AURCANA CORPORATION
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Three Month Period Ended – MARCH 31, 2007

(Un-audited – prepared by Management)

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MANAGEMENT COMMENT

These interim consolidated financial statements for the three months ended March 31, 2007 of Aurcana Corporation have been prepared by management and have not been subject to review by the Company's auditors.

AURCANA CORPORATION
(A Development Stage Company)
Consolidated Balance Sheets
(Unaudited – Prepared by Management)

ASSETS	**31 March 2007**	31 December 2006
Current		
Cash	**20,440,309**	2,011,458
Accounts receivable	**608,080**	8,350
Prepaid expenses and advances	**30,336**	199,829
	21,078,725	2,219,637
Plant and Equipment *(note 5)*	**2,733,951**	2,638,469
Mineral Properties *(note 7)*	**10,325,735**	8,163,982
	34,138,411	13,022,088

LIABILITIES		
Current		
Accounts payable *(note 11)*	**1,359,709**	108,025
Current portion of notes payable *(note 8)*	**360,694**	334,031
Acquisition liability *(note 6)*	**-**	1,166,400
Loan payable *(note 9)*	**1,405,403**	934,865
Due to Reyna Mining & Engineering S.A. de C.V.*(note 6)*	**562,638**	598,502
	3,688,444	3,141,823
Due to Reyna Mining & Engineering S.A. de C.V.*(note 6)*	**815,825**	844,698
Notes Payable *(note 9)*	**723,298**	761,431
	1,539,123	1,606,129
Continued Operations *(note 1)*		
Commitments *(note 13)*		
Subsequent Events *(note 14)*		

SHAREHOLDERS' EQUITY		
Capital Stock *(note 10)*	**45,411,782**	24,205,811
Obligation to Issue Shares*(note 6)*	**400,000**	400,000
Contributed Surplus *(note 10)*	**4,318,224**	1,555,853
Deficit *(statement 2)*	**(21,219,162)**	(17,887,528)
	28,910,844	8,274,136
	34,138,411	13,022,088

Approved on behalf of the Board:

"Ken Booth", Director
Ken Booth

"Brian Flower", Director
Brian Flower

AURCANA CORPORATION

Consolidated Statements of Operations and Deficit
(A Development Stage Company)
Three Months Ended March 31
(Unaudited – Prepared by Management)

	2007		2006
Expenses			
Stock-based compensation	**2,863,621**	$	-
Investor relations	**52,552**		-
Management fees	**44,125**		21,000
Consulting fees	**34,073**		7,063
Professional fees	**21,951**		250
Travel	**16,852**		-
Regulatory fees	**13,205**		6,366
Rent and overhead	**11,582**		7,500
General office and administration	**11,117**		1,097
Transfer agent fees and shareholder information	**8,786**		3,442
Insurance	**6,077**		-
Amortization	**597**		46
Bank charges and interest, net	**1,681**		-
Loss Before the Undernoted	**(3,086,219)**		(46,764)
Other Income (Expense)			
Property evaluation	**(4,219)**		(7,078)
Foreign exchange gain (loss)	**(319,880)**		469
Interest income	**78,684**		1,136
Loss for the Period	**(3,331,634)**		(52,867)
Deficit - beginning of Period	**(17,887,528)**		(15,640,663)
Deficit - End of Period	**(21,219,162)**	$	(15,693,530)
Loss Per Share – Basic and Diluted	**(0.04)**	**$**	(0.00)
Weighted Average Number of Shares Outstanding	**75,157,635**		31,939,292

AURCANA CORPORATION

Consolidated Statements of Cash Flows
(A Development Stage Company)
Three Months Ended March 31
(Unaudited – Prepared by Management)

