Management Discussion and Analysis for the quarter ended September 30, 2013

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") unaudited condensed interim consolidated financial statements for the quarter ended September 30, 2013 and 2012, and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. This MD&A contains "forward-looking statements", including, but not limited to, statements regarding the Company's expectations as to the market price of minerals, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. The information in this MD&A is current to November 29, 2013.

Forward-Looking Statements

Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Aurcana assumes no obligation to update forward-looking information in light of actual events or results, except as required by law.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction, capital and operating and cash flow estimates contained in the Company's technical reports and feasibility studies; and the access to financing and appropriate equipment and sufficient labour, and other risks. Actual results may differ materially from those currently anticipated in such statements.

The forward looking information in this MD&A is based on management's current expectations and Aurcana assumes no obligations to update such information to reflect later events or developments, except as required by law. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: requirements for additional capital; dilution; loss of its material properties; interest rate fluctuations; the global economy; future metals price fluctuations, the speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of the Company's Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; and those risks identified herein under the heading "Risks and Uncertainties".

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. The major factors which could affect the Company's cash flows are the price at which the Company sells its commodities, the ability of the Company to bring the Shafter mine into to its target production levels in the anticipated time frame, the incremental cost and capacity currently planned, and the ability of the Company's mines to meet production budgets for commodities produced at budgeted costs. See also the factors discussed herein under the heading "Liquidity".

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.

Figures are expressed in United States dollars, unless otherwise stated.

Qualified Person

Mr. Andrew F. Kaczmarek, a qualified person and the Company's Chief Operating Officer, has reviewed and approved the scientific and technical information contained in this MD&A.

All National Instrument 43-101 technical reports filed by Aurcana can be found on the Company's website at www.aurcana.com or on SEDAR at www.sedar.com.

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Highlights:

	Three months ended September 30, 2013	2012	Change Year-on-Year	Year to date 2013	2012	Change Year-on-Year
Revenues ($ million) [1]	$10.4	$15.0	Down $4.6	$34.5	$40.6	Down $6.1
Earnings from mining operations ($ million)	2.6	6.4	Down $3.8	9.9	17.4	Down $7.5
Net Income (loss) ($ million)	(15.5)	3.6	Down $19.1	(14.8)	7.0	Down $21.8
Operating Cash Flow before movements in working capital items ($ million)	($5.1)	$4.8	Down $9.9	$0.1	$15.2	Down $15.1
Silver equivalent ounces produced	754,788	718,063	Up 5%	2,165,865	1,899,281	Up 14%
Silver equivalent ounces sold [1] [2]	580,250	587,380	Down 1%	1,776,536	1,630,352	Up 9%
Silver Ounces produced	312,122	376,687	Down 17%	973,886	1,037,210	Down 6%
Silver Ounces sold (Payable at 95%) [1] [2]	245,149	323,825	Down 24%	821,679	905,899	Down 9%
Total Cash Cost per silver oz net of by-products [1] [3]	$6.45	$5.90	Up $0.55	$7.83	$6.53	Up $1.3
Production Cash cost per silver equivalent oz [3]	$9.62	$8.91	Up 8%	$9.86	$8.80	Up 12%
Cash Cost per milled tonne [3] [4]	$32.85	$32.50	Up 1%	$34.07	$33.14	Up 3%
Copper, lead and zinc concentrates produced (tonnes)	8,118	8,603	Down 6%	23,093	21,710	Up 6%
Ore mined (tonnes)	207,458	196,401	Up 6%	656,988	472,557	Up 39%
Ore milled (tonnes)	221,118	196,843	Up 12%	626,587	504,005	Up 24%

[1] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).
[2] Difference between silver ounces produced vs sold is mainly due to change in concentrates inventory and percentage paid for each metal.
[3] A non IFRS financial measure - See additional information on non-IFRS financial measures page 29.
[4] Depreciation and amortization not included.
Remarks: Revenues, earnings from mine operations and production and selling disclosures relate to the La Negra mine only.

- Total revenues from La Negra mine for Q3 2013 were $10.4 million, down $4.6 million from $15.0 million in Q3 2012 mainly due to lower silver prices, fewer silver ounces sold due to a combination of; lower silver grades processed; more mill feed ore sourced from lower grade material mined in the development of new producing areas and higher unsold inventories at the end of the period.

- During Q3 2013 La Negra's mill averaged 2,632 tpd, a 15% increase from 2,289 tpd averaged during Q3 2012. Additional copper concentrate filter capacity is being installed to allow sustainable production at these levels.

- 221,118 tonnes were milled in Q3 2013 at La Negra mine, up 12% from 196,843 tonnes in Q3 2012. Seventy-eight per cent (78%) of the tonnage was mined from mineralized zones defined as Measured & Indicated Resources reported by the Company on October 10, 2012 in the NI 43-101 Technical Report. The report was prepared by Behre Dolbear & Company (USA), Inc. Twenty-two per cent (22%) of the tonnage was mined from other mineralized zones.

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Basis of Presentation:

The accompanying condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Nature of Business and Company Description:

Aurcana was incorporated under the laws of Ontario on October 12, 1917 under the name "Cane Silver Mines Limited" and was continued under the Canadian Business Corporations Act on September 14, 1998 under the name Aurcana Corporation. Aurcana is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX Venture Exchange ("TSX-VE") under the symbol AUN and was elevated to Tier 1 Status in October 2008.

