Annual MD & A

The following information, prepared as at March 22, 2007, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 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 Canadian junior mining company listed on the TSX Venture Exchange, symbol: AUN. The Company remains focused on the acquisition, development and operation of silver, zinc and copper mines with good infrastructure and ore reserves/resources that require minimal capital and time to re-start.

On February 2, 2006, the Company signed a 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 kilometres northeast of Mexico City.

Under the terms of the LOI, the Company and Reyna entered into a formal joint venture agreement ("JV Agreement") on March 24, 2006 whereby the Company acquired an 80% interest in the Mexican subsidiary Real Maconi S.A de CV., and Reyna acquired 20%. Reyna had a LOI to acquire 100% of the La Negra mine from Industriales Penoles S.A. de C.V. ("Penoles") dated December 23, 2005. On May 18, 2006 Real Maconi entered into a formal purchase agreement with Penoles for the acquisition of a 100% interest in Minera La Negra which owns the La Negra Mine. Under the terms of the acquisition Aurcana will own an 80% interest in the La Negra Mine and Reyna will own 20% through their investments in Real Maconi (the "Joint Venture"). Aurcana will be responsible for the cost of the acquisition and up to US$3.0 million in expected costs and working capital to bring the mine back into production. The total cost of the acquisition is US$3.0 million of which US$2.0 million is to be paid to Penoles on closing (paid). The remaining payment of US$1.0 million will be due 12 months from closing which was settled subsequent to December 31, 2006 by the issuance of 1,114,631 common shares of the Company. Aurcana paid Reyna US$25,000 on execution of the LOI, and US$500,000 and US$725,000 is due on the date which is twelve and twenty four months respectively from the execution of a JV Agreement. Aurcana will issue to Reyna three million shares of which one million shares were issued upon the execution of the JV Agreement and one million shares on each of the dates, which is twelve and twenty four months, respectively, following the execution of the JV Agreement. In addition the Company will issue 1,000,000 warrants at a price of $0.25 to Reyna (issued). Each warrant will entitle Reyna to purchase one common share for a period of two years. A finder's fee of 4% of the gross transaction of US$4,250,000 in the amount of US$170,000 was paid in cash.

During April 2006, the Company completed a non-brokered private placement of 22,350,000 units ("Unit") at $0.20 per unit for gross proceeds of $4,470,000. Each Unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of 12 months from the date of issue at a price of $0.25 per share. If the closing of the Company's shares, as traded on the Exchange, is at or over $0.45 per share for 20 consecutive trading days, the Company would have the right to accelerate the expiry of the warrants upon giving 30 days' notice to the holders thereof (issued May 23, 2006). Share issuance and related costs of $228,213 were paid in cash and 1,071,300 warrants were issued for a portion of the placement.

Overview and Overall Performance *(Cont'd)*

Pursuant to the accelerated expiry notice, the Company issued 12,246,300 common shares on exercise of 12,246,300 share purchase warrants at a price of $0.25 per warrant for $3,061,575;

On July 18, 2006 the Company completed a non-brokered private placement with Penoles for 1,032,272 common shares ("Shares") at a price of $0.55 per common share (Discounted Market Price) for total proceeds of US$500,000(CDN$567,750);

On October 10, 2006 the Company commenced mining at the La Negra mine, Mexico. Approximately 1,350 tonnes of ore was extracted from an area consisting of nine production drill holes with historically reported grades of 230 grams/tonne silver, 0.91% zinc, 2.10% copper and 0.78% lead in a bench on the fully developed 2125 sub level in the Alacran zone. Historically reported proven reserves in the Alacran zone grade 131 grams/tonne silver, 1.31% zinc, 1.39% copper and 0.45% lead. The reader should be cautioned that the historic reserve does not conform to National Instrument 43-101 requirements for reporting purposes; as such the Company is not treating these historic estimates as current reserves or resources. These estimates should not be relied upon until they have been verified by further due diligence and by the Company's "Qualified Person".

The commencement of mining at La Negra is a significant milestone as the Company prepares to bring the La Negra mine into full production in the first quarter of 2007. The ore mined by Aurcana will be added to an existing stockpile that, with the continuation of mining over the next two to three months, is expected to reach 50,000 to 60,000 tonnes by the end of this year. Approximately 7,000 tonnes of ore has now been stockpiled outside the 2000 main haulage level and by the end of this year the stockpile is expected to reach approximately 50,000 tonnes. This material will be used to restart the 1,000 tonne per day mill.