	2007	2006
Cash flows from Operating Activities		
Loss for the period	**(3,331,634)**	$ (52,867)
Items not involving cash		
Amortization	**597**	46
Stock-based Compensation	**2,863,621**	-
	(467,416)	(52,821)
Changes in Non-Cash Working Capital		
Accounts receivable	**(599,730)**	63,946
Accounts payable	**1,247,547**	21,680
Prepaid expenses and advances	**169,493**	-
Due to related parties	-	52,480
	349,894	85,285
Cash Flows from Financing Activities		
Proceeds from loan payable	**509,593**	-
Due to Reyna Mining & Engineering S.A. de C.V.	**(64,737)**	-
Issuance of common shares	**21,132,750**	23,500
Subscriptions received	**-**	2,243,000
Share issue costs	**(1,198,392)**	(23,032)
	20,379,214	2,243,468
Cash Flows from Investing Activities		
Purchases of plant and equipment	**(138,504)**	-
Expenditures on mineral properties	**(2,161,753)**	(58,519)
	(2,300,257)	(58,519)
Increase in Cash and Cash Equivalents	**18,428,851**	2,270,234
Cash and Cash Equivalents - beginning of period	**2,011,458**	36,660
Cash and Cash Equivalents - End of Period	**20,440,309**	2,306,894
Cash Position consists of:		
Cash and term deposits	**20,440,309**	86,925
Restricted cash from share subscriptions received	-	2,219,969
	20,440,309	2,306,894

1. CONTINUED OPERATIONS

The Company was originally incorporated under the laws of Ontario in 1917 and on September 14, 1998 was continued under Section 187 of the *Canada Business Corporations Act.* Its principal business activity is the exploration and development of natural resource properties.

The Company is in the development stage. The investment in and expenditures on mineral property interests and related capital assets comprise substantially all of the Company's assets. The recovery of the carrying value of the investment in these assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, upon future profitable operations from the properties or proceeds from the disposition thereof in excess of their carrying values.

As at March 31, 2007, the Company had a working capital surplus of $16,215,781 and a deficit of $21,223,299. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral interests, the attainment of profitable mining operations, or the receipt of proceeds from the disposition of its mineral property interests. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going-concern.

These financial statements are presented in Canadian dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") based on accounting policies and practices consistent with those used in the preparation of the annual audited consolidated financial statements. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006.

Principles of consolidation

These financial statements include the accounts of Aurcana Corporation and its wholly-owned subsidiary, Aurcana de Mexico S.A. de C.V., a Mexican corporation. All significant intercompany balances and transactions have been eliminated.

These financial statements include the Company's 80% proportionate share of the assets, liabilities, income and expenses of its joint venture investment in Real de Maconi S.A. de C.V. ("Maconi"), a Mexican corporation, which has a 100% interest in Minera La Negra S.A. de C.V. ("Minera La Negra"), a Mexican corporation.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments

Effective January 1, 2007 the Company adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* Section 1530, *Comprehensive Income* and Section 3865, *Hedges.* These sections provide guidance on the recognition and valuation of certain types of financial instruments. The adoption of these new standards had no significant effect on these financial statements.

3. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the current period´s presentation.

4. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable, accounts payable, acquisition liability and loan payable approximate their fair values because of the short-term maturity of these financial instruments.

The carrying value of notes payable approximates their fair value as this financial instrument bears interest at an approximate market rate of interest.

It is not practical to determine the fair value of the amount due to Reyna Mining & Engineering S.A. de C.V. as there is no active market for this financial instrument.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable. This risk is minimized to the extent that cash is placed with major financial institutions and accounts receivable consist of amounts due from Canada Revenue Agency.

Interest rate risk

Interest rate risk consists of two components:

- To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

5 FINANCIAL INSTRUMENTS *(Continued)*

The Company is exposed to interest rate cash flow risk on its loan payable with variable interest rates as the payments on the loan will fluctuate during the term of the loan as interest rates fluctuate.

The Company is exposed to interest rate price risk on its notes payable with fixed interest rates as the market rate of interest differs from the interest rate of the notes payable.

Currency risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at March 31, 2007, the Company had investments in mineral properties that require the Company to make payments in US dollars and Mexican pesos, and US dollar and Mexican pesos work commitments. The Company's ability to make these payments to satisfy its obligations for work commitments will be affected by foreign currency rate fluctuations. The Company does not utilize derivatives or other techniques to manage foreign currency risk.

As at March 31, 2007, the Company had US $554,867 (December 31, 2006 $279,037) and Mexican pesos $311,306 (December 31, 2006 - $528,815) on hand.

5. PLANT AND EQUIPMENT

Details are as follows:

		Cost		Accumulated Amortization		**March 31 2007 Net Book Value**		December 3 200 Net Boo Valu
Plant & equipment	$	2,544,691	$	123,048	$	**2,421,643**	$	2,380,43
Vehicles		178,478		7,700		**170,778**		125,82
Computer equipment		144,354		12,814		**131,540**		124,77
Furniture & equipment		16,089		6,099		**9,990**		7,43
	$	2,883,612	$	149,661	$	**2,733,951**	$	2,638,46

Amortization is taken on plant and equipment when they are put into use.

