AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2011

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") unaudited interim consolidated financial statements for three months ended March 31, 2011 and 2010 and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS"). This information can 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.

Expressed in United States dollars, unless otherwise stated, this MD&A is current as of June 23, 2011**.**

Highlights:

- 140% increase in net revenues to $10.9 million for the quarter ended March 31, 2011 (2010: $4.5 million);
- Earnings from mining operations to $5.4 million on quarter 2011 (2010: $0.7 million);
- Operating cash flow before movements in working capital, to $4.7 million (2010: deficit of $0.5 million);
- 46% increase in copper concentrate produced to 2,994 tonnes (2010: 2,053 tonnes);
- 56% increase in ounces of silver produced to 240,275 (2010: 154,095);
- 70% increase in zinc concentrate produced to 1,582 tonnes (2010: 933 tonnes);
- 61% increase in milled tonnes processed for a total of 127,231 during the quarter ended March 2011, (2010: 79,007 tonnes); where 17,619 tonnes or 14% were mined from NI 43-101 Measured and Indicated. and the balance of 109,612 tonnes or 86% were mined from new discoveries;
- Aurcana started construction of the Shafter Silver mine on January 2011 estimated to be completed by May 2012 as planned;
- La Negra's production increase was supported by a continuous in-house diamond drilling program; and
- New lead-silver concentrate circuit was installed at La Negra, besides the copper and zinc circuits already in place.

Forward Looking Statements:

This report contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. 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 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 and Aurcana assumes no obligations to update such information to reflect later events or developments, except as required by law. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials include its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

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:
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.

The principal business of the Company is the acquisition, exploration and development of mineral properties, primarily Silver-Copper-Zinc-Lead mines. Since 2007, the Company has been operating the La Negra mine ("**La Negra"**) in which it holds a 92% indirect interest in the state of Queretaro, Mexico. In addition, in 2008 the Company purchased a 100% indirect interest in the Shafter silver mine in Texas, USA ("**Shafter**").

La Negra

- 127,231 tonnes of ore processed during current quarter;
- Copper concentrate produced – 2,994 tonnes (3,050 tonnes sold);
- Zinc concentrate produced – 1,582 tonnes (1,364 tonnes sold);
- Lead concentrate produced – 108 tonnes. New lead circuit was installed, which production started end of March (nil- tonnes were sold)
- Silver produced – 240,075 ounces (218,701 ounces sold);

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The difference between production and shipment in all cases reflects the timing of the shipping relative to month end and varying inventory levels.

Shafter

- In July 2008, the Company completed the acquisition of the Shafter silver mine, from Silver Standard Resources Inc. for $38.7 million;
- In July 2008 Tetra Tech Inc., of Golden, Colorado completed a NI 43-101 compliant report disclosing a measured and indicated resource estimated at 24.6 million ounces of silver and an inferred resource estimated at 22.8 million ounces of silver using a four ounce per ton cut off. The full report can be viewed on the Aurcana website www.aurcana.com or on SEDAR www.sedar.com.;
- In October 2010, the Company completed a NI 43-101 compliant feasibility study at a rate of 1,500 tons per day; and
- Highlights of the report are: Payback estimated at under 2 years based on a silver price of $15.53 per ounce; an internal rate of return ("IRR") estimated at 32% pre tax; net present value ("NPV") estimated at $34 million; an initial capital expenditure estimated at $45 million; annual silver production estimated at 3.8 million ounces.
- On January 2011 was the “kick-off” of the project. Expected date of termination May 2012.
- Current silver prices keep higher than $15.53 per ounce, worked on the Feasibility study. Plant & Mine construction and permitting progressing as scheduled. Higher demand of equipments and skilled people are anticipated.

Corporate

Members of Technical Advisory Committee appointments:

- Dr. Peter Megaw – in January.
- Ken Collison - in February
- Jerry Blackwell - in February
- Paul Matysek as a Director of the Company in February.
- Salvador Huerta as the CFO in February

Overall Performance

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 Queretaro, through Real de Maconi S.A. de C.V. In addition to the Mexico operations, the Company has acquired the Shafter Silver Mine located in Presidio County, southwest Texas which is held through the Company’s 100% owned US subsidiary Silver Assets Inc.

