AURCANA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2007 and 2006

Canadian Funds

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AUDITORS' REPORT

To the Shareholders of Aurcana Corporation:

We have audited the consolidated balance sheet of Aurcana Corporation as at December 31, 2007 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 22, 2007.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.
April 29, 2008

AURCANA CORPORATION
Consolidated Balance Sheets
31 December

ASSETS		2007		2006
Current				
Cash and cash equivalents	**$**	**11,690,382**	$	2,011,458
Accounts receivable - trade		**1,558,468**		-
- other		**1,721,635**		8,350
Prepaid expenses and advances		**210,898**		199,829
Due from joint venture partner		**181,553**		-
Inventory *(Note 5)*		**643,966**		-
		16,006,902		2,219,637
Property, Plant and Equipment *(Note 6)*		**5,666,389**		2,638,469
Mineral Properties *(Note 8)*		**14,184,404**		8,163,982
	$	**35,857,695**	$	13,022,088

LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 12)*	**$**	**1,609,749**	$	108,025
Acquisition liability *(Note 7)*		**-**		1,166,400
Due to joint venture partner *(Note 7)*		**-**		598,502
Current portion of notes payable *(Note 9)*		**2,245,741**		1,268,896
		3,855,490		3,141,823
Due to Reyna Mining & Engineering S.A. de C.V. *(Note 7)*		**-**		844,698
Notes Payable *(Note 9)*		**1,627,335**		761,431
Asset Retirement Obligation *(Note 10)*		**921,238**		-
		6,404,063		4,747,952
SHAREHOLDERS' EQUITY				
Capital Stock *(Note 11)*		**45,615,710**		24,205,811
Obligation to Issue Shares *(Note 7)*		**200,000**		400,000
Contributed Surplus *(Note 11)*		**4,679,823**		1,555,853
Deficit		**(21,041,901)**		(17,887,528)
		29,453,632		8,274,136
	$	**35,857,695**	$	13,022,088

Commitments *(Note 16)*
Subsequent Event *(Note 17)*

Approved on behalf of the Board:

"Ken Booth", Director
Ken Booth

"Brian Flower", Director
Brian Flower

- See Accompanying Notes -

AURCANA CORPORATION
Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit
Years ended 31 December

	2007	2006
REVENUES		
Sales	**$ 6,580,237**	$ -
Cost of sales	**(3,884,214)**	-
Gross Margin	**2,696,023**	-
EXPENSES		
Administrative expense	**1,497,591**	314,774
Amortization	**295,978**	1,592
Depletion of mineral properties	**1,204,825**	-
Foreign exchange loss	**36,138**	251,033
Interest and financing	**217,629**	66,009
Investor relations	**344,930**	17,455
Listing and filing fees	**38,879**	62,987
Professional fees	**204,511**	44,845
Property evaluation	**16,808**	262,742
Stock-based compensation *(Note 11)*	**2,666,149**	1,228,250
	6,523,438	2,249,687
Loss Before the Under-Noted	**(3,827,415)**	(2,249,687)
Other income	**673,042**	160,581
Write off mineral property costs	**-**	(157,759)
Net Loss and Comprehensive Loss for the Year	**(3,154,373)**	(2,246,865)
Deficit, beginning of year	**(17,887,528)**	(15,640,663)
Deficit, End of Year	**$ (21,041,901)**	$ (17,887,528)
Loss Per Share	**$ (0.04)**	$ (0.04)
Weighted average number of shares - Basic and Diluted	**86,723,436**	55,811,790