6. ACQUISITION

On February 2, 2006, the Company announced it signed a letter of intent (“LOI”) with Reyna Mining & Engineering S.A. de C.V. (“Reyna”), whereby the Company and Reyna will jointly develop the La Negra mine in Queretaro State, Mexico (the “La Negra Property”). Previously, on December 23, 2005, Reyna had signed a LOI with Industriales Penoles S.A. de C.V. (“Penoles”) whereby Reyna can acquire a 100% interest in Minera La Negra (the “Penoles LOI”), which owns a 100% interest in the La Negra Property.

6. ACQUISITION *(Continued*

On March 24, 2006, under the terms of the LOI, the Company and Reyna entered into a formal joint venture agreement ("JV Agreement") to jointly develop the La Negra Property (the "Joint Venture"). The Joint Venture's assets, liabilities and operations will be held by Maconi. Under the terms of the JV Agreement, Reyna will transfer all the legal rights and obligations acquired through the Penoles LOI, valued in the JV Agreement at US $1,500,000, in return for a 20% interest in the Joint Venture. The Company acquired its 80% interest in the Joint Venture by making the following contributions to the Joint Venture:

(i) US $2,000,000 ($2,057,700) upon subscription by the Company (paid);
(ii) US $1,000,000 within 10 working days prior to the first anniversary of the Company's subscription (contributed by common shares issued as disclosed below).
(iii) US $1,500,000 ($1,680,000) within 5 working days after the date of the Joint Venture's 100% acquisition of Minera La Negra (paid); and
(iv) US $1,500,000 ($1,695,000) within 60 working days after the date of the Joint Venture's 100% acquisition of Minera La Negra (paid).

Under the terms of the JV Agreement, the Company is to make the following payments to Reyna as consideration for signing the JV Agreement:

Payments in cash totalling US $1,250,000:

(v) US $25,000 ($30,000) upon signing (paid);
(vi) US $500,000 ($576,450) 12 months from the date of acquisition of Minera La Negra by the Joint Venture (paid subsequent to March 31, 2007); and
(vii) US $725,000 ($835,852) 24 months from the date of acquisition of Minera La Negra by the Joint Venture.

Payments in common shares of the Company:

(viii) 1,000,000 ($200,000) common shares 30 calendar days from the date of acquisition of Minera La Negra by the Joint Venture (issued);
(ix) 1,000,000 ($200,000) common shares 12 months from the date of acquisition of Minera La Negra by the Joint Venture (issued subsequent to March 31, 2007); and
(x) 1,000,000 ($200,000) common shares 24 months from the date of acquisition of Minera La Negra by the Joint Venture.

The capital stock obligations were measured at the fair value of the Company's common shares on the agreement date and those unfulfilled have been reflected as "Obligation to Issue Shares".

The Company also issued to Reyna 1,000,000 warrants, each warrant entitling Reyna to purchase one common share for $0.25 on or before May 18, 2008. The warrants were fair valued at $293,099 using the Black Scholes option pricing model (see note 10 assumptions).

The cash, common shares and fair value of warrants paid to Reyna have been included in, "Investment in and Expenditures on Mineral Properties".

6. ACQUISITION (Continued)

On May 18, 2006, Maconi signed a formal purchase agreement with Penoles whereby the Joint Venture will acquire 100% of Minera La Negra for US $3,000,000 (the "purchase price") to be paid as follows:

(i) US $2,000,000 upon execution of the purchase agreement (paid); and
(ii) US $1,000,000 12 months from the date of execution of the purchase agreement.
Upon execution of the purchase agreement, the Company will own 80% of the La Negra Property and Reyna the remaining 20% through their respective interests in the Joint Venture.

During the period ended March 31, 2007, Maconi and Penoles agreed to amend the terms of the Purchase Agreement whereby the remaining US $1,000,000 owed to Penoles by the Joint Venture (note 6(ii)) was settled by the issuance of 1,114,631 common shares of the Company. This share issuance was a contribution by the Company to the Joint Venture in settlement of the Company's required contribution in note 6(ii) above.

