Annual MD & A

The following information, prepared as at March 15, 2006, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

Introduction

Aurcana Corporation (the Company) was incorporated under the laws of Ontario on October 12, 1917 under the name "Cane Silver Mines Limited" and was continued under the *Canadian Business Corporations Act* on September 14, 1998 under the name Aurcana Corporation. Aurcana is a reporting issuer in British Columbia, Alberta and Ontario.

Overview and Overall Performance

Aurcana is a junior natural resource issuer engaged in the acquisition and exploration of mineral exploration properties. Aurcana's primary focus is the exploration for gold and silver deposits in Mexico.

The Company completed the analysis work from its 2004 diamond drilling program and based on the results received the Company discontinued work on four of the five properties known as the Cerro Blanco, Sabinas, Veta Venado and Penoles and it is anticipated that no further work will be completed on these four properties. As a result, acquisition and exploration expenditures of $385,045 were written off as at December 31, 2005. The remaining property under the agreement is La Virgen.

In accordance with the Company's 2004 year end mandate to joint venture its remaining properties on April 25, 2005 the Company signed an agreement with Mauricio Hochschild & Compania S.A.C. ("Hochschild") relating to the exploration of the La Virgen property located near Zacatecas, Mexico.

Under the terms of the Hochschild Agreement, Hochschild must spend a total of US$2.5 million on exploration over four years, pay the required property taxes to the Mexican government and make property payments to Altiplano. Hochschild must spend US$150,000 in year one, US$500,000 in year two, US$850,000 in year three and US$1.0 million in year four. Upon spending US$2.5 million and making payments to Altiplano, Hochschild will have earned a 70% interest in the property. Aurcana's obligation is to issue 200,000 common shares to the Altiplano on each anniversary of the agreement for four years at which point Aurcana will have a 30% interest. Once Hochschild and Aurcana have earned their interests the property will be subject to a 3% Net Smelter Return Royalty, which can be repurchased.

Hochschild commenced a nine hole diamond drill program totaling 2005 metres on several structures which parallel the El Compas vein which is being mined on a small scale by locals. The drilling by Hochschild follows up on 1911 metres of diamond drilling in nine holes by Aurcana in 2004 which also tested some of the structures drilled by Hochschild. The first phase drilling by Hochschild encountered vein mineralization in all but one of the nine holes with the best intersection from the Compas 4 structure. Drilling on Compas 4 returned 9.7 grams/tonne gold and 92.2 grams/tonne silver over 0.75 metres from 94.7 to 95.45 metres and 3.9 grams/tonne gold and 221 grams/tonne silver over 0.8 metres from 91.75 to 92.55 metres. On the Compas 2 structure the drilling intersected 1.3 metres grading 2.8 grams/tonne gold and 96.4 grams/tonne silver from 88.9 to 90.2 metres. One hole drilled on the Esperanza structure, which was not drilled by Aurcana, returned 3.8 grams/tonne gold and 3.7 grams/tonne silver over 0.8 metres from 24.7 to 25.55 metres. The above intersections are not true widths. A second hole on the Compas 4 structure intersected a wide zone of hydrothermal alteration and breccia textures and appears to be high up in the epithermal system.

Overview and Overall Performance (cont'd)

In addition to drilling on Aurcana's property, Hochschild drilled several holes on adjacent properties and is able to use the information from that drilling to help determine targets for the next phase of drilling. Hochschild will further test the Compas structure at depth and based on results from that drilling Hochschild will decide to drill beneath the second hole on Compas 4 to determine the grade of the broad zone of hydrothermal alteration and breccia textures. Hochschild will also test an area north of the Compas workings where dump material contains lead and zinc mineralization which may be similar to mineralization being mined in the main Zacatecas silver-lead-zinc camp to the north. A third potential target is an area mapped by Aurcana and Hochschild to the west of the Compas workings. This area has been mapped as a "Sinter Zone" and is anomalous in trace elements possibly indicating the zone is at the upper levels of an epithermal precious metals system.