AURCANA CORPORATION
Consolidated Statement of Cash Flows
Years Ended 31 December

Cash Resources Provided by (Used In)		**2007**		2006
Operating Activities				
Net Loss and comprehensive loss for the year	**$**	**(3,154,373)**	$	(2,246,865)
Items not involving cash				
Amortization		**295,977**		1,592
Depletion of mineral property		**1,204,825**		-
Stock-based compensation		**2,666,149**		1,228,250
Write-off of mineral properties		**-**		157,759
		1,012,579		(859,264)
Net change in non-cash working capital		**(2,425,064)**		(79,259)
		(1,412,485)		(938,523)
Investing Activities				
Purchase of plant and equipment		**(3,479,937)**		(1,686,720)
Expenditures on mineral properties		**(5,800,259)**		(5,961,439)
		(9,280,196)		(7,648,159)
Financing Activities				
Due to joint venture partner		**(1,624,753)**		1,443,200
Long-term debt		**833,672**		-
Share capital issued for cash		**21,383,500**		8,340,875
Share issuance costs		**(1,229,891)**		(157,460)
Loan Payable		**1,009,077**		934,865
		20,371,605		10,561,480
Net Increase (Decrease) in Cash and Cash Equivalents		**9,678,924**		1,974,798
Cash and cash equivalents - beginning of year		**2,011,458**		36,660
Cash and Cash Equivalents - End of Year	**$**	**11,690,382**	$	2,011,458
Supplemental Cash Flow Information of Non-cash Investing and Financing Activities				
Acquisition liability	**$**	**-**	$	1,166,400
Investing activities included in accounts payable and accrued liabilities	**$**	**132,562**	$	-
Equipment financing	**$**	**-**	$	1,095,462
Issue of shares for mineral properties	**$**	**-**	$	200,000
Issuance of warrants for mineral properties	**$**	**-**	$	293,099
Obligation to issues shares for mineral properties	**$**	**(200,000)**	$	400,000

- See Accompanying Notes -

1. NATURE OF BUSINESS

The Company was originally incorporated under the laws of Ontario in 1917 and on 14 September 1998 was continued under Section 187 of the Canada Business Corporations Act. Its principal business activity is the production of copper and zinc and the exploration and development of natural resource properties.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These financial statements include the accounts of: Aurcana Corporation and its wholly-owned subsidiaries, Aurcana de Mexico S.A. de C.V. and Minera Aurcana S.A. de C.V., both Mexican corporations. The Company's 80% interest in the joint venture, Real de Maconi S.A. de C.V., a Mexican corporation are accounted for by the proportionate consolidation method. Under this method, the Company includes in its accounts its proportionate share of the assets, liabilities, revenues and expenses. The joint venture has a 100% interest in Minera La Negra S.A. de C.V., a Mexican Corporation. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

Inventory

Mine stores and finished concentrates are valued at the lower of average cost and net realizable value. Cost of finished concentrates inventory includes direct mining and production costs, direct mine overhead costs, amortization and depletion. Cost of sales includes costs of finished concentrates plus shipping costs less amortization and depletion, which is disclosed separately in the statement of income.

Foreign currency translation

The Company's measurement currency is the Canadian dollar. The operations of the Company's subsidiaries and joint venture operations are considered integrated foreign operations and are translated into Canadian dollars at the average rate of exchange per quarter for items included in the consolidated statements of loss and deficit, the rate prevailing at the balance sheet dates for monetary assets and liabilities, and historical rates for all other items. Translation gains and losses are included in the determination of operating results in the period incurred.

Amortization, Depletion and Impairment

Mining machinery, plant and property are depleted on a unit of production basis, based on estimated recoverable reserves. Estimated recoverable reserves include proven and probable reserves and the portion of mineralized zones expected to be classified as reserves.

The carrying values of producing mineral properties and property, plant and equipment, are reviewed when events or changes in circumstances arise that may result in impairments in the carrying value of those assets. An impairment loss would be recognized when the carrying amount of a long-lived asset is not recoverable based on a comparison to the undiscounted future net cash flows. The impairment loss is based on the present value of expected future net cash flow. Estimated future net cash flows calculated for each property using: estimated recoverable reserves; estimated future metal price realization (considering historical and current prices, price trends and related factors); and, estimated operating, capital and other cash flow. Estimates of future cash flow are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of the carrying value of mineral properties.

Plant and equipment is amortized on a straight-line basis over their estimated useful lives. Amortization begins when Property plant and equipment are put into use.

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Amortization, Depletion and Impairment – *continued*

In accordance with EIC 152 - "Mining Assets - Impairment and Business Combinations" the Company includes value beyond proven and probable reserves in its estimate of future cash flow when testing for impairment and determining fair value.