Earnings

The Company had earnings from mining operations of $5.4 million for the quarter ended March 31, 2011 (2010: $0.7 million); income before taxes of $1.6 million (2010: a loss of $0.5 million); a net income of $0.7 million (2010: a loss of $ 0.5 million).

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The increase in earnings from operations was mainly related to increased volumes sold and the increase in the selling prices of the metals produced by the Company.

Revenue

During the quarter ended March 31, 2011, the Company realized revenues from the sale of 3,050 tonnes of copper concentrate (2010: - 2,065 tonnes); 1,364 tonnes of zinc concentrate (2010: – 874 tonnes) and 218,701 ounces of silver (2010 – 153,790 ounces) for total net revenues of $10.9 million (2010 - $4.5 million).

The average price for sales of copper, zinc and silver during the period were Cu - $4.37 (2010: $3.29) per pound; Ag - $31.95 (2010: $16.93) per ounce and Zn $1.09 (2010: $1.04) per pound. Metal prices were a significant factor in the increased profitability of the Company.

Cost of Sales

The cost of sales for the quarter ended March 31, 2011 was $5.5 million (2010: $3.8 million). Cost of sales per ton represents a decrease of 11% mainly due to La Negra`s expansion made last July 2010 of its processing capacity as well as improvements in cost control.

La Negra Mine

Mining operations and exploration drilling at La Negra continue to delineate additional mineralized zones, either between or as extensions of existing ore zones. These results are expected to add to the mine life of La Negra. La Negra drill crews have completed 3,000 metres of diamond drilling during first quarter of 2011.

The tailings facility has the capacity to accept tailings from the 1,500 t/d plant for 5 more years. A new tailings area has been identified to assure continued mine operations beyond 10 years. Environmental studies and other permit requirements have been initiated.

A lead-silver concentrate circuit was installed and was placed in production at end of March 2011. Metallurgical studies concluded that the new circuit, using gravimetric separation, would eliminate a penalty for lead content and result in a higher quality copper concentrate.

Additional expansion of La Negra was approved from 1,500 up to 2,000 tonnes/day, with an investment of $ 4.5 million which will be completed early 2012.

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Quarter Ended	Mar-31 2011	Dec-31 2010	Sep-30 2010	Jun-30 2010	Mar-31 2010	Dec-31 2009	Sep-30 2009	Jun-30 2009	Mar-31 2009	Dec-31 2008	Sep-30 2008
Inventory (start of period)											
Ore stockpiles (tonnes)	66,265	63,834	61,268	40,758	11,736	15,688	6,632	1,220	720	835	812
Zinc concentrate (tonnes)	94	41	142	103	45	51	109	371	473	98	7
Copper/silver concentrate (tonnes)	100	241	127	79	84	55	41	282	409	177	6
Lead concentrate (tonnes)											
Production											
Ore mined (tonnes)	129,612	127,353	128,666	113,711	108,029	89,208	84,204	78,228	69,246	73,266	84,042
Ore milled (tonnes)	127,231	124,345	125,050	94,201	79,007	86,358	72,716	72,323	69,555	70,236	81,989
Average Grade											
Zinc (%)	109%	117%	146%	118%	90%	95%	90%	118%	94%	160%	104%
Copper (%)	44%	45%	48%	48%	48%	50%	56%	52%	65%	77%	74%
Silver (g/t)	74	79	78	73	74	91	89	113	99	85	74
Zinc concentrate (tonnes)	1,582	1,324	1,964	1,124	933	929	765	925	829	1,198	905
Containing: Zinc (tonnes)	668	560	850	552	365	344	326	433	358	573	452
Copper concentrate (tonnes)	2,994	3,274	3,766	2,852	2,053	2,483	2,211	1,958	2,384	2,371	2,419
Containing: Copper (tonnes)	466	456	492	388	335	376	356	433	390	445	504
Silver (oz)	240,275	251,020	250,953	182,009	154,095	211,244	167,559	205,108	166,031	145,032	138,931
Lead concentrate (tonnes)	108										
Containing: Lead (tonnes)	49										
Inventory (end of period)											
Ore stockpiles (tonnes)	70,634	66,265	63,834	61,268	40,758	11,736	15,688	6,632	1,220	720	811
Zinc concentrate (tonnes)	40	94	41	142	103	45	51	109	371	473	98
Copper/silver concentrate (tonnes)	70	100	241	127	79	84	55	41	282	409	177
Lead/silver concentrate (tonnes)	108										
Sales											
Zinc concentrate (DMT)	1,364	1,248	2,065	1,085	874	928	925	1,069	938	950	988
Containing payable 85%: Zinc (tonnes)	479	426	730	394	318	344	358	403	331	339	363
Copper concentrate (tonnes)	3,050	3,310	3,658	2,788	2,065	2,428	2,183	2,105	2,602	2,333	2,606
Containing payable:96.5% Copper (tonnes)	436	417	442	351	318	335	323	313	432	385	465
Silver (oz)	218,701	244,052	238,722	172,356	153,790	192,926	162,086	200,834	190,647	117,393	123,672