Aurcana is engaged in the business of mining, exploration and development of mineral properties. The principal focus is the operation and development of mineral properties, primarily silver operations, located in Mexico and the United States. The Company is currently operating the La Negra silver-copper-zinc-lead mine ("La Negra"), located in the state of Querétaro, through Real de Maconi S.A. de C.V. ("Real de Maconi"). Aurcana acquired an interest in Real de Maconi in 2007 and on February 17, 2012, the Company increased its ownership in Real de Maconi from 92% to 99.86%. In addition to the Mexico operations, the Company also holds the Shafter Silver Mine located in Presidio County, southwest Texas through the Company's 100% owned US subsidiary, Silver Assets Inc., which remains in construction and mine development.

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Review of Mine Operating Results - La Negra Mine

Quarter Ended	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011
Mine Production								
Mine Days	92	89	88	90	90	89	88	92
Mill Days	84	77	78	83	86	85	85	87
Ore mined (tonnes)	207,458	249,036	200,494	197,959	196,401	143,717	132,438	131,776
Ore milled (tonnes)	221,118	235,388	170,081	187,255	196,843	176,591	130,570	125,262
Average tonnes milled per day	2,632	3,057	2,181	2,256	2,289	2,078	1,536	1,440
Average Grade								
Silver (g/t)	55	59	71	72	80	80	81	81
Copper (%)	0.44%	0.40%	0.40%	0.44%	0.48%	0.42%	0.37%	0.40%
Zinc (%)	1.21%	1.27%	1.27%	1.27%	1.43%	1.49%	1.53%	1.53%
Lead (%)	0.28%	0.31%	0.39%	0.32%	0.36%	0.41%	0.45%	0.46%
Implied Recovery								
Silver	79.8%	78.7%	80.0%	77.7%	74.4%	82.1%	84.5%	81.3%
Copper	73.4%	72.5%	75.6%	75.0%	77.5%	72.9%	67.5%	71.5%
Zinc	73.4%	73.9%	70.8%	67.7%	75.3%	74.1%	74.0%	72.0%
Lead	73.0%	76.5%	78.1%	81.9%	78.0%	79.4%	82.0%	80.7%
Metal Production (contained in concentrates)								
Silver (oz)	312,122	351,210	310,554	336,956	376,687	373,037	287,486	265,230
Copper (tonnes)	714	683	514	618	732	541	326	358
Zinc (tonnes)	1,965	2,210	1,530	1,611	2,120	1,950	1,478	1,380
Lead (tonnes)	452	558	518	491	553	575	482	465
Silver Equivalent (oz)	754,788	818,060	593,017	624,159	718,063	690,162	491,056	468,343
Concentrate grades								
Copper (%)	23%	23%	24%	26%	24%	22%	22%	21%
Zinc (%)	46%	46%	46%	47%	46%	46%	48%	45%
Lead (%)	61%	64%	64%	62%	61%	59%	62%	64%

Quarter Ended Concentrate Inventories (tonnes)	Sep-30 2013	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011
Copper								
Initial inventory	910	490	454	662	158	67	162	30
Production	3,133	2,968	2,139	2,419	3,063	2,516	1,475	1,679
Sales	2,338	2,548	2,103	2,627	2,559	2,425	1,570	1,547
Final Inventory	1,705	910	490	454	662	158	67	162
Zinc								
Initial inventory	443	467	249	479	83	79	242	76
Production	4,238	4,857	3,333	3,440	4,631	4,248	3,103	3,058
Sales	4,026	4,881	3,115	3,670	4,235	4,244	3,266	2,892
Final Inventory	655	443	467	249	479	83	79	242
Lead								
Initial inventory	105	81	31	145	109	75	39	31
Production	747	867	813	778	903	979	773	729
Sales	739	843	763	892	867	945	737	721
Final Inventory	113	105	81	31	145	109	75	39

Sales figures are before treatment and refining charges (TCRC).

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- The La Negra mill upgrade to a nominal 3,000 tpd was partially completed at the end of March, on time and on budget, resulting in an increase in ore mined and milled capacity. Additional concentrate filter capacity is being installed to complete the expansion to allow for sustainable production at this level.
- Ore mined from the La Negra mine increased by 6% for a total of 207,458 tonnes during Q3 2013 (Q3 2012: 196,401 tonnes).
- The mill achieved an increase of 12% in ore milled for a total of 221,118 tonnes during Q3 2013 (Q3 2012: 196,843 tonnes).
- Silver equivalent production during the current period was 754,788 ounces, 5% higher than the 718,063 ounces produced in Q3 2012.
- Silver production during the third quarter was 312,122 ounces, down 17% from 376,687 ounces produced in Q3 2012, due to processing lower grade ores. The average silver grade was 55 grams per tonne ("g/t") during the current period, compared to 80 g/t in 2012. The decrease in silver grade during this period was due to an increase in mine development to support higher mine production rates in the future. Currently sufficient mine development has been completed at the La Negra mine to support two years of production and the Company will reduce mine development in the short term. La Negra's mine plan includes a transition to mining more higher silver grade mineralized zones from the upper levels of the La Negra mine in 2014 and 2015. Aurcana has ordered a raise-boring machine to construct ventilation raises and ore passes to provide ventilation in the new mining areas and allow for the transfer of ore via gravity from the upper levels to the main haulage level below. It is anticipated that this will increase productivity and reduce operating costs. The raise-borer is expected to be commissioned in Q2, 2014.
- The inventory of copper/silver concentrates increased to 1,705 tonnes, with commensurate reductions in metal sales and revenues. The mine and plant expansion combined with greater production from the copper rich lower levels of La Negra, resulted in higher copper concentrate production than anticipated exceeding the capacity of the existing filter press and constraining mill throughput. A new larger capacity filter press has been received and is expected to be commissioned Q1 2014.
- During Q2 2013, the Company initiated a 15-hole, 5,000 metre surface drill program in order to better define gold mineralization. A total of 1,773 meters were drilled but gold values lacked continuity and the program was terminated.
- Underground diamond drilling and mine development at La Negra continue to delineate additional mineralized zones. Drill crews completed 10,128 metres of diamond drilling during 2013 versus 9,399 meters in Q3, 2012.
- Underground diamond drilling continues at La Negra with 13,500 meters scheduled for completion in 2013 versus 13,311 meters drilled in 2012. Drilling objectives are to better define mineralized zones to support short and medium term mine planning. The existing tailings facility currently has three more years of capacity at a milling rate of 3,000 tpd. Studies are being undertaken to determine the best option for increasing tailings storage capacity; a new tailings facility, expansion of the existing facility, dry stacked tailings and hydraulic/paste backfill are all being considered.
- In response to lower silver prices, La Negra has undertaken cost cutting measures to improve margins while cutting back on capital expenditures. These include:

(i) suspension of surface exploration diamond drilling activities;
(ii) refocusing mine development to areas of higher grade mineralization;
(iii) reducing the use of contractors;
(iv) optimizing power usage by rescheduling certain activities, particularly crushing, to off-peak hours thereby reducing energy costs; and
(v) improving equipment maintenance to increase utilization rates and productivities thereby reducing the need for additional capital investment.

Shafter Mine

- The Company continues to make capital improvements to the processing facility at Shafter to improve throughput rate and recoveries.
- The current April 2001 block model of the Shafter mineralized resources, used to support the June 2011 feasibility study has been an inconsistent predictor of tons and grade in the old Presidio Mine area and new remodelling is being undertaken by Mine Development Associates ("MDA") of Reno Nevada. This work, when complete, together with a re-evaluation of project economics with respect to lower silver prices, will determine new higher cut-off grades and optimum throughput rates for both mine and mill. Concurrently, plans are being developed to rehabilitate the mine shafts, hoisting systems and mine dewatering system in the eastern extension of the mineralized zone thereby allowing access to this non-mined area delineated by Gold Fields in the late 70's and early 80's. This work will be followed up with a comprehensive mine plan with subsequent development of production stopes to complement production from the old Presidio Mine area.
- MDA will also provide an updated resource estimate at Shafter that will better define the high grade and low grade ore zones to reflect the nature of the mineralization. This will enhance the mine plan going forward, enabling Aurcana to pursue the higher margin material in the current silver price environment. Completion is expected during Q1 2014.
- The Shafter plant while still in construction and mine development processed a total of 46,516 tons during Q3 2013, and average of 505 tpd. Throughput was limited due to shortages of spare parts and mining resources brought upon by lack of funding prior to the Company's debt financing which closed in September, 2013. Mechanical problems with the ball mill curtailed commissioning in October. The necessary parts for repair are on order and the mill should be repaired by January 2014.
- An equipment malfunction (turbo failure) on November 1, 2013 resulted in smoke generation and a suspicion of fire underground, which later proved to be incorrect. The subsequent precautionary mine evacuation and MSHA investigation has caused all mining operations to be suspended while the mine ventilation system is being upgraded.
- The curtailment of underground operations, probably through mid-December, will delay planned underground diamond drilling and mine development.
- In the first nine months of 2013, capitalized expenses (net of proceeds generated from silver sales) totalled $9.6 million.
- In the third quarter, the Company recorded an impairment charge to property, plant and equipment in the amount of $4,527,094 (2012 - $nil) and mineral properties in the amount of $1,611,348 (2012 - $nil), mainly as a result of lower metal prices, and temporary suspension of mining and milling activities.

- In the third quarter the Company recorded an idled mine cost to assets under construction in amount of $6,813,729 (2012 - $nil), which includes expenses of property taxes, maintenance, insurance expenses, repairs of the mill and mine equipment for the first nine months of 2013.
- The total capital costs required for the process facility to design capacity were originally estimated to be approximately $18.5 million, of which some $5.5 million has been spent as of the end of Q2 2013. Capital outlays have been reassessed and some $5 million of the original amount have now been deferred indefinitely while preserving the ability to reach a sustainable throughput and acceptable recoveries. However, the funds previously allocated to these deferred costs will now be required to rehabilitate the infrastructure to allow for the exploitation of the eastern non-mined extension of the Shafter mineralized zone.
- During the second quarter the Company engaged a mine development contractor at the Shafter mine to develop a further 1,500 feet of decline. The contractor commenced development on May 15 and worked until July 31. At that time the mine development work was suspended pending closing of the Company's debt financing, which was completed in September, 2013. The work resumed in September 2013. With the ball mill out of operation pending completion of repairs, the contractor is being released. In August 2013 a second new tailings filter press was received and commissioned. This replaced the second of three used low-capacity tailings filter presses that were contributing to operational delays and reduced recovery rates. The upgrade in filter presses is a continuation of several plant improvements designed to reach the planned throughput.
- New precipitate filter presses were received and commissioned in October 2013. Additional refinery equipment is arriving and will be installed and commissioned in Q4 of 2013.
- Foundation work has commenced on the three Counter Current Decantation (CCD) and new primary thickener tanks in the second half of October. Actual tank fabrication is now scheduled for late Q4 2013 with material procurement and onsite fabrication commencing January 2014.
- Proposals are being solicited for targeted automation of process plant components to achieve improved process control and lower reagent consumptions. Planning has commenced to replace liquid cyanide shipments with solid briquettes to reduce transportation costs. Some of the components necessary for this improvement are already in place and minimum capital expense will be required for the transition.