Mineral properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the mineral property is abandoned or sold, or mineralization has been determined and the mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, at least annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, or the Company's assessment of its inability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written-off, if the properties are abandoned, sold or the claims are allowed to lapse.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

Income (loss) per share

Basic earnings (loss) per share computations are based on the weighted average number of common shares issued and outstanding during the year. The Company uses the treasury stock method to calculate diluted loss per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

Future Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Revenue Recognition

The Company produces copper and zinc in concentrate. Copper and zinc products are sold under pricing arrangements where final prices are set at a specified future date based on market copper and zinc prices. Revenues are recognized when title and risk pass to the customer using forward prices for the expected date of final settlement. Changes between the price recorded upon recognition of revenue and the final price due to fluctuations in copper and zinc market prices result

2. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue Recognition – *continued*

in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the recoverable of mineral properties costs, the measurement of stock-based compensation, the fair value of asset retirement obligations, the carrying amounts of plant and equipment, rates of amortization, the determination of the valuation allowance for future income tax assets and the determination of fair value of assets and liabilities in acquisition. Actual results could differ from those estimates.

Stock-based compensation

The Company accounts for stock options and warrants at fair value pursuant to Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”. Compensation expense for options granted is determined based on the estimated fair value of the options at the time of grant using the Black-Scholes option pricing model. The cost is recognized over the vesting period of the respected options and is either expensed to administration or recorded in exploration or development costs when grants are to individuals working directly on mineral projects. Consideration paid by the option holder, at the time options are exercised, is recorded as an increase to share capital.

Asset retirement obligations

The Company recognizes a liability for legal or contractual obligations relating to the retirement of mineral properties and property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company’s estimate of its ultimate reclamation liabilities could change as a result of changes in contractual requirements, laws or regulation, the extent of environmental remediation required or completed, and the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

Estimates of Proven and Probable Mineral Reserves

Management's calculation of proven and probable reserves is based upon engineering and geological estimates and financial estimates including mineral prices and operating and development costs. The Company depreciates some of its assets over proven and probable mineral reserves. Changes in geological interpretations of the Company's ore bodies and changes in mineral prices and operating costs may change the Company's estimate of proven and probable reserves. It is possible that the Company's estimate of proven and probable reserves could change in the near term and that could result in revised charges for depreciation and depletion in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial Instruments

Effective 01 January 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

- 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. All derivatives, including embedded derivatives, are now recorded on the balance sheet at fair value. Changes in fair value of derivatives are recorded in net income.
- 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. Accordingly, the Company now includes comprehensive income (loss) disclosures within the consolidated statement of operations, comprehensive income (loss) and deficit.
- 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.

Accounting Changes

Effective 01 January 2007, the Company adopted the recommendations of the CICA Handbook Section 1506, *Accounting Changes*. This new standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting practices and estimates, and correction of errors, replacing CICA Handbook Section 1506. This section also requires disclosure of new accounting pronouncements, issued but which have not yet become effective.

Recent Pronouncements

Section 1535 – *Capital Disclosures* This section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital. These recommendations are effective for the Company's annual reporting period beginning 01 January 2008. This new standard is not expected to have a material effect on the Company's financial statements or on its results of operations.

Sections 3862 and 3863 *Financial Instruments – Disclosure and Presentation* These sections require disclosure of qualitative and quantitative information in their financial statements that enable users to evaluate, the significance of financial instruments for the entity's financial position and performance and, the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives policies and procedures for managing such risks. These recommendations are effective for the Company's annual reporting period beginning 01 January 2008. Disclosure of the measurement basis used and the criteria used to determine classification for different types of financial instruments are also required.

Section 3031 *Inventories* – This new section, is effective 01 January 2008 and establishes standards for the measurement and disclosure of inventories. The Company does not expect its financial statements to be significantly impacted by the application of section 3031.

3. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the presentation in the current year.

4. FINANCIAL INSTRUMENTS

Fair value - The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, 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 31 December, 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 31 December 2007, the Company had cash denominated in US dollars of $2,647,642 (2006 - $279,037) and in Mexican pesos of 834,274 pesos (2006 - 528,815 pesos) on hand.

5. INVENTORY

		2007		2006
Supplies inventory	**$**	**461,634**	$	-
Stockpile inventory		**55,152**		-
Concentrates and in-process inventory		**127,180**		-
Total inventory	**$**	**643,966**	$	-

6. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

31 December 2007		**Cost**		**Accumulated Amortization**		**Net Book Value**
Land	**$**	**1,055,300**	**$**	**-**	**$**	**1,055,300**
Plant & equipment		**4,276,984**		**368,260**		**3,908,724**
Vehicles		**310,540**		**35,122**		**275,418**
Computer equipment		**349,330**		**49,346**		**299,984**
Other		**132,446**		**5,483**		**126,963**
	$	**6,124,600**		**458,211**	**$**	**5,666,389**
31 December 2006						
Plant and equipment	$	2,503,487	$	123,048	$	2,380,439
Vehicles		133,522		7,700		125,822
Computer and equipment		137,378		12,606		124,772
Furniture and equipment		13,146		5,710		7,436
	$	2,787,533		149,064	$	2,638,469

