Management Discussion and Analysis for the quarter ended March 31, 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 March 31 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 May 15, 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 include 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 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 has indicated in this Management Discussion and Analysis that a contractor has been engaged at the Shafter mine to develop a further 1,500 feet of decline advance to access approximately 500,000 tons of ore.

The Company has indicated in this Management Discussion and Analysis that it anticipates bringing the Shafter mine to the initial production of 600 tpd during Q2 2013 and full feasibility production of 1,500 tpd during Q1 2014. The material assumptions in respect of this estimate include the timing of delivery of the key new processing plant components. The time to install the new components could vary from the plans and current unanticipated issues may delay these anticipated dates.

The Company has indicated that management believes the Company will require further infusion of funds to meet planned production levels at Shafter. The level of these further expenditures at the Shafter mine may exceed the cash flows provided by the La Negra mine until the Shafter mine reaches positive cash flows. Management is currently evaluating a number of non-dilutive financing alternatives that would improve the Company's financial position. There is no assurance that these initiatives will be successful or sufficient to meet the Company's liquidity requirements.

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 this forward-looking statement are the price at which the Company sells its commodities, the ability of the Company to bring the Shafter mine into production in the anticipated time frame, the incremental cost and capacity currently planned, and the ability of the mines to meet production budgets for commodities produced at budgeted costs. See also Liquidity discussion on page 15.

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 Persons

Mr. Nils von Fersen (PGeo) a qualified person and the Company's Vice President, Exploration and Dr. Sadek El-Alfy, a qualified person and the Company's Vice President, Operations have reviewed and approved the scientific and technical information contained in this MD&A.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

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.

Highlights:

	Three months ended March 31, 2013	2012	Change Year-on-Year
Revenues ($ million) [3]	$12.8	$11.9	Up $ 0.9
Earnings from mining operations ($million)	4.8	5.5	Down $ 0.7
Net Income ($million)	0.4	2.0	Down $1.6
Operating Cash Flow before movements in working capital items ($ million)	$3.3	$5.2	Down $ 1.7
Silver Ounces produced	310,554	287,486	Up 8%
Silver Ounces sold (Payable at 95%) [3] [4]	267,349	258,767	Up 3%
Silver Ounces equivalent produced	592,504	491,056	Up 21%
Silver Ounces equivalent sold [3] [4]	506,527	445,674	Up 14%
Production Cash cost per silver equivalent oz [1]	$11.72	$10.45	Up 12%
Total Cash Cost per silver oz net of by-products [1] [3]	$7.79	$6.82	Up 14%
Cash Cost per milled ton. [1] [2]	$40.84	$39.31	Up 4%
Copper, lead and zinc concentrates produced (tonnes)	6,283	5,356	Up 17%
Ore mined (tonnes)	200,494	132,438	Up 51%
Ore milled (tonnes)	170,081	130,570	Up 30%

[1] A non IFRS financial measure - See additional information on non-IFRS financial measures page 24

[2] Depreciation and amortization not included

[3] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).

[4] Difference between silver ounces produced vs sold is mainly due to change in concentrates inventory and percentage paid for each metal.

Remarks: Revenues, earnings from mine operations and production and selling disclosures relate to the La Negra mine only.

- Tonnes milled were 170,081 in Q1 2013, of which 93% was mined from mineralized zones comprising estimated Measured & Indicated Resources reported by the Company on October 10, 2012 in the 43-101 Technical Report prepared by Behre Dolbear & Company (USA), Inc. and 7% was mined from other mineralized zones, regarding the recent certification of NI 43-101.
- 30% increase in milled tonnes processed for a total of 170,081 milled tonnes during the quarter ended March 2013 (Q1 2012: 130,570 tonnes).

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

- In order to allow for an increase in future production, La Negra Mine in Mexico completed its third recent mine and mill expansion to 3,000 tonnes per day ("tpd") (from 1,500 tpd and 2,500 tpd installed capacity in the past), on time and on budget, and started additional production in April 2013 as planned.