A finder's fee of US $170,000 ($195,415) was paid in cash.

The Company's consolidated statements of operations and deficit include its 80% share of the operating results of Minera La Negra from the date of acquisition.

The Company's proportionate interest on acquisition of Minera La Negra has been allocated as follows:

Purchase price	$ 2,579,280
Fair market value of net assets acquired	
Cash	2,355
Accounts receivable	32,225
Plant	824,976
Mineral property	1,747,580
	2,607,136
Liabilities	(27,856)
	2,579,280
Purchase price discrepancy	$ -

7. MINERAL PROPERTIES

Expenditures incurred on mineral properties are as follows:

	La Negra, Mexico	Altiplano, Mexico	Rosario, Mexico	Total
Balance, December 31, 2006	$ 8,163,982	$ -	$ -	$ 8,163,982
Acquisition costs	-	-	253,474	253,474
Deferred expenditures				
Plant refurbishment	1,084,920	-	-	1,084,920
Management and administration	256,647	-	95,873	352,520
Development site costs	405,413	-	-	405,413
Consulting fees and labour	-	-	2,500	2,500
Maps and miscellaneous	54,467	-	-	54,467
Mine planning	8,459	-	-	8,459
Total expenditures during the period	1,809,906	-	351,847	
Balance, March 31, 2007	$ 9,973,888	$ -	$ 351,847	$ 10,325,735

La Negra Mine, Queretaro State, Mexico

The Company holds an 80% interest in the La Negra Property (note 6).

7. MINERAL PROPERTIES *(Continued)*

Altiplano Project – Mexico

On September 3, 2003, the Company announced it signed a LOI with Exploraciones del Altiplano S.A. de C.V ("Altiplano"), whereby the Company can acquire a 100% interest in five exploration properties over four years subject to a 3% net smelter return royalty ("NSR"). The Company committed to conduct an aggregate of 5,000 meters of drilling in the first year. On signing the formal agreement, the Company paid Altiplano US $15,000 and issued Altiplano 200,000 common shares at a deemed price of $0.21 per share. Following completion of the first year of exploration commitment on each of the individual properties, should the Company wish to continue with its option on any particular property, the Company must pay Altiplano US $50,000 and issue 200,000 common shares (issued). In order to complete the 100% interest in each individual property, the Company is required to fund US $200,000 of exploration in year two, US $300,000 in year three and US $400,000 in year four and make cash and share payments, respectively, of US $50,000 and 200,000 shares at the end of year two, and US $100,000 and 200,000 shares at the end of each of years three and four. One percent of the NSR on any property may be purchased for US $1,000,000.
The Company also granted 1,000,000 incentive stock options, exercisable to 2008 with exercise prices of $0.13 to $0.14 per share, to the owners of Altiplano in their capacity as consultants to the Company. Of these stock options, 800,000 were cancelled upon termination of the agreement in 2005.

Based on exploration work completed to December 31, 2005, the Company discontinued work on four of the five properties known as the Cerro Blanco, Sabinas, Veta Venado and Penoles and will not proceed with any further work on these four properties. As a result, acquisition and exploration expenditures of $385,045 were written off at December 31, 2005. The Altiplano agreement was terminated on August 5, 2005 and neither party is bound by any contractual obligation. The remaining property under the agreement is La Virgen.

On April 25, 2005, the Company entered into an agreement with Mauricio Hochschild & Compania S.A.C. ("Hochschild Agreement") relating to the exploration of La Virgen. Under the terms of the Hochschild Agreement, Hochschild must spend a total of US $2,500,000 on exploration and pay the owner a total of US $300,000 over four years, pay the required property taxes to the Mexican government and make property payments to Altiplano.

The Company elected to terminate the agreement in May 2006, and accordingly, wrote off the remaining capitalized acquisition and exploration costs in 2006.

7. MINERAL PROPERTIES *(Continued)*

Rosario Property, Mexico

On February 22, 2007, the Company received Exchange approval to enter into an Option Agreement to acquire, through its subsidiary, Aurcana de Mexico, a 100% interest in the silver-zinc-lead-gold Rosario Property located in Sinaloa State, Mexico.