7. ACQUISITION

In March 2006, the Company entered into a joint venture agreement with Reyna Mining & Engineering S.A. de C.V. ("Reyna") to operate Real Maconi S.A. de C.V. ("Maconi") through which they are jointly developing the La Negra mine in Queretaro State, Mexico as held in the 100% subsidiary of Maconi, Minera La Negra S.A. de C.V. ("La Negra")

As its 20% contribution to the joint venture Reyna contributed all the legal rights and obligations it held to acquire a 100% interest in La Negra, valued in the JV Agreement at US $1,500,000.

The Company acquired its 80% interest in the Joint Venture by making the following contributions to the Joint Venture:

Upon subscription by the Company	$	2,000,000	paid
Within 10 days of the first anniversary of the Company's subscription	$	1,000,000	(i)
Within 5 days of the JV 100% acquisition of La Negra	$	1,500,000	paid
Within 60 working days of the 100% acquisition of La Negra	$	1,500,000	paid
	$	6,000,000	

(i) contributed by common shares in the Company fair valued at $1,170,361

Under the terms of the JV Agreement, the Company has agreed to make the following payments or commitments to Reyna as consideration for signing the JV Agreement:

		Cash		Shares of the Company	
Upon signing	$	25,000	(i)		
Within 30 days of the date of acquisition of La Negra		-		1,000,000	(ii)
Within 12 months of the acquisition of La Negra		500,000	(i)	1,000,000	(iii)
Within 24 months of the acquisition of La Negra		725,000		1,000,000	
	$	1,250,000		3,000,000	

(i) paid
(ii) issued at a fair value of $200,000 during 2006
(iii) issued at a fair value of $200,000 during 2007

The capital stock obligations were measured at the fair value of the Company's common shares on the agreement date ($600,000) and those unfulfilled have been reflected as "Obligation to Issue Shares".

The Company also issued to Reyna 1,000,000 warrants, each warrant entitling Reyna to purchase one common share for $0.25 on or before 18 May 2008. The warrants were fair valued at $293,099 using the Black Scholes option pricing model. The cash, common shares and fair value of warrants paid to Reyna have been included in the investments in and expenditures on mineral properties. A finder's fee of US $170,000 was paid in cash.

During May 2006, Maconi entered a formal purchase agreement with Penoles S.A. de C.V. ("Penoles") whereby the Joint Venture acquired 100% of Minera La Negra for US $3,000,000 (the "purchase price") the agreement was subsequently amended and paid as follows:

		Cash	Shares
Upon execution of the purchase agreement	$	2,000,000	-
Within 12 months of execution of the purchase agreement (i)		-	1,114,631

(i) Under the initial terms of the agreement the requirement was for $1,000,000. This was settled under the amended terms for a fair value issuance of shares (fair value $1,170,361).

7. ACQUISITION - *Continued*

The Company's 80% proportionate interest on acquisition of La Negra is as follows:

Purchase price	$ 2,579,280
Fair market value of net assets acquired	
Cash	2,355
Accounts receivable	32,225
Plant	824,976
Mineral property	1,747,580
	2,607,136
Liabilities	(27,856)
	2,579,280
Purchase price discrepancy	$ -

8. Mineral Properties

Expenditures incurred on mineral properties are as follows:

	La Negra, Mexico	Rosario, Mexico	Altiplano, Mexico	Total
Balance 31 December 2005	-	-	157,759	157,759
Acquisition costs	5,517,465	-	-	5,517,465
Mineral property expenditures	2,646,517	-	-	2,646,517
Write off of mineral properties	-	-	(157,759)	(157,759)
Balance 31 December 2006	$ 8,163,982	-	$ -	$ 8,163,982
Acquisition costs	-	2,360,602	-	2,360,602
Mineral Property expenditures	3,348,767	1,515,878	-	4,864,645
Depletion	(1,204,825)	-	-	(1,204,825)
Balance, 31 December 2007	$ 10,307,924	3,876,480	$ -	$ 14,184,404

La Negra Mine, Queretaro State, Mexico

The Company holds an 80% interest in the La Negra Property (note 6). On 01 July 2007, the Company entered into commercial production.