Shafter Exploration

- During the second quarter exploration activities were focused on surface mapping and sampling, as well as mapping and interpretation of underground workings in the historic Presidio Mine. This work program has led to a better understanding of the structural controls governing mineralization that could lead to the identification of new potential "near mine" targets along strike or down dip.
- Surface and underground mapping west of the Mina Grande Fault has identified a northeast-southwest trending graven structure that appears to control the more promising alteration associated with mineralization. A prominent historic resistivity anomaly is coincident with the southernmost extent of this trend. Broadly spaced historic drill holes by Gold Fields intersected silica and iron oxide alteration in the host Mina Grande limestone. Several of these holes returned strongly anomalous silver grades.

Environmental and Sustainability

- Initiatives to reduce water consumption at Shafter continued with the installation of new tailings filter presses, that produce a drier filter cake recovering more process water for re-use.
- Aurcana continues to be the largest property tax payer and the largest employer in the county.

Overall Performance

Earnings

The Company had earnings from La Negra mining operations for the quarter ended September 30, 2013 in the amount of $2.6 million (2012: $6.4 million); the earning for the nine months was $9.9 million (2012: $17.4 million). The decrease in earnings from La Negra mining operations for the quarter, as well as for the nine months, compared to the same periods of the previous year was mainly related to the decrease in metal prices, lower silver grade at La Negra mine and higher copper concentrate inventory, despite the increase in the volume of ore produced as result of the recent expansion.

Revenue

La Negra mine	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenues from mining operations	**$ 10,359,644**	$ 14,950,026	**$ 34,458,481**	$ 40,638,068
Figures in $million:				
Gross revenues from Mining operations	**$ 12.8**	$ 18.4	**$ 41.9**	$ 50.1
Deductions T.C., refining and smelting charges deducted by the customers	**2.4**	3.4	**7.4**	9.4
Revenues from mining operations	**$ 10.4**	$ 15.0	**$ 34.5**	$ 40.7
Net Revenues by customer:				
Customer "A"	**$ 6.7**	$ 8.3	**$ 20.7**	$ 21.7
Customer "B"	**3.7**	6.7	**13.8**	19.0
Revenues from mining operations	**$ 10.4**	$ 15.0	**$ 34.5**	$ 40.7

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Revenues derived from:	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Silver	43%	52%	47%	53%
Copper	30%	28%	28%	25%
Zinc	20%	14%	18%	15%
Lead	7%	6%	7%	7%
Total	**100%**	**100%**	**100%**	**100%**

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

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

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
TCRC:				
Copper/Silver Concentrate	13%	12%	12%	12%
Zinc Concentrate	27%	32%	28%	34%
Lead/Silver Concentrate	20%	22%	18%	22%

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

Price of metals sold:	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Silver ($/oz)	$22.30	$31.63	$23.87	$30.71
Copper ($/lb)	$3.27	$3.51	$3.31	$3.56
Zinc ($/lb)	$0.86	$0.85	$0.86	$0.87
Lead ($/lb)	$0.97	$0.95	$0.97	$0.92

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Cost of Sales

The cost of sales from La Negra mine for the quarter ended September 30, 2013 was $7.7 million (2012: $8.5 million), which includes royalties, delivery freight, depletion, depreciation and amortization in the amount of $1.6 million for the current quarter (2012: $2.2 million). The cost of sales for the nine months ended September 30, 2013 was $24.5 million (2012: $23.2 million), which includes royalties, delivery freight, depletion, depreciation and amortization in the amount of $4.5 million for the current period (2012: $6.1 million). Depletion, depreciation and amortization decreased in the current period due to the increase in resources subject to depletion, supported by the recently filed NI 43-101 report.

The production cash cost per milled tonne for the quarter ended September 30, 2013 was $32.85 (2012: $32.50). The production cash cost per milled tonne for the nine months ended September 30, 2013 was $34.07 (2012: $33.14). (*For discussion of this non-IFRS financial measure see page 29 and following*.) Current cost per milled tonne is lower than the previous period due to costs efficiencies realized from an increase in ore milled.

Market trend for metal prices is as follows:

Market Average Price	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Silver ($/oz)	$ 22.56	$ 23.16	$ 30.08	$ 32.66	$ 29.80	$ 29.42	$ 32.62	$ 31.82
Copper ($/lb)	$ 3.25	$ 3.23	$ 3.60	$ 3.59	$ 3.50	$ 3.57	$ 3.77	$ 3.40
Zinc ($/lb)	$ 0.84	$ 0.84	$ 0.92	$ 0.88	$ 0.86	$ 0.87	$ 0.92	$ 0.86
Lead ($/lb)	$ 0.95	$ 0.93	$ 1.04	$ 1.00	$ 0.90	$ 0.89	$ 0.95	$ 0.90

* Source: London Metal Exchange

The Company is currently reviewing its options with respect to hedging. At this time, the Company is able to fix prices on a monthly basis with its concentrate buyer.

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Administrative Costs

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Administrative costs[1]	**$ 675,146**	$ 682,083	**$ 2,160,334**	$ 2,512,261
Professional fees	**167,316**	25,486	**545,712**	144,538
Investor relations	**46,149**	38,132	**303,689**	279,184
Marketing	**71,567**	84,287	**380,329**	414,151
Listing and filing fees	**7,652**	3,828	**108,530**	84,930
	$ 967,830	$ 833,816	**$ 3,498,594**	$ 3,435,064

[1] Administrative costs break down:

	Three months 2013	Three months 2012	Nine months 2013	Nine months 2012
Management fees	**$ 118,017**	$ 120,589	**$ 360,437**	$ 767,022
Rent and overhead	**45,715**	39,476	**137,805**	113,609
Travel and accommodation	**48,492**	62,351	**198,009**	226,807
Office	**60,810**	20,452	**206,067**	174,174
Salaries and Consulting fees	**268,524**	270,269	**806,097**	704,751
Directors Fees	**65,402**	51,715	**205,809**	149,242
Other	**68,186**	117,231	**246,110**	376,656
	$ 675,146	$ 682,083	**$ 2,160,334**	$ 2,512,261

Professional fees
The increase was due to legal advice relating to the Company's financing activities and an increase in audit fees related to Shafter.