Shafter Silver development project

The Shafter mine is 100% owned by Aurcana, located in Presidio TX. Construction was commenced in January 2011 and a ground breaking ceremony with a first blast was made held in February. As was planned in the Feasibility study, the estimated completion of the project remains by May 2012.

We are continuing our underground mining training program and a secondary mine rescue team is being established in preparation for the commencement of underground mining activities.

Plant construction engineering is on schedule for completion by June. Plant site earthworks are substantially complete, concrete batch plant erected. Leach tank foundations and the fine ore reclaim tunnel excavation are underway.

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Other key achievements:

- Overhead power lines, poles have been erected;
- Mill removal in Florida is progressing with mill due on site by June;
- Filter press modifications underway;
- Crushing and screening plant in progress;
- Office Complex underway;
- Mine dry designed;
- Second water well substantially complete at Gold Fields Shaft – power connection outstanding;
- Modified Air Permit and Modified Waste Discharge Permit, approval expected soon;
- Solid Waste Management Plan approval anticipated prior to start up; and
- All key construction management positions are filled.

Market Trends

Silver prices saw a dramatic increase from an average price of $4.87/ounce in 2003 to $13.38/ounce in 2007 with a drop in price to $10.79/ounce at December 31, 2008; and then continued increases to $16.99/ounce as of December 31, 2009; $ 30.63/ounce at December 31, 2010; and $ 37.87/ounce at March 31, 2011.

Copper prices had seen an overall increase in price since 2003 of $1.30/lb to $3.23/lb in 2007. With declines in commodities and overall financial markets in mid 2008, copper was at $1.31/lb on December 31, 2008; $ 3.32/lb at December 31, 2009; $4.42/lb at December 31, 2010 and $ 4.26/lb at March 31, 2011.

Zinc prices have essentially followed the same trend with prices in 2003 of $0.47/lb increasing to $1.68/lb in June 2007 and with the same decline seen with most commodities prices was at $0.51/lb on December 31, 2008; $1.16/lb at December 31, 2009; $1.10/lb at December 31, 2010 and $ 1.05/lb at March 31, 2011.

The Company is currently reviewing its options with respect to hedging in 2011. Currently we can fix prices on a monthly basis with our concentrate buyer.