Rosario Property, Mexico

On 22 February 2007, the Company received Exchange approval to enter into an Option Agreement to acquire, through its subsidiary, Aurcana de Mexico, a 100% interest in a silver-zinc-lead-gold Property, Rosario ("Rosario") located in Sinaloa State, Mexico for $US 3,000,000 (Note 15).

Under the terms of the Option Agreement, the Company had the exclusive option to purchase the Rosario Property ("Option to Purchase"). 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

On or before 22 February 2007	US$	250,000	(i)
On or before 7 August 2007	US$	250,000	(i)
On or before 7 February 2008	US$	1,250,000	(ii)
On or before 7 February 2009	US$	1,250,000	
	US$	3,000,000	

(i) paid
(ii) paid subsequent to year end

9. NOTES PAYABLE

Details are as follows:

		2007		2006
Capital equipment contracts, repayable in quarterly payments totalling US$112,336 at 8.68% per annum, maturing between December 2009 and February 2010 and secured by the related equipment *(Note 5)*	**$**	**691,510**	$	1,095,462
Notes payable to the Company's principal customer *(Note 14)*, repayable in monthly instalments totalling $US150,000 bearing interest at LIBOR plus 2% per annum. The note is guaranteed by the Company		**706,318**		934,865
Note payable to IMMSA for the acquisition of the Rosario property, non-interest bearing *(Note 7)*		**2,475,248**		-
		3,873,076		2,030,327
Less: Current Portion		**(2,245,741)**		(1,268,896)
	$	**1,627,335**	$	761,431

Scheduled principal repayments are as follows:

Twelve months ended December 31,		
2008	$	2,245,741
2009		1,570,349
2010		56,986
	$	3,873,076

10. ASSET RETIREMENT OBLIGATION

During the year ended December 31, 2007 the Company revised its estimate of asset retirement obligations, associated with the La Negra Mine.

Management has estimated reclamation and closure costs for the current mine workings using its best judgment of such future costs and based on an anticipated mine life of five years. The ultimate value of the asset retirement obligation is uncertain and may change in future years based on updated estimates of costs, mine life, and other new information. Any future changes in the estimate of the asset retirement obligation will be recognized prospectively in the year such adjustment is made.

The Company has revised the previous estimate of the fair value of the asset retirement obligation to be $1,039,200 (2006 – Nil). The obligation has been calculated using a discount rate of 5% and an inflation rate of 2.50%.

Details for the years ended 31 December are as follows:

Balance 31 December 2006	$	-
Obligations incurred during the year	$	921,238
Balance 31 December 2007	$	921,238

11. CAPITAL STOCK

Authorized

Unlimited number of common shares

Issued and outstanding:

	2007			2006		
	Shares		**Amount**	Shares		Amount
Balance – Beginning of year	**70,929,302**	**$**	**24,205,811**	31,800,730	$	15,681,976
Private placement	**16,850,000**		**21,062,500**	23,382,272		5,037,750
Issuance for acquisition liability	**1,114,631**		**1,170,361**			
Exercise of options	**650,000**		**383,500**	1,500,000		171,500
Exercise of warrants	**-**		**-**	13,246,300		3,211,575
Fair value of options exercised	**-**		**256,594**			140,420
Fair value of agents warrants			**(146,808)**			
Fair value of finders fee warrants			**(223,857)**			
Shares issued for property	**1,000,000**		**200,000**	1,000,000		200,000
Share issue costs			**(1,292,391)**			(237,410)
Balance – End of year	**90,543,933**	**$**	**45,615,710**	70,929,302	$	24,205,811

During the year ended 31 December 2007, the Company had the following capital stock transactions:

On March 7, 2007, the Company closed the brokered portion of a private placement and issued 4,000,000 Units at a price of $1.25 per Unit for total gross proceeds of $5,000,000.

On March 9, 2007, the Company closed a non-brokered private placement for 12,800,000 Units at a price $1.25 per Unit for total gross proceeds of $16,000,000.

Each Unit consists of one common share and one-half of one common share purchase warrant for a total of 8,400,000 share purchase warrants. Each whole warrant entitles the holder to acquire one additional 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 Exchange, subsequent to four months from closing, is at or over $3 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.