Marketing
The Company is assessing its marketing efforts in an effort to maximize the Company's exposure and market recognition in the most effective way.

Listing and filing fees
The increase was primarily due to higher TSX Venture sustaining fees.

Management fees
Fees were lower for 2013 primarily due to non-payment of bonuses.

Salaries and consulting fees
The increase was due to the addition of an in-house Corporate Communications Director in September 2012 and the VP of Operations as of January 2013.

Directors' fees
The increase was mainly due to the addition of a new director in the first six months.

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Management Discussion and Analysis for the quarter ended September 30, 2013

The Company's financial quarterly information is as follow:

Quarter Ended		Sep-30 2013		Jun-30 2013		Mar-31 2013		Dec-31 2012
Total Revenues	$	10,359,644		11,337,026	$	12,761,811	$	16,290,724
Earnings from mine operations	$	2,565,765		2,551,101	$	4,793,278	$	7,615,012
Net Income (loss)	$	(15,468,790)		254,689	$	391,737	$	2,960,480
Income (loss) per share	$	(0.26)		-	$	-	$	0.01

		Sep-30 2012		Jun-30 2012		Mar-31 2012		Dec-31 2011
Total Revenues	$	14,950,026	$	13,739,509	$	11,948,533	$	10,989,499
Earnings from mine operations	$	6,407,942	$	5,480,639	$	5,507,440	$	5,708,583
Net Income	$	3,595,607	$	1,403,126	$	1,992,127	$	1,574,320

- In the quarter ended September 30, 2013, earnings from mine operations increased $14,664 or 1% compared to the quarter ended June 30, 2013, primarily attributed to the rise of the silver price partially offset by a 6% decrease in ore milled. Net loss for the period was $15,468,790, mainly due to the impairment of PP&E $4,527,094 and mineral properties $1,611,348, as a result of lower metal prices, and temporary suspension on mining and milling activities, idled mine cost of $6,813,729, and increased financing expenses of $1,446,686 relating to the debt financing which closed in September, 2013, Stock-based compensation of $1,082,323 and a loss on sale of short-term investments of $420,968.

- In the quarter ended June 30, 2013, earnings from mine operations decreased $2,242,177 or 47% compared to the quarter ended March 31, 2012, primarily attributed to a reduction in metal prices, lower silver grade and higher copper concentrates held in inventory, partially offset by more ore milled and less depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $137,048 or 35% compared to the preceding quarter, due mainly to the reduction of the earnings from mine operations that more than off-set a general reduction in expenses.

- In the quarter ended March 31, 2013, earnings from mine operations decreased by $2,821,734 or 37% compared to the quarter ended December 31, 2012, primarily attributed to the reduction in metal prices and a 9% decrease in ore milled, partially offset by a lower depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $2,568,743 or 87% compared to the preceding quarter, due mainly to the increase in the stock-based compensation and foreign exchange costs, partially offset by lower income taxes.

- In the quarter ended December 31, 2012, earnings from mine operations increased by $1,207,070 or 19% compared to the quarter ended September 30, 2012, primarily attributed to rise of the metal prices, partially offset by 5% decrease of the ore milled and less depletion of mineral properties, depreciation and amortization expense. Net income for the period decreased by $451,264 or 13% compared to preceding quarter, due mainly to the increase in the administrative costs and income tax, partially offset with lower stock-based compensation for the previous quarter.

- In the quarter ended September 30, 2012, earnings from mine operations increased $927,303 or 17% compared to the quarter ended June 30, 2012, primarily attributed to a higher silver price and 11% increase of the ore milled. Net income for the period increased by $1,824,755 or 115% compared to the preceding quarter, due mainly to the decrease in administrative costs and the stock-based compensation, partially offset with increased income tax.

- In the quarter ended June 30, 2012, earnings from mine operations decreased $26,801 compared to the quarter ended March 31, 2012, primarily attributed to a reduction in metal prices and additional depletion of mineral properties, depreciation and amortization, partially offset by 35% additional ore milled. Net income for the period decreased by $405,138 or 20% compared to the preceding quarter, due mainly to the increase in administrative costs and the stock-based compensation, partially offset with increased foreign exchange for the previous quarter.

- In the quarter ended March 31, 2012, earnings from mine operations decreased $201,143 or 4% compared to the quarter ended December 31, 2011, primarily attributed to increase of mineral and mill supplies, salaries and benefits, and depletion of mineral properties, partially offset by increase of metals prices and 4% additional ore milled. Net income for the period increased by $417,807 or 27% compared to the preceding quarter, due mainly to the reduction of the stock-based compensation.

- In the quarter ended December 31, 2011, earnings from mine operations decreased $1,102,487 or 16% compared to the quarter ended September 30, 2011, primarily attributed to lower metal prices, partially offset by 5% increase of the ore milled. Net income for the period decreased by $2,250,714 or 59% compared to preceding quarter, due mainly to the increase in administrative costs, stock-based compensation and foreign exchange for the previous quarter.

Liquidity

At September 30, 2013 the Company had working capital of $7.1 million (Dec 2012 – working capital of $7.1 million), which consisted of $41.7 million held in cash and short term deposits; accounts receivable of $3.4 million (trade & others); inventory of $7.4 million; and prepaid expenses of $1.4 million. These amounts are offset by accounts payable of $19.8 million; current portion of the Company's finance contracts payable of $3.2 million for equipment purchases at the La Negra Mine and Shafter Mine and the short-term $23.8 million note payable with respect to the credit facility with its concentrate buyer and the current portion of the debt financing advanced by an affiliate of Orion Mine Finance Fund 1 (“Orion”) in September, 2013.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite the current liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing operating cash flows for the Company. The Company anticipates that the cash flow generated from the operating activities may not be sufficient to meet the Company’s commitments and the Company may explore various alternative sources of financing.