Under the terms of the Option Agreement, the Company has the exclusive option to purchase the Rosario Property ("Option to Purchase"). Following its technical and legal review of the Rosario Property, the Company may exercise the Option to Purchase and execute a Sale and Purchase Agreement to acquire a 100% undivided interest in the Rosario Property within six months of signing the Option Agreement. In the event the Company executes the Sale and Purchase Agreement, consideration for the purchase of the Rosario Property is US $3,000,000 ("Rosario Purchase Price"), with US $250,000 due upon signing of the Option Agreement (paid). Should the Company proceed with the Sale and Purchase Agreement, the US $250,000 payment will form part of the Rosario Purchase Price. The remaining Rosario Purchase Price of US $2,750,000 will be payable over two years and is subject to a guarantee from the Company ("Rosario Guarantee").

A cash finder's fee of US $182,500 is payable to Reyna upon execution of the Sale and Purchase Agreement.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of assets

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

7. MINERAL PROPERTIES *(Continued)*

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

8. NOTES PAYABLE

During the year ended December 31, 2006, the Joint Venture purchased mining equipment in the aggregate amount of US $1,351,581 from Atlas Copco Mexicana, S.A. de C.V. ("Atlas"). Pursuant to the purchase, the Joint Venture signed notes payable to Atlas 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 ($1,354,989). The notes are interest bearing at 8.68% and are repayable in quarterly instalments of US $9,308 ($10,731) to US $40,733 ($46,961) including principal and interest over a three-year period by the Joint Venture. At March 31, 2007, the Company's proportionate share outstanding was as follows:

Notes payable	$	1,083,992
Current portion		(360,694)
Long-term	$	723,298

The Company has guaranteed 100% of the outstanding balance.

The Company's proportionate share of repayments due in each of the next three years is as follows:

		US$		Cdn$
2007	$	286,697	$	330,533
2008		312,745		360,564
2009		340,788		392,895
	$	940,230	$	1,083,992

9. LOANS PAYABLE

During the year ended December 31, 2006, the Joint Venture 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 financing in the form of a loan of US $1,000,000 ($1,152,900) (the "Loan"). The Joint Venture is obligated to repay the Loan in monthly installments of US $100,000 ($115,290) plus interest from April 1, 2007 to November 1, 2007, and a US $200,000 ($230,580) payment on December 1, 2007. The Loan bears interest at LIBOR (three months) plus 2% and is guaranteed 100% by the Company.

During the period ended March 31, 2007, Trafigura provided an additional loan of US $500,000 ($576,450). The Joint Venture is obligated to repay the additional Loan in monthly installments of US $57,645 plus interest from April 1, 2007 to October 1, 2007 and on December 1, 2007. On November 1, 2007, the Company must make a US $100,000 payment. In relation to this contract, Minera La Negra signed a purchase contract with Trafigura whereby Trafigura agreed to purchase 100% of zinc concentrate to be produced during the year 2007 by the La Negra Mine based on published prices in the Metal Bulletin in London in US dollars.

10. CAPITAL STOCK

Authorized
Unlimited number of common shares
Unlimited Class "B" preference shares

Issued and outstanding:

	March 31, 2007		March 31, 2006	
	Shares	Amount	Shares	Amount
Balance – Beginning of period	70,929,302	$ 24,205,811	31,800,603	$ 15,681,976
Private placement	16,850,000	21,000,000	-	-
Issuance for acquisition liability	1,114,631	1,170,361		
Exercise of options	225,000	$ 132,750	$ 175,000	$ 23,500
Fair value of options exercised	-	101,250	-	-
Share issue costs	-	(1,198,390)	-	(23,032)
Balance – End of period	89,118,933	$ 45,411,782	31,975,603	$ 15,682,444

10. CAPITAL STOCK *(Continued)*

During the period ended March 31, 2007, the Company had the following capital stock transactions:

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

On March 9, 2007, the Company closed a 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 warrant entitles the holder to acquire one additional 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 Exchange, subsequent to four months from Closing, is at or over $3 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 the Agent a commission of $350,000 representing 7% of the gross proceeds of the private placement and issued 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 (“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. Additional costs of $40,000 were incurred by the Company in relation to the brokered portion of the private placement.

The Company, in connection with the non-brokered private placement, will pay a finder’s fee 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.