The entire three stage crushing circuit has been refurbished and the ball mill is fully operational. New floatation tanks have been delivered and are in the process of being installed. Foundations for new 30 meter diameter thickener tanks for both copper and zinc are being constructed and with the arrival of steel at the mine, the tanks will be fabricated and installed shortly. The progress to date at the La Negra mine has been proceeding very well and is a credit to Aurcana's partner, Reyna Mining and Engineering, who are overseeing the refurbishment of the mine. The stockpile will be used to restart the mill allowing it to ramp up to the planned capacity of 1,000 tonnes of ore per day. The reader should be cautioned the Company has not completed a feasibility study confirming the projected production capacity and there is no certainty the Company's plans will be economically viable.

The Company will continue to mine the Alacran ore body (one of 23 existing mineralized zones), which Peñoles, had fully developed. This zone includes full access ramps from the 1980 level to the 2150 level, and the development and preparation of several of these sub levels for immediate blasting. The advantage of this previous work will allow for easy access and relatively low cost mining using sub level stopping.

Refurbishment of the mill, based on a total reengineering plan is progressing well. Both the primary and tertiary crushers have been repaired, including a new "grizzly" and "apron feeder" at the primary crusher and a new liner in the tertiary crusher. The ball mill was inspected and found to be in good condition and is ready to operate. Steel work has been completed to allow for higher capacity conveyors as well as new conditioners, floatation cells, thickeners and filters for more efficient recoveries of silver, copper, lead and zinc. Steel has also been ordered for new larger thickener tanks for both copper and zinc. All the work on the mill is being done to provide for an efficient planned start up in the first quarter of 2007. During the period, the Company purchased mining equipment from Atlas Copco of Sweden of which a Simba production drill, a 3.5 cubic yard load, haul and discharge ("LHD"), a single boom jumbo drill and a Diamec 232 diamond drill has been delivered to the La Negra mine. The Simba drill will be used underground and can drill 3" diameter holes up to 40 metres that will allow for long-hole open stope mining. The 3.5 cubic yard LHD will be used to move broken ore from stopes to ore passes to be discharged to the 2000 meter main haulage level. The single boom jumbo will be used for development

Overview and Overall Performance *(Cont'd)*

and the Diamec diamond drill will be used for both exploration and development. The new, highly efficient mining equipment will enable the La Negra mine to recommence operations in the first quarter of 2007. Pursuant to the purchase of the equipment, the Joint Venture signed notes payable to Atlas Copco for the total cost of the mining equipment less the down payment of US $176,293 ($198,754 (paid)) for a net amount due of US $1,175,288 ($1,369,328). The notes are interest bearing at 8.68% and are repayable in quarterly instalments of US $9,308 ($10,844) to US $40,733 ($47,458) including principal and interest over a three-year period by the Joint Venture. Aurcana is the 100% guarantor.

Geologists at the mine are making good progress inputting historical data into "Surpac" mining software. To date, 423 holes representing 40,050 metres of diamond drilling with 8,225 assays have been entered into the program. This information is providing the geologists and engineers at site with a very powerful database to be used for mine planning and exploration. In addition, geologists have identified several prospective exploration targets in the mine area, which are currently being mapped and sampled.

The Company has engaged Wardrop Engineering Inc. to commence an audit of historical reserves on several zones at the La Negra mine. Wardrop will review three zones and will evaluate the zones for silver, zinc, copper and lead as to grade, tonnage and metal values. The zones to be audited by Wardrop were developed by Penoles prior to Penoles putting the La Negra mine on care and maintenance in 2000 due to low metal prices. These zones will be the focus of the Company's work at La Negra in 2007.

On December 15, 2006 Minera La Negra entered into an agreement with Trafigura Beheer B.V. ("Trafigura") for the La Negra Mine to sell its copper concentrate to Trafigura ("Copper Concentrate Contract". In relation to the Copper Concentrate Contract, Trafigura provided a loan of US$1,000,000 (the "Loan") which was drawn down 100% as at December 31, 2006. The Loan is to be repaid in installments to commence April 1, 2007 to December 1, 2007. The Company has signed as Guarantor on 100% of the loans.

On January 24, 2007 the Company's Mexican subsidiary Minera La Negra entered into an agreement withTrafigura for the La Negra Mine to sell its zinc concentrate to Trafigura ("Zinc Concentrate Contract". In relation to the Zinc Concentrate Contract, Trafigura provided a loan of US$500,000 (the "Loan") which was drawn down 100% at the time of the advance. The Loan is to be repaid in installments to commence April 1, 2007 to December 1, 2007. The Company has signed as Guarantor on 100% of the loan.