On September 19, 2013, the Company executed definitive agreements with MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion, for a loan facility in the principal amount of US$50,000,000 (the "Loan") and an Off-take Agreement (the "off-take agreement") for silver and gold (the "Material") produced at the Company's Shafter mine. A total of approximately US$13 million from the Loan proceeds will be used by the Company to complete the construction and upgrade work for Shafter mine and the balance of the Loan will be used to repay certain indebtedness and for otherwise advancing the La Negra and Shafter mines.

Term of Loan is 39 months after closing with no principal payable until four months after closing. Early repayment of the Loan may occur at any time without charge. Interest payable is set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. The Company has agreed to sell silver and gold produced from the Shafter mine to Orion Mine Finance at market prices for either a 6 year period, or until Aurcana has sold a minimum of 27 million Oz of silver, whichever is later, subject to an early buy-out provision.

The Company has also entered into a short-term loan in the amount of $15 million with one of its concentrate purchasers to help finance the Company. At September 30, 2013 the unpaid balance was $11,250,000. Also the repayment terms of the short term loan have been amended such that the Company’s loan repayment obligations are as follows:

Month	Glencore	Orion	Total
October 2013	$ 2,000,000	-	$ 2,000,000
November 2013	2,000,000	-	2,000,000
December 2013	2,500,000	-	2,500,000
January 2014	1,750,000	1,388,889	3,138,889
February 2014	1,500,000	1,388,889	2,888,889
March 2014	1,500,000	1,388,889	2,888,889
April 2014	-	1,388,889	1,388,889
May 2014	-	1,388,889	1,388,889
June 2014	-	1,388,889	1,388,889
July 2014	-	1,388,889	1,388,889
August 2014	-	1,388,889	1,388,889
September 2014	-	1,388,888	1,388,888
	$ 11,250,000	$ 12,500,000	$ 23,750,000

Schedule of principal repayments is as follows:

	September 30 2013	December 31 2012
Less one year	$ 23,750,000	-
one to two years	16,666,668	-
two to three years	16,666,668	-
three to four	4,166,664	
	$ 61,250,000	$ -

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

The Company's expected sources of cash flow in the upcoming year will be through its operations from both La Negra and Shafter and possibly equity or debt financing, loans, lease financing and entering into joint venture agreements, or a combination thereof.

Capital Resources

At September 30, 2013, the Company had $41.7 million in cash and cash equivalents and a working capital of $7.1 million.

a) The Company has commitments for capital expenditures as of September 30, 2013 related to capital equipment contracts for the amount of $7,042,765 due as follows:

2013	$ 781,215
2014	3,246,849
2015	2,954,914
2016	59,787
	$ 7,042,765

The Company expects to ultimately meet these commitments with the cash flow generated by operations, and the proceeds of the Loan or other financing activities.

Besides these commitments, the Company anticipates making additional capital expenditures in the amount of approximately $8 million, in order to complete the upgrades to the Shafter process facility.

b) The Company anticipates that the cash flow generated from the operating activities may not be sufficient to meet the Company's commitments and the Company may explore various alternative sources of financing.

Readers are cautioned that there are many factors which may impact cash provided by operations which are difficult to predict and forecast.

Outstanding Share Capital:

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

As at November 29, 2013, the Company had 58,412,564 common shares issued and outstanding.

As at November 29, 2013, the Company had 3,978,906 common share purchase options outstanding at various exercise prices and maturing at various future dates.

As at November 29, 2013, the Company had 10,105,541 common share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price (CDN)	Expiry Date
3,300,310	$8.00	November 28, 2013
5,511,481	$3.28	December 7, 2013
1,000,000	$2.31	September 26, 2014
293,750	$2.49	June 30, 2015
10,105,541		

The 1,000,000 warrants oustanding with expiry date of September 26, 2014 were issued in connection with a bridge loan received by the Company in September 2013.

Related Party Transactions

The Company's related parties consist of companies owned by executive officers and directors and payments to these parties are as follows:

	Note	September 30 2013	September 30 2012
Technical and consulting fees	(i)	$ 361,860	$ 171,127
General and administrative expenses	(ii)	-	125,788
Management fees	(iii)	360,437	767,022
Related party transactions fees		$ 722,297	$ 1,063,937

i) To companies controlled by former officers of VP Operations ($212K) and the VP Exploration ($150K) for management services performed.
ii) To a company controlled by the former corporate secretary for management services performed as an officer.
iii) To a company controlled by the President & CEO for management services performed.

During the nine months ended September 30, 2013, transactions with related parties were measured at fair value. In September 2013, the Company was advanced a $5 million bridge loan ("Bridge Loan") by First Access Financial Group, Inc. ("First Access"), a company controlled by the President and Chief Executive Officer of the Company. The Bridge Loan was intended to provide additional liquidity to the Company until the closing of the Loan with Orion. The original terms of the Bridge Loan, as announced in the Company's news release dated September 11, 2013, provided that the Bridge Loan would accrue interest at a rate of 1.25% per month, with the first 90 days of interest being prepaid in advance, and be subject to an origination fee of US$125,000 (the "Origination Fee") and the issuance of 1,000,000 common share purchase warrants (the "Warrants") to First Access. The Warrants expire on September 26, 2014, have an exercise price of $2.31 per share, and were ascribed an aggregate fair value of US$688,931 using the Black-Sholes model.