Administrative Costs

Administrative costs for the quarter ended March 31, 2011 was $3,518,229 (2010: $784,636):

	March 31, 2011	March 31, 2010
Administrative costs[1]	**$ 626,107**	$ 420,590
Stock-based compensation	**2,591,906**	142,951
Professional fees	**86,525**	149,943
Investor relations	**173,347**	60,061
Listing and filing fees	**40,344**	11,091

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	$ 3,518,229	$ 784,636

[1] Administrative costs break down:

	Quarter ended March 31	
	2011	**2010**
Management fees *	$ 90,000	$ 75,000
Rent and overhead	37,165	24,493
Travel and accommodation**	125,655	39,897
Office	31,803	22,356
Insurance	6,577	5,924
Admin, salaries and Consulting fees	220,031	242,484
Directors Fees	32,000	-
Other	82,875	36,000
	$ 626,106	$ 446,154

* Management fees - President & CEO
** More road shows were done to promote value of Aurcana

Professional fees

The Company incurred professional fees for the quarter ended March 31, 2011 of $86,525 (2010: $149,943). Legal and IFRS conversion fees are included. The decrease in the first quarter 2011 as compared to the same period in 2010, was due mainly related to the timing of the payment of audit fees.

Investor Relations.

The Company incurred investor relation expenditures for the quarter ended March of $173,347 (2010: $60,061). During 2011, the Company sought additional exposure through advertising on TV and radio.

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Stock-based-compensation

The Company applies the fair value method of accounting for all awards and stock options by using the Black Sholes options pricing model "Black-Sholes model". For the quarter ended March 31 the stock-based compensation expense was $2,591,906 (2010 - $142,591). During 1st quarter 2011 were granted 9,850,000 options of which 4,500,000 vested in the quarter.

Financial data last 8 quarters

Quarter Ended	Mar-31 2011	Dec- 31 2010	Sept- 30 2010	Jun-30 2010
Total Revenues	$ 10,853,851	$ 9,655,451	$ 7,192,063	$ 4,799,745
Income (Loss) from Operations	$ 1,802,908	$ 2,737,259	$ 926,585	$ (297,320)
Net Income (loss)	$ 736,412	$ (7,945,476)	$ 1,450,822	$ (3,050,611)
Income (loss) per share	$ -	$ (0.02)	$ 0.01	$ (0.03)

	Mar-31 2010	Dec. 31 2009	Sept. 30 2009	Jun-30 2009
Total Revenues	$ 4,497,677	$ 2,009,115	$ 4,578,654	$ 4,574,064
Income (loss) from Operations	$ (172,362)	$ (2,662,982)	$ 408,279	$ (599,956)
Net Income (loss)	$ (464,177)	$ (504,636)	$ 2,091,988	$ 2,484,948
Income (loss) per share	$ -	$ (0.01)	$ 0.02	$ 0.03

* Quarters ended March 31 2010 to March 31 2011 are under IFRS; quarters ended June, September and December 2009 are under Canadian GAAP

Liquidity

At March 31, 2011 the Company had working capital of $13.0 million (2010 – negative working capital of $1.3 million), which consisted of $20.6 million held in cash and short term deposits; account receivables of $3.1 million (trade & others); prepaid expenses of $1.9 million; inventory of $1.6 million. These amounts are offset by accounts payable of $4.3 million; the current portion of the Company's notes payable of $0.2 million in relation to equipment purchases at the La Negra mine; Income Tax at La Negra for $0.9 million and the current portion of the Convertible Debenture with Silver Standard of $8.7 million.

Although the Company continues to make improvements at its La Negra mine, and considering that the operation has generated positive cash flows since the Company assumed direct control at the mine, the operation has yet to reach consistent profitability such that the Company can rely upon future cash flows from the mine to cover its overhead costs. Should Aurcana be unable to realize a profit on its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

Outstanding Share Capital:

The company is authorized to issue an unlimited number of common shares without par value.

As at June 23, 2011, the Company had 346,988,025 common shares issued and outstanding.

As at June 23, 2011, the Company had 29,427,500 share purchase options outstanding at various exercised prices and maturing at various future dates.