On February 8, 2007, subject to TSX-Venture Exchange ("TSX-VE") approval (received February 22, 2007) the Company entered into an Option Agreement to acquire a 100% interest in the silver – zinc – lead – gold Rosario Property located in south eastern Sinaloa State, Mexico. Under the terms of the Option Agreement the Company has the exclusive option, but not the obligation, to purchase the assets of the Rosario Property (the "Option to Purchase"). The Company may, subsequent to its technical and legal review of the Rosario Property agree to execute, within a term of six (6) months following the date of signing the Option Agreement, exercise the Option to Purchase and execute a Sale and Purchase Agreement to acquire the 100% undivided interest in the Rosario Property. In the event the Company executes the Sale and Purchase Agreement, consideration for the purchase of the Rosario Property is US$3,000,000.00 ("Purchase Price"), US$250,000 is due upon signing of the Option Agreement (paid). Should the Company proceed with the Purchase Agreement the US$250,000 payment will form part of the Purchase Price. The remaining Purchase Price of US$2,750,000 will be payable over two years and is subject to a guarantee from Aurcana ("Guarantee").

A cash finders fee of US$182,500 is payable to Reyna Mining Engineering S.A. de C.V. upon execution of the Sale and Purchase Agreement and the delivery of the Guarantee.

On February 9, 2007 the Company reached an agreement to amend the terms of the original purchase agreement to acquire the La Negra Mine from Industrias Penoles, SA de CV ("Penoles"), whereby the Company paid the remaining and final payment to Penoles totaling US$1,000,000 by the issuance of

Overview and Overall Performance *(Cont'd)*

1,114,631 common shares of the Company. The number of shares were calculated in accordance with the "Discounted Market Price" as defined in the TSX Venture Exchange Policy 1.1.;

On March 7, 2007 the Company closed the brokered portion of the private placement announced February 13, 2007 and has issued an aggregate of 4,000,000 units (each a "Unit") at a price of $1.25 per Unit for total gross proceeds of $5,000,000. Canaccord Capital Corporation acted as the agent (the "Agent") for the brokered portion of the financing.

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

Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at any time up to 18 months after the closing of the private placement at a price of $1.85 per share; provided that if the closing price of the Company's shares as traded on the TSX-VE, subsequent to four months from Closing, is at or over $3.00 per share for 20 consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants upon giving 30 days notice to the holders thereof.

The Company paid to the Agent a commission of $350,000 representing 7% of the gross proceeds of the private placement and issued to the Agent 50,000 common shares of the Company in payment of a corporate finance fee. In addition, the Agent received 280,000 Agent's warrants (the "Agent's Warrants") representing 7% of the Units sold. Each Agent's Warrant is exercisable at any time up to 18 months following the closing of the private placement at an exercise price of $1.50 per share.

The Company in connection with the non-brokered private placement will pay finders fees of 5% of the gross proceeds and warrants representing 5% of the gross Units sold on a portion of the financing. The warrants will be exercisable at any time up to 18 months following the closing of the private placement at an exercise price of $1.50 per share.

On March 22, 2007, the Company granted 2,200,000 options to directors, officers and consultants of the Company at a price of $1.50 per common share. The Options have been granted in accordance with the policies of the Exchange and the terms of the Company's 10% Rolling Stock Option Plan approved August 11, 2006.

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 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.

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.

Risk Factors *(Cont'd)*

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, the Company may require addition funds 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 and cannot guarantee those funds will be available.

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.

g) The price of mineral commodities has varied 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.

Risk Factors *(Cont'd)*

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 not generating revenue and may be required to issue additional securities to finance its operations until such time as the La Negra mine generates revenue. It may also issue 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		
	2006	**2005**	**2004**
Bank charges and interest, net interest income	$66,009	$955	$1,820
General & Administration	(1,735,912)	(194,334)	(208,911)
Exploration expenditures	(262,742)	(36,683)	(74,203)
Loss on conversion of foreign exchange	(251,033)	(548)	(5,729)
Write-off of deferred exploration costs	(157,759)	(387,050)	(212,986)
Loss for the year	$(2,246,865)	$(618,615)	$(500,009)
Net loss per share	$(0.04)	$(0.02)	$(0.02)
Total assets	$13,022,088	$265,545	$809,504
Shareholders' equity	$8,274,136	$216,237	$719,649

Results of Operations

Loss for the Period:

The Company is currently in the exploration stage, and does not have revenues from operations and, except for income from cash and cash equivalents, relies on equity financing for its continuing financial liquidity. The primary focus during the year ended December 31, 2006 was the acquisition of the La Negra Mine. In support of this activity during the year ended December 31, 2006, the Company reported a loss before other items of $1,735,912 compared to a loss of $194,334 for December 31, 2005. The substantial increase in expenditures related to primarily to stock based compensation expense of $1,228,250 which was charged to consulting fees (2005 - $33,203)and the acquisition of the La Negra mine. In relation to these activities, increased expenditures in the areas of management fees of $112,750 (2005 - $80,500),transfer agent and shareholder information fees of $53,376 (2005 - $14,039) investor relations of $17,455 (2005 - $Nil) and travel of $32,644 (2005 - $1,650) were recorded.

The net loss of $2,246,865 ($0.04 loss per share) compared to a loss of $618,615 ($0.02 loss per share) reported in 2005, included property evaluation expenditures of $262,742 (2005 - $36,683), write off of mineral properties of $157,759 (2005 - $387,050) and a foreign exchange conversion loss of $251,033 (2005 – $548) and other income of $160,581 (2005 - $Nil).The write off mineral properties pertains to the Altiplano properties where in 2005 4 of the 5 properties were written off with only La Virgen property retained. The Company terminated its agreement on September 9, 2006 with Hochschild and wrote off the remaining acquisition and deferred exploration costs.

Capitalized Exploration Expenditures

Expenditures on mineral properties for the year ended December 31, 2006 was $5,961,439 compared to $157,759 for the comparative period December 31, 2005. The expenditures for the current year were acquisition and deferred explorations costs incurred for the La Negra Mine, and for the comparative period related to the Company's Mexican projects, Altiplano and Real de Catorce both of which have now been written off.

Purchase of equipment for December 31, 2006 was $1,686,720 compared to Nil for the comparative period primarily related to the La Negra mine.

Cash Flows:

Cash used in operating activities for the year ended December 31, 2006 was $938,523 compared to $210,251 for the comparative year ended December 31, 2005.

Cash used in investing activities for the year ended December 31, 2006 was $7,648,159 related to expenditures on mineral properties for acquisition and deferred exploration costs for the La Negra mine and for the purchase of mine vehicles, mining equipment and computer equipment, the largest component of the computer equipment included the purchase of a mine software Surpac. For the comparative year ended December 31, 2005 cash used in investing activities was $54,257 which related to deferred exploration expenditures on the Altiplano properties subsequently written off.

Cash provided by financing activities for the year ended December 31, 2006 was $12,823,342 which was the result from proceeds from the issuance of common shares pursuant to two private placements, the exercise or warrants and options. In addition the Company received proceeds from proceeds of $934,865 from a loan payable for working capital provided by the Company's concentrate buyer for La Negra. Non cash financing activities included: the recording of $293,099 representing the fair value of 1,000,000 warrants and $400,000 for the obligation to issue 2,000,000 shares to Reyna in connection with the acquisition of the La Negra mine; and notes payable of $1,095,462 for the purchase of mining equipment.

Results of Operations *(Cont'd)*

During the year ended December 31, 2005 the Company did not receive any funds from financing activities.

Summary of Quarterly Results

Three Months Ended	Dec 31, 2006	Sept 30, 2006	Jun 30, 2006	Mar 31, 2006
Total Revenues	$ —	$ —	$ —	$ —
Purchase of equipment	$ 80,339	$ —	$ (190,212)	$ —
Expenditures on mineral properties	$(3,293,897)	$ (120,804)	$ (2,730,460)	$ (58,519)
Loss before Other Items	$(1,395,015)	$(1,482,114)	$ (180,502)	$ (45,628)
Net Loss	$(1,922,656)	$(1,210,249)	$ (428,441)	$ (52,867)
Loss per share	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.00)

Three Months Ended	Dec 31, 2005	Sept 30, 2005	Jun 30, 2005	Mar 31, 2005
Total Revenues	$ —	$ —	$ —	$ —
Purchase of equipment	$ —	$ —	$ (19,557)	$ (8,755)
Expenditures on mineral properties	$ (82,569)	$ (34,968)	$ (64,479)	$ (28,806)
Loss before Other Items	$(66,583)	$(34,465)	$(64,479)	$(28,806)
Net Loss	$(238,716)	$(45,874)	$(300,419)	$(33,606)
Loss per share	$(0.01)	$(0.00)	$(0.01)	$(0.00)

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

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

1) June 30, 2006 - $157,759
2) December 31, 2005 - $164,429
3) June 30, 2005 - $222,621
4) December 31, 2004 - $191,986

Fourth Quarter

The Company reported a net loss during the fourth quarter of $1,922,656 or $0.03 per share. The current fourth quarter loss compares to a loss of $238,716 or $0.01 per share in the fourth quarter of 2005. The significant variances in the fourth quarter results relate primarily to stock based compensation expense of $1,228,250 which was charged to consulting fees, property evaluation expenditures of $230,030 and a loss on foreign exchange conversion of $314,230. During the fourth quarter 2006 expenditures on mineral properties were $4,460,297 which related to the refurbishment of the La Negra mine compared to $82,569 for the comparable quarter in 2005.