On July 25, 2005 the Company announced it would not be proceeding with the Real de Catorce as the Company had a letter of intent signed with Genco Resources Ltd. to joint venture the property but the terms of the underlying agreement were changed by the property owner and Genco decided not proceed with the execution of a final agreement. The property owner subsequently cancelled Aurcana's option. As a result, as at December 31, 2005 the Company has written-off all deferred exploration expenses of $2,005.

On February 2, 2006 the Company signed a letter of intent ("LOI") with Reyna Mining & Engineering S.A. de C.V. ("Reyna") to acquire the La Negra silver-zinc-copper-lead mine in Queretaro State, Mexico, approximately 250 km northeast of Mexico City.

Under the terms of the LOI, the Company and Reyna will form a joint venture whereby the Company will own an 80% interest in La Negra, and Reyna will own 20%. Reyna has a LOI to acquire 100% of the La Negra mine from the vendor of the mine. Aurcana will be responsible for the cost of the acquisition and up to US $3,000,000 in expected costs and working capital to bring the mine back into production. The total cost of the acquisition is US $3,000,000 of which US $2,000,000 is to be paid to the vendor on or before April 15, 2006 or such later date as the parties may agree in order to comply with regulatory approval requirements and US $1,000,000 to be paid on March 15, 2007. Under the terms of the LOI, Aurcana is required to pay Reyna US $25,000 on execution of the LOI (paid), US $500,000 and US $725,000 on the dates which are twelve and twenty-four months, respectively, from the execution of a definitive joint venture agreement. Aurcana will issue to Reyna three million shares of which one million shares will be issued on the execution of a definitive agreement and one million shares on each of the dates, which are twelve and twenty-four months, respectively, following the execution of a formal joint venture agreement. The principals of Reyna will also be consultants to Aurcana and as such will be entitled to up to one million share purchase options with terms standard to options granted to consultants. The above terms will be subject to regulatory approval, title due diligence and the formation of a definitive agreement with the vendor of the mine. A finder's fee, which is subject to regulatory approval, will be payable on this acquisition.

On March 17, 2006, the Company completed its non-brokered private placement for a maximum of 22,500,000 units for total proceeds of $4,500,000, which was oversubscribed. Each unit will consist of one common share (a "Share") and one-half of a share purchase warrant. One full warrant (a "Warrant") will permit the holder to purchase a further common share (a "Warrant Share") for a period of 12 months from closing at a price of $0.25 per Warrant Share, provided that if the closing price of the Company's shares as traded on the TSX Venture Exchange ("Exchange") is at or over $0.45 per share for 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the holders thereof.

Finders' fees of $221,540 cash will be paid and 922,400 warrants will be issued as finders' fees on a portion of the financing.

Overview and Overall Performance (cont'd)

The proceeds of the private placement will be used principally for the acquisition of the La Negra Mine located in Queretaro State, Mexico, and for working capital purposes.

The private placement transaction and the closing of the acquisition of the La Negra Mine is subject to acceptance by the Exchange and any other regulatory authority having jurisdiction.

Risk Factors

The operations of Aurcana are speculative due to the high risk nature of its business which involves the exploration and development of mining properties. The following risks should be considered:

a) 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 regards, 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.

b) The activities of Aurcana will be directed towards the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by Aurcana will result in discoveries of economic ore bodies.

c) 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.

d) In the event that commercial quantities of ore are found, Aurcana does not have the financial resources at this time to bring a mine into production. The only source of funds now available to Aurcana is through the sale of equity capital, properties, royalty interests or the entering into of joint ventures.

e) The mineral exploration activities of Aurcana are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the exploration activities of Aurcana are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities or more stringent implementation hereof could have a substantial adverse impact on Aurcana.

f) The potential profitability of the operations of Aurcana would be significantly affected by changes in the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of Aurcana. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Risk Factors (cont'd)

g) The price of mineral commodities has widely in recent years, and future serious price declines could cause commercial production to be impracticable.

h) Aurcana will make an effort when feasible to carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against in each case include environmental pollution, mine flooding or other hazards against which mining exploration corporations cannot insure or against which Aurcana may elect not to insure.

i) Certain of the directors and officers of Aurcana also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by such directors and officers involving Aurcana will be made in accordance with their duties and obligations to deal fairly and in good faith to Aurcana and such other companies. In addition, such directors and officers are required to declare and refrain from voting on any matter in which such directors and officers may have a conflict of interest.