Upon the closing of the Loan with Orion, the Bridge Loan was repaid to First Access and, in consideration of the short time the Bridge Loan was outstanding, First Access agreed to amend the terms of the Bridge Loan such that the Origination Fee and all pre-paid interest were refunded to the Company, and interest was only payable on the period from the date of advancement of the Bridge Loan until its repayment. .

Compensation of key management personnel:

	September 30 2013	September 30 2012
Related party transactions fees	$ 722,297	$ 1,063,937
Directors' fees	205,809	149,242
Officer salaries	228,650	182,583
Stock-based compensation	2,910,100	4,369,364
	$ 4,066,856	$ 5,765,126

Commitments:

On November 14, 2006, the Company's subsidiary, Minera La Negra S.A. de C.V. ("Mineral 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 the copper and zinc concentrate to be produced at the La Negra mine during the years 2007, 2008, 2009 and extended until the end of 2013. On March 2011, Minera La Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced at the La Negra mine until the end of 2013. Prices set in both agreements are based on the average of the month in which the shipment is made as per the published prices in the Metal Bulletin in London in US dollars. During July 2013, the agreement with Glencore was extended until 2016.

On September 19, 2013, the Company executed the Loan Agreement and the Off-take Agreement with MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion, for the Loan in the principal amount of US$50,000,000 and the off-take of silver and gold produced at the Company's Shafter mine.

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).

Financial Instruments:

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. A portion of its assets and liabilities are denominated in currencies other than the functional currency of the related entity in Canada and Mexico. A significant change in the currency exchange rates between the non-functional currency balances and the functional currency has an effect on the Company's results for operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2013, the Company's Canadian operations are exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

		September 30, 2013
Cash and cash equivalents	CDN$	158,615
Other receivable		386,836
Accounts payable		(325,300)
	CDN$	220,151
USD$ Equivalent		**213,677**

Based on the above net exposures as at September 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN Dollar would result in a $21,368 change to the Company's gain in terms of unrealized exchange.

At September 30, 2013, the Company's Mexican operations are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		September 30, 2013
Cash and cash equivalents	MXP$	505,390
Other receivable		3,410,606
Accounts payable		(103,768,297)
	MXP$	(99,852,301)
USD$ Equivalent		**(7,673,922)**

Based on the above net exposures as at September 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the USD Dollar against the Mexican Peso would result in a $767,392 change to the Company's loss in terms of unrealized exchange.

Credit risk:

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, accounts receivable and amounts receivable.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with banks of investment grade. As the Company has its operations in developing countries, it is unavoidable that some cash is held with regional banks in areas where the banking system does not operate as efficiently as in major financial centers. In these circumstances, the Company attempts to keep only minimal balances with such banks.

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives that are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Company's Audit Committee.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. 100% of the Company's product sales and trade accounts receivable are generated from two customers representing 100% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities and other long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

The Company classifies the fair value of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

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The following table summarizes the fair value hierarchy, as of September 30, 2013:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 41,733,303	-	$ 41,733,303	n/a
Trade and other receivable	-	3,371,048	-	3,371,048	n/a
	$ -	**$ 45,104,351**	**-**	**$ 45,104,351**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(19,809,761)	(19,809,761)	n/a
Note payable	-	-	(61,250,000)	(61,250,000)	n/a
Long Term Debt	-	-	(7,042,765)	(7,042,765)	n/a
	$ -	**$ 45,104,351**	**$ (88,102,526)**	**$ (42,998,175)**	

The following table summarizes the fair value hierarchy, as of December 31, 2012:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 10,027,622	-	$ 10,027,622	n/a
Trade and other receivable	-	3,817,901	-	3,817,901	n/a
Short-term investments	715,780	-	-	715,780	Level 1
Amounts receivable	-	599,525	-	599,525	n/a
	$ 715,780	**$ 14,445,048**	**-**	**$ 15,160,828**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(10,880,576)	(10,880,576)	n/a
Long Term Debt	-	-	(7,082,292)	(7,082,292)	n/a
	$ 715,780	**$ 14,445,048**	**$ (17,962,868)**	**$ (2,802,040)**	

There were no material differences between the carrying value and fair value of long-term assets and liabilities as of September 30, 2013. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

Management of Capital:

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from operations.

See also Liquidity discussion on page 14.

Adoption of New and Amended IFRS Pronouncements:

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financail statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Company's disclosure requirements in respect of IFRS 13 are contained in Note 24 of these condensed consolidated interim financial statements.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 which required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

v) IFRS 9, Financial instruments

The IASB has suspended the originally planned effective date of January 1, 2015 for IFRS 9 "Financial Instruments". The IASB issued IFRS 9 as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The Company will commence assessing the impact of this new standard upon the announcement of its new effective date.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

Risks and Uncertainties*:*

The operations of Aurcana are speculative due to the high risk nature of its business which involves the silver, copper, lead and zinc production and the 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.

Litigation Risk

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers of the Company as defendants. The plaintiff asserts that certain of the Company's news releases misrepresented the production level at the Shafter mine. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between December 14, 2012 and April 11, 2013 and seeks damages on behalf of that class in the sum of $50 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations.

Mexican tax legislation changes

On October 31, 2013, the Mexican Senate passed the Mexican Tax Reform Bill enacting a tax deductible 7.5% mining royalty on earnings before the deduction of interest, taxes, depreciation and amortization. Further, precious metals mining companies will pay an additional 0.5% royalty on precious metals revenue and maintain a corporate tax rate of 30%. The proposal has been approved and is expected to be published in the Official Gazette at which point it will become Mexican law. The effective date of the law will be January 1, 2014. The tax is expected to adversely affect future earnings from the Company's mining operations in Mexico.