Liquidity and Capital Resources

As at December 31, 2006, the Company had a working capital deficiency of $922,186 as result of the Company's current assets of $2,219,637 including $2,011,458 in cash, $8,350 of receivables, and $199,829 in prepaid expenses and advances less $108,025 of accounts payable, current portion of long term debt of $334,031, loans payable of $934,865 and the acquisition liability of $1,166,400 due to Penoles and $598,502 due to Reyna Mining for the acquisition of La Negra.

For the year ended December 31, 2006, cash inflows exceeded cash outflows by $1,974,798, which when combined with the $36,660 cash balance from the year ended December 31, 2005, resulted in an ending cash position of $2,011,458.

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 required 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, exercise of options and warrants result in cash inflows to the Company.

Transactions with Related Parties

During the year ended December 31, 2006, the Company:

a) paid or accrued management fees of $112,750 (2005 - $84,000) to a company controlled by directors;
b) paid or accrued technical, geological and consulting services of $44,338 (2005 – $15,447) to a company controlled by a director;;
c) paid or accrued rent of $24,500 (2005 - $27,500) to a company controlled by directors; and
d) paid or accrued a cash bonus payment of $50,000 (2005 - $Nil) to a company controlled by directors, in relation to the acquisition of the La Negra Mine;
e) paid or accrued consulting fees $57,907 (2005 - $Nil) to a company controlled by an officer.

As at December 31, 2006:

a) Prepaid expenses and deposits included an amount of $6,625 for management fees paid to a company controlled by directors.
b) Accounts payable included $1,040 to a company controlled by a director and $37 due to a company controlled by an officer.

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

Commitments

a) Supply agreement

On November 14, 2006, Minera La Negra signed a purchase contract with Trafigura Beheer B.V. ("Trafigura") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper concentrate to be produced during the years 2007, 2008 and 2009 by the La Negra Mine. Production is estimated to be 8,000 to 10,000 tons per year for prices based on the published prices in the Metal Bulletin in London in US dollars.

b) Office Lease

Effective October 1, 2006, the Company executed a lease for the new office space for a period of 14.5 months less two days, expiring on December 13, 2007, at a monthly rate of $3,420 per month

Changes in Accounting Policies

There were no changes or adoptions of new significant policies in the period.

Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value.

Issued and outstanding:

As at March 22, 2007 – 88,918,933 common shares were issued and outstanding at a recorded value of $46,236,254.

Outstanding options, warrants and convertible securities as at March 22, 2007 were:

Type of Security	**Number**	**Exercise Price**	**Expiry Date**
Stock options	100,000	$0.16	August 22, 2007
Stock options	20,000	$0.13	September 25, 2008
Stock options	5,000	$0.14	November 18, 2008
Stock options	2,350,000	$0.59	August 18, 2011
Stock options	75,000	$0.59	August 18, 2011
Stock options	600,000	$0.59	August 24, 2011
Share purchase warrants	1,000,000	$0.25	June 18, 2008
Share purchase warrants	2,000,000	$1.85	September 6, 2008
Share purchase warrants	280,000	$1.50	September 6, 2008
Share purchase warrants	6,400,000	$1.85	September 9, 2008
Share purchase warrants	586,950	$1.50	September 9, 2008

There were no shares in escrow as at March 22, 2007.

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.

The Company's management, including the chief executive officer and the chief financial officer, are responsible for the establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

As of December 31, 2005, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of December 31, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings)* and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the President and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In conducting the evaluation management is aware due to the current small size of the Company that it relies upon certain informal procedures and communication, and upon "hands on" knowledge of senior management. Management intends to formalize certain of its procedures. In the interim, and until such time as the additional staff has been identified, the Company will continue to rely on an active Board Management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. It should be noted that any system of controls whether formal or informal, are based upon certain assumptions designed to obtain reasonable assurances as to the effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should any such occurrence transpire, the Company will take all reasonable steps necessary to minimize the consequences thereof.

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