The Company paid the Agent a commission of $350,000 representing 7% of the gross proceeds of the private placement and issued the Agent 50,000 common shares (fair value $62,500) of the Company in payment of a corporate finance fee. In addition, the Agent received 280,000 Agent's warrants (fair value $146,808) 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, paid a finder's fee of 5% of the gross proceeds and 426,950 warrants (fair value $223,857) representing 5% of the gross units sold on a portion of the financing. The warrants are exercisable at any time up to 18 months following the closing of the private placement at an exercise price of $1.50 per share.

Issued 1,000,000 (fair value $200,000) common shares to Reyna Mining for the acquisition of Minera La Negra *(Note 6)*.

Issued 1,114,631 (fair value $1,170,361) shares to Penoles to retire the acquisition liability *(Note 6).*

Issued 650,000 shares on the exercise of options.

11. CAPITAL STOCK - *continued*

Stock options

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

During the period ended 31 December 2007 the change in stock options was as follows:

	2007	2006
Opening	**3,075,000**	1,525,000
Granted	**3,100,000**	3,050,000
Exercised	**(650,000)**	(1,500,000)
Options outstanding – End of period	**5,525,000**	3,075,000

The weighted average exercise price of the stock options outstanding at 31 December 2007 was $1.07 and the weighted average remaining life of the options is 3.35 years.

Stock options outstanding and exercisable as at 31 December 2007 are as follows:

Expiry Date	Exercise Price	Number of Shares
28 September 2008	$0.13	20,000
18 November 2008	$0.14	5,000
18 August 2011	$0.59	1,800,000
24 August 2011	$0.59	600,000
22 March 2012	$1.50	2,200,000
30 March 2012	$1.65	300,000
7 September 2009	$1.25	500,000
12 December 2012	$0.64	100,000
		5,525,000

The options granted during the year were granted in accordance with the terms of the Company's 10% Rolling Stock Option Plan approved 11 August 2006, which can be exercised for periods of between two to five years.

As at 31 December 2007, 5,150,000 of the outstanding options have vested, leaving a balance of 375,000 remaining to vest.

Stock Based Compensation

For the period ended 31 December 2007, the Company applied the fair value method in accounting for all awards of stock options by using the Black-Scholes option pricing model. The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable fully transferable options. The Company's stock options have characteristics significantly different from those of traded options and, because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

11. CAPITAL STOCK - *continued*

For the year ended 31 December the stock-based compensation expense was $2,666,149 (2006 - $1,228,250). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	2007	2006
Risk free interest rate	**4.03%**	4.10%
Expected stock price volatility	**101.29%**	105.52%
Expected dividend yield	**0.00%**	0.00%
Expected option life in years	**4.5**	5.0

Contributed surplus

During the year ended 31 December the change in contributed surplus was as follows

	2007	2006
Balance - Beginning of year	$ **1,555,853**	$ 174,924
Fair value of stock-based compensation	**2,666,149**	1,228,250
Fair value of agents warrants	**146,808**	-
Fair value of finder's fee warrants	**223,857**	-
Fair value of stock based compensation recorded in mineral properties	**343,750**	-
Fair value of stock options exercised	**(256,594)**	(140,420)
Fair value of warrants granted for property	**-**	293,099
Balance - End of year	$ **4,679,823**	$ 1,555,853

Share purchase warrants

During the periods ended 31 December the change in share purchase warrants was as follows:

	2007	2006
Balance - Beginning of year	**1,000,000**	1,000,000
Issued	**9,106,950**	13,246,300
Exercised	**-**	(13,246,300)
Balance - End of year	**10,106,950**	1,000,000

The weighted average exercise price of share purchase warrants outstanding at 31 December 2007 was $1.67 and the weighted average life of the share purchase warrants outstanding at 31 December 2007 was 0.81 years

Share purchase warrants outstanding as at 31 December 2007 are as follows:

Expiry Date	Exercise Price	Number 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	706,950
		10,106,950

12.RELATED PARTY TRANSACTIONS

During the year ended 31 December 2007, the Company paid or accrued

- Management fees of $161,625 (2006 - $112,750) to a company controlled by common directors;
- Administrative management fees of $343,980 (2006 - $Nil) to a company controlled by a director. Technical, geological and consulting services of $93,100 (2006 - $44,338) to a company controlled by a director;
- Consulting fees of $127,583 (2006 - $57,907) to officers or a company controlled by an officer;
- Rent of $19,300 (2006 – 24,500) to a company controlled by common directors;

As at 31 December 2007:

- Prepaid expenses and deposits included an amount of $9,010 (December 31, 2006 - $6,625) for management fees paid to a company controlled by common directors; and
- Accounts payable included $870 (December 31, 2006 - $37) to an officer and to a company controlled by an officer.