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:

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**"). On February 17, 2012, the Company increased its ownership in Real de Maconi S.A. de C.V. ("Real Maconi") from 92% to 99.86 % in the state of Queretaro, Mexico. In addition, in 2008 the Company acquired 100% indirect interest in the Shafter Silver Mine in Texas, USA ("**Shafter**").

Company Description

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 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 commissioning.

La Negra Mine

- Silver produced during the current period– 310,554 ounces (2012: 287,486 ounces).
- The La Negra mill upgrade to 3,000 tpd has been completed on time and on budget.
- Tonnes milled were 170,081 during the current period (2012: 130,570 tonnes).
- Copper, Zinc and Lead concentrate produced during the current period – 6,283 tonnes (2012: 5,356 tonnes).
- The average grade of silver was 71 grams per ton during the current period, compared to 81 grams per ton in 2012. During the Q1 of 2013, the main focus was mine development which resulted in lower grade of silver.
- The Company has initiated a 5,000 metre drill program to define the discoveries announced on February 11, 2013 which indicated significant gold associated with strong silver, zinc and lead mineralization in several new areas tested at La Negra.

Management Discussion and Analysis for the quarter ended March 31, 2013

- Behre Dolbear and Company (USA), an independent mining consulting firm, has prepared a new Mineral Resource estimate (announced on August 28, 2012 and filed on SEDAR on October 11, 2012) at the Company's
- Mining operations and exploration drilling at La Negra continues to delineate additional mineralized zones, either between or as extensions of existing mineralized zones. Drill crews completed 3,364 metres of diamond drilling during 2013 (2012:3,255 metres).
- The tailings facility currently has the capacity to accept tailings from the planned 3,000 tpd plant for an estimated 5 more years. A new tailings area has been identified to provide for continued mine operations beyond 10 years. Environmental studies and other permit requirements have been initiated.

Shafter Mine

- Underground development continued as planned during the first quarter of 2013. Ramp development will continue over the next 24 months towards the objective of connecting the main ramp with the Goldfields shaft to the east and access mineralized material. The secondary escape way was lined and equipped with a hoist and man cage arrangement late during Q4, 2012. Mine Safety and Health Administration (MSHA) approved the secondary egress in mid-December and stope access development was allowed to proceed. The escape way also doubles up as a ventilation raise. During Q1 2013, 1,007 feet of stope devlopment was completed allowing access to the first three stopes.
- The open pit operations were discontinued beginning January 2013 as underground development ore replaced the open pit mineralization.
- The main ramp continues to advance down dip and has advanced 524 feet this quarter. During Q2, the Company engaged a contractor to develop a further 1,500 feet of decline advance to access approximately 500,000 tons of ore.
- The average grade currently being mined underground is approximately 5 ounces of silver per ton. As the ramp continues to advance down dip, the grades are expected to increase and be more in line with the average grade of the existing reserve.
- The commissioning and testing phase of the Shafter mill commenced in April 2012. While the underground mine development has progressed well, the Shafter mill has experienced a number of unanticipated malfunctions and technical issues with certain equipment in the processing plant. As a result, the Shafter processing plant remains in the commissioning and testing phase with a target of 600 tpd by the end of Q2, climbing to the feasibility target of 1,500 tpd during Q1 2014**.** The progress towards reaching the initial production target is influenced by the delivery times for additional pieces of equipment, as discussed below. As a result, the mill assets are not yet ready for their intended use.
- In order to achieve full production capacity during 2014, a number of improvements to the original mill and processing plant design and installation are necessary. An action plan has been developed in conjunction with outside consultants to accomplish the goals.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

Management has undertaken a number of key actions in order to achieve production and ramp up to full production during 2014 including:

- On May 3, 2013 a brand new tailings filter press was commissioned at Shafter. This replaced a used low-capacity press that was contributing to operational delays. The timeline from purchase to commissioning was 21 days. The new press has operated to specifications and has provided an operational capacity of 600 tpd at 90% availability.
- A second new tailings filter press, of the same design and capacity has been ordered. A third filter press will be ordered shortly to achieve the design capacity of 1,500 tpd. Delivery of the second press is anticipated in Q3 the third press in Q4.
- To increase overall silver recovery the Company is installing a Counter Current Decantation ("CCD") circuit. The circuit involves the installation of 6 CCD tanks, 2 tanks have been purchased to date. Tank number 1 was installed in May, 6 weeks ahead of the schedule. Tank number 2 is close to completion. The remaining four tanks will be installed by the end of Q4.
- Additional engineering and construction work is necessary to achieve design capacity at Shafter. Cimetta Engineering and Construction Company continue with the design. Management's target for completion of construction is during the first quarter of 2014. However, improvement in overall silver recovery will be incremental throughout 2013, with the commissioning of CCD tanks 1 and 2 as mentioned in the previous bullet point, and as more CCD tanks are brought into service as they become available.
- SGS/Metcon, a leading inspection, verification, testing and certification Company, has been retained to review and recommend process improvements that are aimed at optimizing metallurgical performance in the Shafter plant.
- In order to meet the planned level of production, the existing refinery also needs to be upgraded. The equipment required to expand the refinery have been ordered and we anticipate that the equipment will be delivered, installed and operational before year end. These include 3 additional precipitate filter presses, an additional drying oven, and a new smelting oven.
- Staff hiring and training is continuing in order to strengthen the production team at Shafter.
- A baseline safety audit has been recently conducted and the Det Norske Veritas (DNV) safety system has been adopted. The system, sometimes known as the 5 star safety system, has started at the Shafter silver mine. Two senior staff members at the Shafter operation are certified DNV auditors.

Environmental and Sustainability

- In recognition of Aurcana's commitments to environmental and social responsibility as an integral part of its corporate strategy, La Negra Mine operations in Mexico has been recently awarded the 2013 Environmental and Socially Responsible Company (ESR) Award by the Mexican Center for Philanthropy (CEMEFI).
- In order to support the local community, Aurcana is committed to put to beneficial use any water not required by the mining operations. RGMC has applied for a water well permit in order to offer water free of charge to the local Shafter town residents.
- In line with Aurcana's environmental commitments, Aurcana is also working to improve the milling process in order to re-circulate the mill water and reduce the demand of fresh water.

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

- Aurcana's objective is to have a positive impact on the local economy and local community where it operates. Aurcana is the largest property tax payer and the largest employer in the county through its wholly owned subsidiary, Rio Grande Mining Company (RGMC), operating the Shafter Mine.
- Aurcana through its wholly owned subsidiary RGMC prides itself in the cooperative efforts to aid in refurbishing the old company store in Shafter. The company store will be a mixture of museum, historic mining information, coffee shop and convenience store for the locals and visitors. The store will also offer crafts by local artist. Several bids to restore and re-furbish this historic building have been received from outside contractors. The selection of the successful contract is currently being carried out and a go ahead decision expected late during Q3.

Shafter Exploration

The 2012 exploration program at Shafter has identified evidence of a larger and more complex mineralizing system than previously recognized, with multiple discrete pulses of silver, silver lead-zinc, lead-zinc mineralization and over-printing silicification.

Dr. Peter Megaw, consulting geologist for Aurcana Corporation states: "Having evidence of complex, multiple stages at Shafter confirms we are exploring in a system with high potential, while demonstrating that although we still have not zeroed in on where to focus, continuing to do so is more than warranted. Seeing high complexity is a positive indicator for a long-lived, multi-staged, large system."

First quarter activities were largely dedicated to processing and interpreting the results of the 36,000 feet (11,000 m) drill program completed in 2012. The lithological, structural and assay information generated was used to enhance the 3D project model that has been constructed utilizing historic mine data and Goldfield exploration results, as well as recent drilling. The combination of this work was used to verify evidence for a larger and more complex mineralising system than previously recognized.