j) The business of mining is subject to many risks and hazards, including environmental hazards, industrial accidents, encountering unusual or unexpected formations, pit wall failures, flooding, earthquakes, periodic interpretations due to inclement or hazardous weather conditions and other losses. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delay in mining and monetary losses.

k) 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.

l) Any of Aurcana's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect or defects do exist, it is possible that Aurcana may lose all, or a portion, of its interest in the affected mineral claims. Aurcana has no present knowledge of any defect in the title of any of the properties in which the company has or may acquire an interest.

m) 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.

n) The Company is currently without a source of revenue and will most likely be required to issue additional securities to finance its operation and may also issue substantial additional securities to finance the development of any or all of its projects.

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

Selected Annual Financial Information

	December 31		
	2005	**2004**	**2003**
Interest income	$955	$1,820	$1,265
General & Administration	(194,334)	(208,911)	(266,666)
Exploration expenditures	(36,683)	(74,203)	(148,338)
Loss on conversion of foreign exchange	(548)	(5,729)	—
Write-off of deferred exploration costs	(387,050)	(212,986)	(1,170,206)
Loss for the year	$(618,615)	$(500,009)	$(1,585,944)
Net loss per share	$(0.02)	$(0.02)	$(0.09)
Total assets	$265,545	$809,504	$937,414
Shareholders' equity	$216,237	$719,649	$903,197

Results Of Operations

During the year ended December 31, 2005, the Company reported a net loss of $618,615 ($0.02 loss per share) compared to a loss of $500,009 ($0.02 loss per share) reported on December 31, 2004. The Company completed minimal fieldwork of approximately $36,683 for the year ended December 31, 2005 compared to $74,203 in the comparative year ended 2004. The loss for the year ended December 31, 2005 was attributed primarily to the write-off of mineral properties of $387,050 compared to $212,986 for the 2004 year.

Aurcana's general administrative costs for the year ended December 31, 2005 were $194,334 compared to $207,091 in the prior year. Variances to note were transfer agent fees and shareholder information in the current year of $14,039 compared to $46,140 in the prior year. In 2004 the Company had retained an investor relations consultant for a period of three months. Other decreases related to rent and overhead costs of $35,058 compared to $43,940 were as a result of in January 2005 the Company relocated its offices and currently pays $2,500 per month for rent and overhead. Aurcana shared office space for the month of January and received $1,250 against rent costs for this month. The Company also recorded stock-based compensation costs of $33,203 for December 31, 2005 compared to $5,061 for the year ended December 31, 2004.

Capital Expenditures

Total investments in and expenditures on mineral properties decreased from $589,066 as at December 31, 2004 to $157,759 as a result of mineral property write-offs of $387,050 and recover of exploration expenditures of $82,570. During the year ended December 31, 2005 related aggregate expenditures included field costs of $2,127, consulting fees of $4,038 and drilling and assaying costs of $22,148 pertaining primarily to the Company's Altiplano properties.

Summary of Quarterly Results

Three Months Ended	Dec 31, 2005	Sept 30, 2005	Jun 30, 2005	Mar 31, 2005
Total Revenues	$ —	$ —	$ —	$ —
Investment in and expenditures on mineral properties	$82,569	$ —	$(19,557)	$(8,755)
Income (loss) before Other Items	$(66,583)	$(34,465)	$(64,479)	$(28,806)
Net Income (loss)	$(238,716)	$(45,874)	$(300,419)	$(33,606)
Income (loss) per share	$(0.01)	$(0.00)	$(0.01)	$(0.00)

Three Months Ended	Dec 31, 2004	Sept 30, 2004	Jun 30, 2004	Mar 31, 2004
Total Revenues	$ —	$ —	$ —	$ —
Investment in and expenditures on mineral properties	$(159,144)	$(168,084)	$(104,043)	$(307,781)
Income (loss) before Other Items	$(47,288)	$(47,006)	$(58,668)	$(54,130)
Net Income (loss)	$(269,902)	$(67,640)	$(95,473)	$(66,991)
Income (loss) per share	$(0.01)	$(0.00)	$(0.00)	$(0.00)

Significant items to report for the quarterly results are as follows:

The Net Loss for the following quarters included write off of mineral properties as follows:

1) December 31, 2005 - $164,429
2) June 30, 2005 - $222,621
3) December 31, 2004 -$191,986
4) June 30, 2004 - $21,000

Financing Activities

During the year ended December 31, 2005, the Company did not complete any financing activities.