Stock options

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

Stock Options *(continued)*

During the period ended March 31, 2007 the change in stock options was as follows:

	2007	2006
Option Outstanding – Beginning of the period	3,075,000	1,525,000
Granted	2,500,000	-
Forfeited	-	-
Exercised	(225,000)	(175,000)
Options outstanding – End of period	5,350,000	1,350,000

The weighted average exercise price of the stock options outstanding at March 31, 2007 was $1.02 and the weighted average remaining life of the options is 4.61 years.

Stock options outstanding and exercisable as at March 31, 2007 are as follows:

Expiry Date	Exercise Price	Number of Shares
August 18, 2008	$ 0.59	75,000
September 28, 2008	$ 0.13	20,000
November 18, 2008	$ 0.14	5,000
August 18, 2011	$ 0.59	2,150,000
August 24, 2011	$ 0.59	600,000
March 22, 2012	$1.50	2,200,000
March 30, 2012	$1.65	300,000
		5,350,000

During the period ended March 31, 2007, the Company granted 2,200,000 stock options at a price of $1.50.and 300,000 stock options at a price of $1.65 per common share to various directors, officers and consultants of the Company. The options were granted in accordance with the terms of the Company's 10% Rolling Stock Option Plan approved August 11, 2006, which can be exercised for periods of between two to five years.

All options outstanding at March 31, 2007 have vested.

Stock Based Compensation

For the period ended March 31, 2007, the Company applied the fair value method in accounting for its stock options granted to directors, officers and consultants by using the Black-Scholes option pricing model.

Stock Option *(continued)*

For the 3 month periods ended March 31, the stock-based compensation expense was $2,863,621 (2006 - $nil). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	2006	2005
Expected life (years)	**5**	-
Interest rate	**4.00%**	0.00%
Volatility	**98.26%**	0.00%
Dividend yield	**0.00%**	0.00%

Contributed surplus

During the periods ended March 31, the change in contributed surplus was as follows

	2007	2006
Balance - beginning of period	$ **1,555,853**	$ 174,924
Fair value of stock-based compensation	**2,863,621**	-
Fair value of stock options exercised	**(101,250)**	-
Balance - end of period	$ **4,318,224**	$ 174,924

Share purchase warrants

During the periods ended March 31, the change in share purchase warrants was as follows:

	2007	2006
Balance - beginning of period	**1,000,000**	1,000,000
Issued	**9,105,950**	-
Exercised	**-**	-
Balance - end of period	**10,105,950**	1,000,000

The weighted average exercise price of share purchase warrants outstanding at March 31, 2007 was $1.67 and the weighted average life of the share purchase warrants outstanding at March 31, 2007 was 1.57 years

Share purchase warrants outstanding as at March 31, 2007 are as follows:

Expiry Date	Exercise Price	Number of Warrants
May 18, 2008	$ 0.25	1,000,000
November 7, 2008	$1.85	2,000,000
November 9, 2008	$1.85	6,400,000
November 9, 2008	$1.50	705,950

11. RELATED PARTY TRANSACTIONS

During the 3 month period ended March 31, 2007, the Company paid or accrued

- Management fees of $67,984 (2006 - $36,214) to a company controlled by directors;
- Technical, geological and consulting services of $30,484 (2006 - $3,088) to a company controlled by a director;
- Rent of $11,582 (2006 – 15,000) to a company controlled by directors;

As at March 31, 2007:

- Prepaid expenses and deposits included an amount of $6,625 (December 31, 2006 - $6,625) for management fees paid to a company controlled by directors; and
- Accounts payable included $1,077 (December 31, 2006 - $1,077) to a company controlled by a director.

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

12. INCOME TAXES

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rates to income tax expense is:

	March 31 2007	December 31 2006
Income tax benefit computed at Canadian statutory rates	$ (1,134,162)	$ (766,181)
Non-deductible expenses	52,046	18,312
Non-deductible write-off of mineral properties	-	53,796
Non-deductible stock-based compensation	972,631	418,833
Unrecognized tax losses	109,240	275,240
	$ -	$ -

The Company has non-capital losses available that may be carried forward to apply against future income for Canadian tax purposes. The losses expire as follows:

2007	$ 96,000
2008	95,000
2009	301,000
2010	345,000
2011	332,000
2012	248,000
2013	690,000
	$ 2,107,000

The potential benefit of these loss carry-forwards has not been recorded in these financial statements.

13. COMMITMENTS

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 (note 9).

Office Lease

Effective October 1, 2006, the Company executed a lease for 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.