Surface mapping and sampling is underway south-west of the Presidio deposit where potential exists to further expand mineralization intersected by Goldfields. Structural mapping and review of historic drill hole sections is the focus at the eastern extension of the Shafter deposit.

Surface drilling is planned to start in the second quarter. A surface drill program has been negotiated with Boart Longyear for an initial 10,000 foot (3,000 m) contract. Start-up is planned for early June. Drill targets have been selected to test the Herculano Fault at depth for evidence of possible "feeder style" mineralization. The southwest extension of the Presidio Deposit, west of the Mina Grande Fault, has potential for strike extension and several holes are planned for this area. Drill targets in the Shafter East sector are being evaluated for potential drilling.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

Overall Performance

Earnings

The Company had earnings from mining operations of:

	Three months ended March 31,	
	2013	2012
Earnings from Mine Operations ($ million)	**4.8**	5.5
Income before Taxes ($ million)	**1.5**	2.7
Net Income ($ million)	**0.4**	2.0

The decrease in earnings from mining operations for the current period against the same period of the previous year was mainly related to the decrease in metal prices, lower silver grade and increase in salaries at La Negra mine; despite the increase in the volume of ore produced as a result of expansion in La Negra mine.

Revenue

During the quarter ended March 31, 2013, the Company generated total net revenues of $12.8 million (2012 – $11.9) from sales of the La Negra mine.

	Three months ended March 31,	
Revenues derived from:	**2013**	2012
Silver	53%	56%
Copper	26%	21%
Zinc	14%	16%
Lead	7%	7%
Total	**100%**	**100%**

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

The 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 March 31,	
	2013	2012
TCRC:		
Copper/Silver Concentrate	11%	11%
Zinc Concentrate	23%	25%
Lead/Silver Concentrate	16%	20%

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

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

	Three months ended March 31,	
Price of metals sold:	**2013**	2012
Silver	$29.52	$32.91
Copper	$3.62	$3.81
Zinc	$0.91	$0.92
Lead	$1.02	$0.95

Copper, zinc and lead concentrate of production were higher than the sales, as a result of the customers' facilities being closed at the end of March for holidays.

Cost of Sales

The cost of sales for the period ended March 31, 2013 was $8.0 million (2012: $6.4 million), which includes royalties, depletion, depreciation and amortization in the amount of $1.0 million for the current period (2012: $1.4 million). Depletion, depreciation and amortization decreased in the current period due to the increase in depletable reserves supported by the recently filed NI 43-101.

The cost per milled tonne (excluding delivery, freight, depletion, depreciation and amortization) for the current period ended March 31, 2013 was $40.84 (2012: 39.31). (*For discussion of this non-IFRS financial measure see page 26 and following*.) Current cost per milled tonne is higher than the previous period due to an increase in salaries of 8% for the current year plus an additional 20 workers for expansion and maintenance purposes. In addition there was a 3% appreciation of the Mexican peso against US dollar.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

La Negra mine:

Quarter Ended	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011	Sep-30 2011	Jun-30 2011
Mine Days	88	90	90	89	88	92	89	88
Mill Days	78	83	86	85	85	87	80	89
Inventory (start of period)								
Ore stockpiles (tonnes)	80,294	69,590	70,032	102,906	101,038	94,524	80,224	70,634
Zinc concentrate (tonnes)	249	479	83	79	242	76	104	40
Copper/silver concentrate (tonnes)	454	662	158	67	162	30	120	70
Lead concentrate (tonnes)	31	145	109	75	39	31	40	108
Production								
Ore mined (tonnes)	200,494	198,373	196,401	143,718	132,438	131,776	134,072	143,290
Ore milled (tonnes)	170,081	187,255	196,843	176,591	130,570	125,262	119,772	133,700
Ore milled daily average (tonnes)	2,169	2,256	2,278	2,075	1,534	1,441	1,497	1,506
Average Grade								
Zinc (%)	1.27%	1.27%	1.43%	1.49%	1.53%	1.53%	1.42%	1.34%
Copper (%)	0.40%	0.44%	0.48%	0.42%	0.37%	0.40%	0.39%	0.42%
Silver (g/t)	71	72	80	80	81	81	75	78
Lead (%)	0.39%	0.32%	0.36%	0.41%	0.45%	0.46%	0.47%	0.42%
Zinc concentrate (tonnes)	3,333	3,441	4,637	4,255	3,109	3,065	2,885	2,731
Containing: Zinc (tonnes)	1,530	1,611	2,120	1,950	1,478	1,380	1,253	1,131
Containing: Zinc (%)	46%	47%	46%	46%	48%	45%	43%	41%
Copper concentrate (tonnes)	2,138	2,419	3,063	2,517	1,474	1,679	1,600	1,882
Containing: Copper (tonnes)	514	618	732	541	326	358	362	398
Containing: Copper (%)	24%	26%	24%	22%	22%	21%	23%	21%
Lead concentrate (tonnes)	812	793	903	979	772	730	727	778
Containing: Lead (tonnes)	518	491	553	575	482	465	455	439
Containing: Lead (%)	64%	62%	61%	59%	62%	64%	63%	56%
Silver (oz)	310,554	336,956	376,687	373,037	287,486	265,230	244,243	257,508
Implied Recovery	80.3%	77.7%	74.5%	81.9%	84.4%	81.3%	84.2%	76.8%
Total Ag Eq. (Oz Ag Eq)	592,504	624,159	718,063	690,162	491,056	468,343	437,697	447,534
Inventory (end of period)								
Ore stockpiles (tonnes)	110,707	80,294	69,590	70,032	102,906	101,038	94,524	80,224
Zinc concentrate (tonnes)	467	249	479	83	79	242	76	104
Copper/silver concentrate (tonnes)	490	454	662	158	67	162	30	120
Lead/silver concentrate (tonnes)	81	31	145	109	75	39	31	40
Sales								
Zinc concentrate (DMT)	3,115	3,704	4,235	4,244	3,266	2,892	2,913	2,667
Containing payable 85%: Zinc (tonnes)	1,180	1,421	1,574	1,607	1,293	1,069	1,107	929
Copper concentrate (tonnes)	2,103	2,627	2,559	2,425	1,570	1,547	1,690	1,832
Containing payable:96.5% Copper (tonnes)	468	598	566	478	319	305	349	392
Lead concentrate (tonnes)	763	892	867	945	737	721	736	846
Containing payable:95% Lead (tonnes)	433	445	481	532	426	431	430	485
Silver (oz) payable at 95%	267,349	338,561	323,825	323,307	258,767	235,811	235,981	263,357

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

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

Market trend for metal prices is as follows:

Market Average Price	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Silver ($/ounce)	30.08	32.66	29.80	29.42	32.62	31.82	38.79	38.25
Copper ($/lb)	3.60	3.59	3.50	3.57	3.77	3.40	4.08	4.15
Zinc ($/lb)	0.92	0.88	0.86	0.87	0.92	0.86	1.01	1.02
Lead ($/lb)	1.04	1.00	0.90	0.89	0.95	0.90	1.12	1.16

* Source: London Metal Exchange

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

Administrative Costs

	Three months ended March 31, 2013	2012
Administrative costs[1]	$ **743,320**	$ 666,298
Professional fees	**162,735**	44,119
Investor relations	**130,675**	98,041
Marketing	**157,796**	152,581
Listing and filing fees	**68,184**	40,829
	$ **1,262,710**	$ 1,001,868

[1] Administrative costs break down:

	2013	2012
Management fees	$ **122,175**	$ 97,935
Rent and overhead	**46,027**	37,792
Travel and accommodation	**103,835**	91,108
Office	**87,698**	38,909
Salaries and Consulting fees	**251,015**	211,579
Directors Fees	**72,917**	29,471
Other	**59,653**	159,504
	$ **743,320**	$ 666,298

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

Professional fees

The Company incurred professional fees for the period ended March 31, 2013 was $162,735 (Q1 2012: $44,119), primarily due to more legal advice on operations and portion of Shafter 2012 auditing fees.

