded net losses as it has been in the process of acquiring and bringing into operation the mine at La Negra. The second quarter of 2006 included the initial acquisition of the La Negra property and the first quarter of 2007 includes a stock-based compensation expense of $2,863,621 related to stock options grants, all of the options vest upon granting, the expense is recognized in the quarter. The 2nd quarter of 2007 saw net income principally as a result of a foreign exchange gain and interest on cash balances.

Results of Operations

Production
Production, at La Negra, for the three and nine months ended was 74,000 metric tonnes of ore producing 3,800 tonnes of concentrate and as this is the first quarter of production it is not possible to compare production rates with historic results. The target production levels are 1,000 of ore production per day on a 75 day quarter for a total expected production of 75,000 metric tonnes.

Sales
The mine generated sales of $4,951,000 during the quarter ended 30 September, of which the Company's share is $3,936,000. Comparatives are, again, not possible as the Company had no prior sales.

Operating Margin

The Company's gross margin for the quarter under review was $1,194,000 or 30%, and reflects the efforts that the Company has made to bring production to market quickly. The cost of sales for the three months ended 30 September 2007 were $2,742,000 and will result in lower cost of sales in the future. Operating costs during this quarter which marked the Company's first commercial production are expected to be lower in subsequent quarters . Recent equipment acquisitions, along with scheduled maintenance and final refurbishments of existing facilities continue to result in improved efficiency.

Other Expenses

Administrative expenses net of other items, totaled $543,000 as follows:

		Q3 2007		Q2 2007
Management fees	$	37,000	$	31,000
Rent and overhead		7,000		13,000
Travel and accommodation		17,000		44,000
Office and stationary		310,000		34,000
Insurance		10,000		6,000
Consulting		162,000		61,000
	$	543,000	$	188,000

No year to year comparatives have been provided, for lack of history. It should be noted by the reader that many costs were deferred until the current quarter as the Company was in start-up mode. The preceding period costs exclude the administrative costs associated with La Negra as those costs have previously been capitalized and are expensed over time as a part of mineral properties.

The two predominant increases in administrative costs are in office and consulting, the former is a result of the recognition of the office costs at La Negra (including specific administrative management fees) and the latter a one-time charge for the work on a 43-101 report on the mineral properties at La Negra.

Income

Net loss for the current quarter of $144,000 ($0.00 per share basic and diluted) compares with a loss of $1,482,000 ($0.01 per share basic and diluted) from the same period in 2006.

Net loss for the nine months of $3,374,000 ($0.04 per share basic and diluted) compares with a loss of $1,692,000 ($0.03 per share basic and diluted) from the same period in 2006.

Cash Flows

Cash flow from operating activities (before changes in non-cash working capital) for the quarter was $754,000 compared to the cash flow of $181,000 for the same period of the previous year. For the nine months ended 30 September 2007, the Company generated a positive cash flow from operations (before changes in non-cash working capital) of $390,000 compared to negative cash flow of $143,000 for the same period in the prior year.

Within non-cash working capital for the nine-month period, the most notable changes for the current quarter were a $1,008,000 increase in trade accounts receivable, a $1,537,000 increase in other accounts receivable, a $296,000 increase in inventory, and a $1,550,000 increase in accounts payable providing a net cash inflow of $1,213,000 from changes in non-cash working capital items.

For the nine-month period, the Company received completed a $21,000,000 financing and received, net of expensed, $20,020,000 from the issuance of shares (see "Outstanding Share Capital"), and repaid $1,130,000 of long-term debt.

After taking into account $4,503,000 incurred on mineral property development and capital asset purchases of $785,000, there was a net increase in cash balances of $14,820,000 for the nine months ended 30 September 2007.

At 30 September 2007, cash balances totaled $14,820,000.

Liquidity

The working capital position of the Company is positive. Current assets exceed current liabilities by $14,264,000 compared to a working capital deficiency of $922,000 at 31 December 2006. While management expects positive cash flow from the La Negra operation there will still be considerable outflows in the near term as the Rosario project is developed.