As at June 23, 2011, the Company had 101,271,943 warrants outstanding as follows:

Number of Warrants	Exercise Price (CDN)	Expiry Date	Amount (CDN)
300,000	$ 0.35	March 2, 2013	$ 105,000
4,585,000	$ 0.40	June 30, 2013	$ 1,834,000
24,960	$ 0.35	June 30, 2013	$ 8,736
84,145,156	$ 0.41	July 12, 2013	$ 34,499,514
12,216,827	$ 0.41	July 12, 2012	$ 5,008,899
101,271,943			

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Transactions with Related Parties

For the quarter ended March 31, 2011, the Company paid or accrued:

a) Management, technical and consulting fees	Note	March 31 2011 (3 months)	March 31 2010 (3 months)
		$	$
Technical and consulting fees	(i)	100,600	92,850
General and administrative expenses	(ii)	28,125	31,820
Management fees	(iii)	90,000	75,000
		218,725	199,670

(i) To companies controlled by directors or officers.
(ii) To a company controlled by corporate secretary for
(iii) To a company controlled by CEO for management

Commitments:

Supply agreement

On November 14, 2006, 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. Prices are based on the published prices in the Metal Bulletin in London in US dollars at the transaction date unless fixed by us for the month at the discretion of the Company. In August 2010 the copper purchase contract was extended to 2012 and the parties agreed to review the zinc purchase contract by the end of 2011.

On March 2011, la Negra signed a purchase contract with Glencore International AG, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced during the years 2011 and 2012. Prices are based on the published prices in the Metal Bulletin in London in US dollars within five days after monthly lot is closed.

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).

International Financial Reporting Standards ("IFRS")

Publicly listed enterprises are required to adopt IFRS in replacement of Canadian Generally Accepted Accounting Principles on January 1, 2011. This transition required the Company to present its March 31, 2011 financial statements under IFRS, with restated comparative information. The conversion to IFRS has impacted the Company's accounting policies, information technology, and financial reporting systems, which include internal controls over financial reporting, data systems, and disclosure controls and procedures.

The Company retained a consultant to prepare a diagnostic of the key elements of the transition to IFRS that have impacted the Company's financial statements. This diagnostic identified and ranked the key IFRS to Canadian GAAP differences applicable to Aurcana assessed the potential impact to the financial statements, note disclosures, and exemptions available on transition.

The Company has completed the adoption of IFRS for the first quarter of 2011 and has implemented accounting systems necessary to accommodate the transition. The financial reporting impact of the transition to IFRS has been quantified as follows:

- *Income Taxes:* There are a number of IFRS and Canadian GAAP differences in accounting for income taxes, the most significant related to the calculation of temporary differences on non-monetary items and the initial recognition exemption on an asset acquisition.

  Under Canadian GAAP, deferred tax balances are calculated in the currency in which the taxes are denominated and then converted to the accounting presentation currency at the current rate. IFRS requires that deferred taxes be determined in an entity's functional accounting currency. The different treatment under IFRS results in a measurement difference for deferred taxes on monetary items where an entity's tax and accounting functional currencies differ.

  IFRS provides an initial recognition exemption such that a deferred tax asset or liability is not recognized in the event that it arises from initial recognition of an asset or liability acquired outside of a business combination. This exemption does not exist in Canadian GAAP.

  The Company had a material reduction of approximately $13.6 million to the carrying value of the Shafter project and the related future income taxes payable on conversion to IFRS.

Foreign Currency Translation: Canadian GAAP requires an entity to determine the functional currency of the parent company and then assess whether a subsidiary is an integrated or self-sustaining entity. This determination dictates the method of foreign exchange translation for the consolidated financial statements. IFRS requires functional currency to be assessed independently for each entity within a consolidated group and introduces the concept of primary and secondary factors. The Company has identified the U.S. dollar to be the functional currency of its controlled subsidiaries and the Canadian dollar as the functional currency of the parent company. Further, the Company elected to change to reporting its accounts in U.S. dollars from January 1, 2010 from its previous Canadian dollar reporting currency. The effect of these changes are summarized in Note 25 to the March 31, 2011 financial statements and the net result was an approximate $1.8 million translation adjustment, which was reset to $nil with the offset going to the balance of the deficit at January 1, 2010, as permitted by the elections allowed under first time adoption of IFRS, besides there was an effect on the convertible debenture, increasing: mineral properties $1.2 million; convertible debenture liability was decreased $0.6 million; deficit increased in $0.2 and contributed surplus consequently increased $2.0 million.