Investor Relations

The Company incurred investor relation expenditures for the period ended March 31, 2013 of $130,675 (Q1 2012: $98,041). Additional expenses incurred this quarter mainly relate to additional spending in order to improve Company's investor relations efforts.

Marketing

The Company incurred marketing expenditures for the period ended March 31, 2013 of $157,796 (Q1 2012: $152,581). During the current period, the Company sought additional exposure through advertising on TV (Bloomberg) and magazines as increased attendance at trade shows and conferences in Asia, Europe and throughout North America.

Listing and filing fees

The Company incurred listing and filing fees expenditures for the period ended March 31, 2013 of $68,184 (Q1 2012 - $40,829) primarily due to higher TSX venture sustaining fees.

Management fees

The Company incurred management fees expenditures for the period ended March 31, 2013 of $122.175 (Q1 2012 - $97,935). This increase was mainly due to an increase in the CEO'S remuneration.

Office

The Company incurred office expenditures for the period ended March 31, 2013 of $87,698 (Q1 2012 – 38,909) primarily increased due to server upgrade service fees and executive recruiting fees.

Salaries and consulting fees

The Company incurred salaries and consulting fees expenditures for the period ended March 31, 2013 of $251,015 (Q1 2012 - $211,579). These expenses mainly increased due to the addition of an in-house Corporate Communications Director in September 2012 in order to improve the investor relations program.

Directors fees

The Company incurred Directors fees expenditures for the period ended March 31, 2013 of $72,917 (Q1 2012- $29,471). The increase is primarily due to an increase in directors' remuneration and the addition of a new director.

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

The Company's financial quarterly information is as follow:

Quarter Ended		Mar-31 2013		Dec-31 2012		Sep-30 2012		Jun-30 2012
Total Revenues	$	12,761,811	$	16,290,724	$	14,950,026	$	13,739,509
Earnings from mine operations	$	4,793,278	$	7,615,012	$	6,407,942	$	5,480,639
Net Income	$	391,737	$	2,960,480	$	3,411,744	$	1,586,989
Income per share	$	-	$	0.01	$	0.01	$	-

		Mar-31 2012		Dec-31 2011		Sep-30 2011		Jun-30 2011
Total Revenues	$	11,948,533	$	10,989,499	$	12,493,057	$	12,863,082
Earnings from mine operations	$	5,507,440	$	5,708,583	$	6,811,070	$	5,304,989
Net Income	$	1,992,127	$	1,574,320	$	3,825,034	$	1,566,798
Income per share	$	-	$	0.01	$	0.01	$	-

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

- In the quarter ended December 31, 2012, earnings from mine operations increased $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 higher silver price and 11% increase of the ore milled. Net income for the period increased by $1,824,755 or 115% compared to preceding quarter, due mainly to the decrease in administrative costs and the stock-based compensation, partially offset with increased income tax for the previous quarter.

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

- 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 reduction of the 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 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 preceding quarter, due mainly to the reduction of the stock-based compensation for the previous quarter.

- 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.

- In the quarter ended September 30, 2011, earnings from mine operations increased $1,506,081 or 28% compared to the quarter ended June 30, 2011, primarily attributed to rise of the silver price partially offset 10% decrease of the ore milled. Net income for the period increased by $2,258,236 or 144% compared to preceding quarter, due mainly to the decrease in administrative costs and gain on foreign exchange, partially offset with increased stock-based compensation and income tax for the previous quarter.