Mining Risks and Insurance

The business of mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurcana's financial performance and results of operations. The Company carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible but which may not provide adequate coverage in all circumstances.

Uncertainty of Mineral Resources and Reserves

Mineral reserves and mineral resources are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of payable metals will be realized. The grade of mineralized material actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. Prolonged declines in the market price of silver, copper, lead or zinc may render mineral reserves containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the Company's reserves. Should such reductions occur, the Company could be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Market price fluctuations, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to mineral reserves, such as the need for orderly development of a mineralized deposit or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

The Company adjusts its mineral resources and 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 Resources and Reserves

There are a number of uncertainties inherent in any program relating to the location of economic mineral resources and reserves, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities and the appropriate financing thereof. Accordingly, there can be no assurance that the Company's programs will yield new mineral resources and reserves to replace mined reserves and to expand current mineral resources and reserves.

Reclamation Obligations

Reclamation requirements may change and do vary depending on the location and the government regulatory body, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. The Company calculates its estimates of the ultimate reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating mine sites. It is possible that the Company's estimate of its ultimate reclamation liability could change in the near term due to possible changes in laws and regulations and changes in cost estimates.

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Exploration Risks

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned will result in a profitable commercial mining operation.

Whether any mineral deposit is commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical and government regulations, including mineral development and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Aurcana not receiving an adequate return on invested capital.

Conflicting Interests

Some of the directors and officers of Aurcana also serve as directors and/or officers of other companies involved in 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 an interest.

Management Services

The success of Aurcana depends to a large extent, on the ability and judgment of the senior management of Aurcana and upon Aurcana's ability to retain the services of senior management. The loss of their services may have a material adverse effect on Aurcana.

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended September 30, 2013

Market Influences

The Company's Common Shares are listed for trading on the TSX Venture Exchange. Shareholders of the Company may be unable to sell significant quantities of the Common Shares into the public trading markets without a significant reduction in the price of the shares. The market price of the Common Shares may be affected significantly by factors such as changes in the Company's operating results, the availability of financings, fluctuations in the price of metals, the interest of investors, traders and others in small exploration stage public companies and general market conditions. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small capitalization exploration companies similar to the Company, have experienced wide fluctuations, which have not necessarily been related to operating performance, underlying asset values or future prospects. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

Impairment of property, plant and equipment assets and mining interests

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, production and grades, operating costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances could alter these projections materially, which could impact the recoverable amount of the assets.

As at September 30, 2013, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver metal constituted impairment indicators, and completed an impairment assessment for the Shafter mine on a fair value less costs to sell basis.

The key assumptions incorporated in the impairment model included the following:
Silver Prices ($/Oz) 2013: $22.00; 2014:$22.26; 2015:$23.03; and 2016 and beyond: $22.81
Operating costs are estimated based on the Shafter feasibility study.
Production volume, grades and recoveries from 2016 and beyond are the same as indicated in the Shafter feasibility study.

Discount rate: 9% after tax rate.

The Company recorded an impairment charge to property, plant and equipment in amount of $4,527,094 (2012 - $nil) and mineral properties in amount of $1,611,348 (2012 - $nil).

Non-IFRS Financial Measures

The Company has included certain non-IFRS financial measures including “Total cash cost per Silver equivalent oz sold”, “Total cash cost per Silver oz sold, net of by-products” and “Cash cost per milled tonne” to supplement its Condensed Interim Consolidated Financial Statements, which are presented in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with useful information to evaluate the underlying performance of the Company. Non-IFRS financial measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS.

a) Total production cash cost per Silver equivalent oz

The Company uses cash cost per Silver equivalent oz to describe its cash production costs on an overall basis. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company’s underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. This performance measure is commonly utilized in the mining industry.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Cash cost				
Cost of sales per financial statements	**$ 7,793,879**	$ 8,542,084	**$ 24,548,337**	$ 23,242,047
Less royalties, PSE and changes in inventories	**819,533**	(438,840)	**441,022**	(1,733,233)
Less freight and delivery	**(617,784)**	(381,020)	**(1,512,347)**	(1,040,328)
Less depreciation and amortization	**(706,649)**	(1,077,157)	**(2,086,318)**	(2,945,379)
Less depletion of mineral properties	**(26,257)**	(248,171)	**(43,508)**	(818,327)
Total cash cost	**7,262,722**	6,396,896	**21,347,186**	16,704,780
Silver Equivalent Oz. Produced	**754,788**	718,063	**2,165,865**	1,899,281
Production Cash cost per silver equivalent oz	**$ 9.62**	$ 8.91	**$ 9.86**	$ 8.80

b) Cash cost per milled tonne

The Company uses cash costs per milled ton to describe its cash production costs based on tonnes of ore milled. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its cash costs per milled tonne internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Cash cost				
Cost of sales per financial statements	**$ 7,793,879**	$ 8,542,084	**$ 24,548,337**	$ 23,242,047
Less royalties, PSE and changes in inventories	**819,533**	(438,840)	**441,022**	(1,733,233)
Less freight and delivery	**(617,784)**	(381,020)	**(1,512,347)**	(1,040,328)
Less depreciation and amortization	**(706,649)**	(1,077,157)	**(2,086,318)**	(2,945,379)
Less depletion of mineral properties	**(26,257)**	(248,171)	**(43,508)**	(818,327)
Total cash cost	**7,262,722**	6,396,896	**21,347,186**	16,704,780
Tonnes milled	**221,118**	196,843	**626,587**	504,005
Cash cost per milled tonne	**$ 32.85**	$ 32.50	**$ 34.07**	$ 33.14

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the nine months ended September 30, 2013 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at www.sedar.com.

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