During the comparative year in 2004, the Company completed a non-brokered private placement of 1,000,000 units at $0.10 per unit for gross proceeds of $100,000. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant is exercisable to purchase one common share at $0.15 to December 16, 2006.

In addition to the private placement the Company issued 255,000 common shares pursuant to the exercise of 255,000 share purchase warrants at a price of $0.12 per warrant for $30,600 and issued 1,460,000 common shares pursuant to the exercise of 1,460,000 share purchase warrants at a price of $0.13 per warrant for $189,800.

Liquidity And Capital Resources

As at December 31, 2005, the Company had working capital of $57,555, including $36,660 in cash, $70,203 of taxes receivable, and $49,308 of accounts payable.

Long-term assets of the Company consist of Investments in and Expenditures on Mineral Properties of $157,759 and minor amount Office Equipment of $923.

For the year ended December 31, 2005, cash outflows exceeded cash inflows by $155,994, which when combined with the $192,654 cash balance from year end 2004, resulted in an ending cash position of $36,660. There was no cash provided by financing activities for the year ended December 31, 2005 compared to $320,400 recorded for the year ended December 31, 2004.

As at December 31, 2005 the Company had no financial obligations under its current mineral property option agreements, as a result of its JV with Hochschild who assumed all exploration expenditure commitments, property tax payments and property payments to Altiplano. Aurcana's obligation to issue 200,000 common shares on the anniversary of the agreement for four years remains in order for Aurcana to earn its 30% interest.

As at December 31, 2005 the Company had no contractual commitments or lease agreements. The Company currently sublets its office space on a month-to-month basis at a net cost to the company of approximately $2,500 per month.

The primary factors that influence the future financial condition of the Company include the continued ability to raise equity capital and the level of expenditures require to meet its current commitments. As a mineral exploration company with no current revenue generating operations, the Company's cash flows consist of cash outflows for general and administrative expenses, mineral property expenditures, and expenditures for depreciable equipment such as computers and office equipment. Interest expense and income is expensed or credited against costs. Financing activities, such as share issuances, result in cash inflows to the Company.

Transactions with Related Parties

As at December 31, 2005:

(a) $28,734 (December 31, 2004 - $5,845) was due to companies related by common directors and was included in accounts payable; and

(b) $Nil (December 31, 2004 - $9,447) was owed by a company related by common directors and was included in accounts receivable

During the year ended December 31, 2005, the Company:

(a) paid management fees of $84,000 (2004 - $84,000) to a company controlled by a director;

(b) paid technical, geological and consulting services of $15,447 (2004 - $80,188) to companies controlled by directors; and

(c) paid rent of $27,500 (2004 - $Nil) to a company controlled by directors.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

Changes in Accounting Policies

Effective January 1, 2005, the Company adopted the recommendations of Canadian Institute of Chartered Accountants Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities, effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities (VIEs) refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs and criteria for determining which entity, if any, should consolidate them. Adoption of this accounting policy has not affected the Company's financial statements.

Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value.

Issued and outstanding:

As at March 15, 2006 - 31,800,730 common shares were issued and outstanding at a recorded value of $15,681,976.

Outstanding Share Data (cont'd)

Outstanding options, warrants and convertible securities as at March 15, 2006 were:

Type of Security	**Number**	**Exercise Price**	**Expiry Date**
Share purchase warrants	1,000,000	$0.15	December 16, 2006
Stock options	475,000	$0.12	February 28, 2007
Stock options	100,000	$0.16	August 22, 2007
Stock options	120,000	$0.13	September 25, 2008
Stock options	80,000	$0.14	November 18, 2008
Stock options	750,000	$0.10	December 15, 2010

There were no shares in escrow as at March 15, 2006.

Forward Looking Statements

This MD&A may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

Management's Responsibility For Financial Statements

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

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