- In the quarter ended June 30, 2011, earnings from mine operations increased $1,663,862 or 15% compared to the quarter ended March 31, 2011, primarily attributed to rise of the metal prices, 5% additional ore milled and new circuit of lead. Net income for the period increased by $876,104 or 127% compared to preceding quarter, due mainly to the reduction in stock-based compensation, partially offset with increased administrative costs for the previous quarter.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

Liquidity

At March 31, 2013 the Company had a working capital deficiency of $(2.9) million (Dec 2012 – working capital of $7.1 million), which consisted of $18.0 million held in cash and short term deposits; accounts receivable of $3.7 million (trade & others); inventory of $5.4 million; Short-term investment of $0.6; and prepaid expenses of $1.1 million. These amounts are offset by accounts payable of $14.4 million; the current portion of the Company's finance contracts payable of $2.3 million in relation to equipment purchases at the La Negra Mine and Shafter Silver Mine and the short-term $15.0 million note payable, related to the credit facility with its concentrate buyer.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite the current short-term liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing significant operating cash flows for the Company. The Shafter mine has faced its challenges in the past months but a plan is now in place and we anticipate reaching the goal of initial production of 600 tpd at the end of Q2 2013 and design capacity production of 1,500 tpd during Q1 2014. This plan will require further infusion of funds to meet planned production levels. The level of these further expenditures at the Shafter mine may exceed the cash flows provided by the La Negra mine until the Shafter mine reaches positive cash flows.

Management is currently evaluating a number of non-dilutive financing alternatives that would improve the Company's financial position. There is no assurance that these initiatives will be successful or sufficient to meet the Company's liquidity requirements.

The Company's long-term liabilities at March 31, 2013 were $6.9 million (December 31, 2012: $7.4 million). The Company has also entered into a short-term loan in the amount of $15 million with its main concentrate purchaser to help finance the Company through the current modifications being completed on the Shafter mill and as a bridge until the mine is in production.

Capital Resources

At March 31, 2013, the Company had $18.0 million in cash and cash equivalents and a working capital deficiency of $2.9 million.

a) The Company has commitments for capital expenditures as of March 31, 2013 related to mining equipment leasing contracts for the amount of $6,515,405. This amount will be paid as follows:

2013	$	**1,777,884**
2014		**2,457,287**
2015		**2,280,234**
	$	**6,515,405**

The Company will meet those commitments with the cash flow generated by the operation. At the same time, the management is evaluating non-dilutive financing options.

Besides these commitments, the Company anticipates to make additional capital expenditures that have not been committed yet, in order to achieve the completion of the Shafter project. The Company plans to fund these future expenditures through non-dilutive financing options.

b) The company anticipated that the cash flow generated from the operating activities, won't be sufficient to meet the Company commitments, due this, the management is evaluating several non-dilutive sources of financing alternatives to fund the activities. The Company believes that cash and working capital will be enough to fund its operating and capital needs for the year even if the recent declines in metal prices are sustained

c) The management is currently evaluating a number of non-dilutive sources of financing alternatives that would increase the company's cash balance

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

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 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.

Accounts payable and accrued liabilities are due within the current operating period.

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

See also Liquidity discussion on page 15.

Outstanding Share Capital:

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

As at May 15, 2013, the Company had 58,409,564 common shares issued and outstanding.

As at May 15, 2013, the Company had 4,022,656 share purchase options outstanding at various exercised prices and maturing at various future dates.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

As at May 15, 2013, the Company had 9,111,679 common share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price (CDN)	Expiry Date
3,120	$2.80	June 30, 2013
293,750	$3.20	June 30, 2013
5,511,497	$3.28	December 7, 2013
3,303,313	$8.00	November 18, 2013
9,111,680		

Related Parties Transactions

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

	Note		March 31 2013		March 31 2012
Technical and consulting fees	(i)	$	110,047	$	67,591
General and administrative expenses	(ii)		-		39,798
Management fees	(iii)		122,175		97,935
Related party transactions fees		$	232,222	$	205,324

i) To companies controlled by officers VP Operations ($67k) and VP Exploration ($43k) 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 quarter ended March 31, 2013, there were no significant transactions with related parties outside of the ordinary course of business and were measured at fair value.

Compensation of key management personnel:

		March 31 2013		March 31 2012
Related party transactions fees	$	232,222	$	204,792
Directors' fees		72,917		29,471
Officer salaries		77,381		53,946
Stock-based compensation		1,909,498		1,372,909
	$	2,292,018	$	1,661,118

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended March 31, 2013

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 and zinc concentrate to be produced during the years 2007, 2008, 2009 and extended until the end of 2013. On March 2011, La Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced 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. Prices are based on the published prices in the Metal Bulletin in London in US dollars of the following month of shipment is made.