Outstanding Share Capital

As at 30 September 2007 (and as at the date hereof) the Company had outstanding 90,368,933 common shares. In addition the Company had outstanding 5,100,000 share purchase options and 10,105,950 share purchase warrants for total diluted shares outstanding of 105,574,883.

As at the date hereof, the Company had outstanding 90,493,933 common shares, which reflects the exercise of 125,000 options subsequent to 30 September 2007. In addition, the Company has outstanding 4,975,000 share purchase options and 10,105,950 share purchase warrants for total diluted shares outstanding of 105,574,883.

For the nine-month period, the Company closed private placements of 16,850,000 shares for net proceeds of $19,770,110. In addition the company issued 2,114,631 shares for property and issued 475,000 shares on the exercise of options for total cash proceeds of $280,250.

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 detailed list of the nature of the risk faced is disclosed in the annual management discussion and analysis report at 31 December 2006. This is available on SEDAR at www.sedar.com

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at June 30, 2007 or as at the date hereof.

Transactions with Related Parties

During the nine month period ended 30 September 2007, the Company paid or accrued:

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- Management fees of $112,875 (2006 - $75,250) to a company controlled by common directors;
- Administrative management fees of $211,104 (2006 - $Nil) to a company controlled by a director in relation to the Company's La Negra and Rosario projects in Mexico;
- Technical, geological and consulting services of $58,550 (2006 - $35,255) to a company controlled by a director;
- consulting fees of $74,810 (2006 - $37,374) to a company controlled by an officer;
- consulting fees of $18,500 (2006 - $Nil) to an officer; and
- Rent of $19,300 (2006 – 22,500) to a company controlled by common directors;

As at September 30, 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 common directors; and
- Accounts payable included $6,513 (December 31, 2006 - $37) to an officer and to a company controlled by an officer.

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

Minera La Negra also signed a purchase contract with Trafigura whereby Trafigura agreed to purchase 100% of zinc concentrate to be produced during the year 2007 by the La Negra Mine based on published prices in the Metal Bulletin in London in US dollars.

Office Lease
Effective 1 October 2006, the Company executed a lease for new office space for a period of 14.5 months less two days, expiring on 13 December 2007, at a monthly rate of $3,420 per month.
Effective 1 May 2007, the Company cancelled its existing lease made effective 01 October 2006 and executed a new lease for new office space for a period of 36 months, expiring on 31 May 2010.

Changes in Accounting Policies

Financial Instruments

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

i) Section 3855 – Financial Instruments – Recognition and Measurement This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. The adoption of this standard had no significant effect on these financial statements.

ii) Section 1530 – Comprehensive Income – This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. The adoption of this standard had no significant effect on these financial statements.

iii) Section 3865 – Hedges **-** This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG–13 “Hedging Relationships” and Section 1650 “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard had no significant effect on these financial statements.

Financial Instruments
Fair value
The carrying values of cash, accounts receivable, accounts payable and accrue liabilities, acquisition liability, and loan payable approximate their fair values because of the short-term maturity of these financial instruments.

The carrying value of notes payable approximates their fair value as this financial instrument bears interest at an approximate market rate of interest.

Credit risk
The Company's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable. This risk is minimized to the extent that cash is placed with major financial institutions and accounts receivable consist of amounts due from Government Agencies.

Currency risk
The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at 30 September, the Company had investments in mineral properties that require the Company to make payments in US dollars and Mexican pesos, and US dollar and Mexican pesos work commitments. The Company's ability to make these payments to satisfy its obligations for work commitments will be affected by foreign currency rate fluctuations. The Company does not utilize derivatives or other techniques to manage foreign currency risk.

As at 30 September 2007, the Company had US $5,078,898 (31 December 2006 $279,037) and Mexican pesos $2,710,790 (31 December 2006 $528,815) on hand.

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 September 30, 2007, 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 September 30, 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**