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

13.Income Taxes

		2007		2006
Net loss for the year	$	**3,154,000**	$	2,247,000
Statutory rate :		**34.1%**		34.1%
Tax recovery at statutory rates		**1,076,000**		766,000
Stock-based compensation		**(909,000)**		(419,000)
Write of resource property costs		**-**		(54,000)
Other		**(20,000)**		(3,000)
Share issuance costs		**409,000**		81,000
Foreign income at different tax rates		**(1,000)**		(15,000)
Current valuation allowance (recovery)		**(555,000)**		(356,000)
	$	**-**	$	-

Significant components of the Company's future tax assets as at 31 December are as follows:

		2007		2006
Non-capital loss carry-forwards	$	**1,777,000**	$	1,574,000
Property, plant and equipment		**7,000**		5,000
Resource properties		**97,000**		7,000
Share issuance costs		**330,000**		70,000
		2,211,000		1,656,000
Valuation allowance		**(2,211,000)**		(1,656,000)
Future tax assets	$	**-**	$	-

The Company has non-capital losses available that may be carried forward to apply against future income taxes. These losses expire as follows:

		Mexico		Canada
2008	$		$	95,000
2009				301,000
2010				345,000
2011		389,000		332,000
2012		245,000		248,000
Beyond 2012		2,579,000		1,390,000
	$	3,213,000	$	2,711,000

The potential benefit of these loss carry-forwards has not been recognized in these financial statements

14. Segmented Disclosure

The Company operates in only one sector, mineral properties exploration and development, geographical disclosure is as follows:

December 31, 2007	Revenue	Property, Plant & Equipment		Mineral properties		Total Capital Assets
Canada	**-**	**34,169**	$	**-**		**34,169**
Mexico	**6,580,237**	**5,632,220**		**14,184,404**		**19,816,625**
Total	**6,580,237**	**5,666,389**		**14,184,404**		**19,850,794**
December 31, 2006						
Canada	-	8,323		-	$	1,718,483
Mexico	-	2,630,146		8,163,982-		11,303,605
Total	-	2,638,469		8,163,982	$	13,022,088

15. Sales and Economic Dependence

Details of sales generated from customers that individually account for approximately 10% or more of consolidated sales are as follows:

Number of large customers	**1**
Amount of sales to large customers	**6,580,237**
Total consolidated sales	**6,580,237**
Total percentage of consolidated sales generated from large customers	**100%**

The Company has signed an exclusive multi-year sales agreement for the sale of all or substantially all of its copper and zinc concentrate from the La Negra mine *(Note 15)*. The Company is economically dependent upon a single customer and upon the successful renewal or replacement of this contract at economic rates.

16. Commitments

Supply agreement

On 14 November 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 tonnes per year for prices based on the published prices in the Metal Bulletin in London in US dollars *(Note 9).*

Acquisition of Rosario property

The Company has commitments, through its subsidiary Aurcana de Mexico S.A. de C.S.V., on the acquisition of the Rosario property requiring payment of US$1,250,000 on each of 07 February 2008 and 2009, the former of which was paid subsequent to year end *(Notes 7 and 8)*.

Office Lease

Effective 01 May 2007, the Company executed a lease for new office space for a period of 36 months, expiring on 31 May 2010. The minimum annual payments are as follows:

2008	$	49,331
2009	$	50,391
2010	$	21,180

17. Subsequent Event

On 03 April 2008 the company announced that it has agreed to acquire a 100% interest in the Shafter Silver Mine (“Shafter”) from Shafter Standard Resources Inc. The acquisition terms require Aurcana to pay Silver Standard $23 million in cash; issue 15 million Aurcana common shares; and issue a $10 million convertible debenture paying a 3% coupon with a three year term and convertible into 6.62 million Aurcana common shares at $1.51 per share. The acquisition is subject to the signing of a definitive agreement and a closing on or before June 30, 2008. The acquisition is subject to certain conditions including acceptance of the TSX Venture Exchange.