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 of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2013, the Company's Canadian operations are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		March 31, 2013
Cash and cash equivalents	USD$	15,794,268
Other receivable		3,494,211
Accounts payable		(18,802,081)
	USD$	486,398
CDN$ Equivalent		**478,738**

Based on the above net exposures as at March 31, 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 $47,874 change to the Company's loss in terms of unrealized exchange.

At March 31, 2013, the Company's Mexican operations are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		March 31, 2013
Cash and cash equivalents	MXP$	1,440,656
Other receivable		5,959,104
Accounts payable		(77,280,008)
	MXP$	(69,880,248)
USD$ Equivalent		**(5,656,213)**

Based on the above net exposures as at March 31, 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 $565,621 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 who 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 Audit Committee. As at March 31, 2013 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

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.

The following table summarizes the fair value hierarchy, as of March 31, 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	-	18,002,013	-	18,002,013	n/a
Trade and other receivable	-	3,739,112	-	3,739,112	n/a
Short-term investments	574,779	-	-	574,779	Level 1
Amounts receivable	-	-	-	-	n/a
	574,779	**21,741,125**	**-**	**22,315,904**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(13,223,335)	(13,223,335)	n/a
Note payable	-	-	(15,000,000)	(15,000,000)	n/a
Long Term Debt	-	-	(6,515,405)	(6,515,405)	n/a
	574,779	**21,741,125**	**(34,738,740)**	**(12,422,836)**	

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 March 31, 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 15.

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.

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 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 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 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 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 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

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 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. 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.

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.

Management Discussion and Analysis for the quarter ended March 31, 2013

	Three months ended March 31,	
	2013	2012
Cash cost		
Cost of sales per financial statements	**$ 7,968,533**	$ 6,441,093
Less freight and delivery	**(300,543)**	(285,777)
Less depreciation and amortization	**(687,148)**	(779,452)
Less depletion of mineral properties	**(34,054)**	(243,671)
Total cash cost	**6,946,788**	5,132,193
Silver Equivalent Oz. Produced	**592,504**	491,056
Production Cash cost per silver equivalent oz	**$ 11.72**	$ 10.45

b) Total cash cost per Silver oz net of by-products

The Company uses cash costs Silver oz net of by-products to describe specifically its cash production costs on its silver production. 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. By-product credits include sales proceeds from the sale of copper, zinc and lead.

The Company uses this performance measure to monitor its operating cash costs, related to silver production, internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations, related to silver. 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 March 31,	
	2013	2012
Cash cost		
Cost of sales per financial statements	**$ 7,968,533**	$ 6,441,093
Less depreciation and amortization	**(687,148)**	(779,452)
Less depletion of mineral properties	**(34,054)**	(243,671)
Total cash cost	**7,247,331**	5,417,970
Plus TCRC	**2,198,469**	2,671,921
Less credits by Copper, Zinc and Lead sold	**(7,025,939)**	(6,130,103)
Total cash cost net of by-products	**2,419,861**	1,959,788
Silver ounces produced	**310,554**	287,486
Total cash cost per silver Oz. net of by-products	**$ 7.79**	$ 6.82

Management Discussion and Analysis for the quarter ended March 31, 2013

c) 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 March 31,	
	2013	2012
Cash cost		
Cost of sales per financial statements	**$ 7,968,533**	$ 6,441,093
Less freight and delivery	**(300,543)**	(285,777)
Less depreciation and amortization	**(687,148)**	(779,452)
Less depletion of mineral properties	**(34,054)**	(243,671)
Total cash cost	**6,946,788**	5,132,193
Tonnes milled	**170,081**	130,570
Total cash cost per milled tonne	**$ 40.84**	$ 39.31

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 three months ended March 31, 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.