Financial Instruments:

The Company's is exposed to certain financial risks, including currency risk, credit risks, liquidity risk, price risk and interest risk.

(a) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, The United States and Mexico and a portion of its expenses are incurred in CDN dollars and Mexican Pesos. A significant change in the currency exchange rates between the US dollar relative to the CDN dollar or Mexican Peso 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, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in CDN dollars:

		March 31, 2011
Cash and cash equivalents	CDN$	11,919,799
Investment securities		810,000
Other receivable		153,774
Notes receivable		823,921
Accounts payable		(396,445)
Convertible Debenture		(9,835,332)
	CDN$	3,569,015
USD$ Equivalent	**$**	**3,681,082**

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At March 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		March 31, 2011
Cash and cash equivalents	MP$	713,731
Other receivable		3,762,891
Deferred tax assets		14,736,802
A/P		(33,774,435)
Income Tax		(10,107,350)
	MP$	(43,881,785)
USD$ Equivalent	**$**	**(3,690,336)**

Base on the above net exposures as at March 31, 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN dollar and the Mexican Peso would result in a no material change to the Company's loss in terms of unrealized exchange.

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from amounts receivable and marketable securities.

The Company's trade receivables are the result of sales of concentrates to one significant purchaser. As such, the company is at risk with respect to collections of these receivables.

(c) 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 through the management of its capital structure.

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 at La Negra, equity financing and entering into joint venture agreements, or a combination thereof.

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The following table summarizes the Company's known undiscounted financial liabilities:

Payments due by period (000's)

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Accounts payable	$ 4,338	$ 4,338	$ Nil	$ Nil	$ Nil
Notes payable	158	158	Nil	Nil	Nil
Income tax (La Negra)	877	877	Nil	Nil	Nil
Convertible debentures *	10,096	8,745	1,351	Nil	Nil
Environmental obligations	1,418	Nil	Nil	Nil	1,418
Total	$16,887	$14,118	$1,351	$ Nil	$1,418

*The Company has agreed to repay an aggregate of $7,000,000 of the principal owing under the Debenture on or before July 15, 2011;- the remaining $3,000,000 principal balance will be repaid in equal quarterly installments commencing on October 15, 2011;- the rate of interest on the principal outstanding after July 15, 2011 will be 9% per annum; and - the Company may prepay the Debenture at any time prior to maturity without penalty

(d) Price risk

The Company is subject to revenue price risk from fluctuations in the market prices of copper, silver and zinc. The Company is also exposed to commodity price risk on diesel fuel through its mining operations. The Company's risk management policy does not currently provide for the management of these exposures through the use of derivative financial instruments. Commodity price risk is also the risk that metal prices will move adversely during the time period between shipment of the concentrate and final payment for the concentrate. The Company's commodity price risk related to financial instruments primarily relates to changes in fair value of embedded derivatives in accounts receivable reflecting commodity sales provisionally priced based on the forward price curve at the end of each quarter.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Risks and Uncertainties:

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

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 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 ore grade 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 copper 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 ore bodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

The Company adjusts its mineral reserves annually by the amount extracted in the previous year, by the additions and reductions resulting from new geological information and interpretation, actual mining experience, and from changes in operating costs and metal prices. Mineral reserves are not revised in response to short-term cyclical price variations in metal markets.

Replacement of Mineral Reserves

There are a number of uncertainties inherent in any program relating to the location of economic mineral 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 reserves to replace mined reserves and to expand current mineral 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 predisturbance 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 site. 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 minerals 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

Certain of the directors and officers of Aurcana also serve as directors and/or officers of other companies involved in natural 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 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 or may acquire 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 affect 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, if at all. 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 in small exploration stage public companies such as the Company 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 exploration companies similar to the Company, have experienced wide fluctuations, which have not necessarily been related to the operating performances, underlying asset values or future prospects of such companies. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2010 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2010 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Management Discussion and Analysis for the quarter ended March 31, 2011

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2010 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

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