



Management Discussion and Analysis for the period ended September 30, 2009

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with Aurcana Corporation’s (the “Company” or “Aurcana”) unaudited interim consolidated financial statements for the three months ended September 30, 2009 and 2008 and the related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. This MD&A should also be read in conjunction with the audited consolidated financial statements and the notes thereto, for the year ended December 31, 2008, and related management discussion and analysis. This information can be found on SEDAR at www.sedar.com and on our Company website www.aurcana.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Expressed in Canadian dollars, unless stated otherwise, this MD&A is current as of **November 26, 2009**.

During the preparation of the consolidated financial statements for the year ended December 31, 2008, the Company determined that the effects of drastically falling concentrate prices, which commenced in the second quarter of 2008, had materially affected the quarterly results for the 2008 fiscal year. The misstatement was a result of the length of time required to settle on the final price and grade of concentrate sales from the La Negra mine under the terms of the contract then in effect. The contract allowed for the final sale price to be set based on prices in existence several months after the original sale was completed. In addition, the recording of the Shafter property acquisition did not reflect the tax implications of the acquisition, specifically with respect to Future Income Taxes. As a result, the Company filed amended and restated quarterly financial statements for Q2 and Q3 of 2008. The reader should refer to those financial statements for a detailed discussion of the changes.

Forward Looking Statements: This report contains “forward-looking statements”, including, but not limited to, statements regarding the Company’s expectations as to the market price of minerals, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements express, as at the date of this report, the Company’s plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Aurcana assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction and other risks. Actual results may differ materially from those currently anticipated in such statements.

The forward looking information in this MD&A is based on management’s current expectations and Aurcana assumes no obligations to update such information to reflect later events or developments, except as required by law. Additional information, about the risks and uncertainties of the Company’s business is provided in its disclosure materials include its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.



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Basis of Presentation: While the consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. At September 30, 2009, the Company has recurring losses and an accumulated deficit of \$40.8 million. The Company owes its sole customer a net amount of \$3,569,331 for copper price settlements on copper sales completed in 2008. The Company will need to raise sufficient funds to meet these obligations as well as fund ongoing exploration and administration expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of the Shafter and La Negra projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through but not limited to, the issuance of additional equity.

The interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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

The principal focus of the Company is the operation and development of mineral properties, primarily Silver-Copper-Zinc-Lead mines. The Company is currently operating the La Negra mine in the state of Queretaro. The Company began recognizing revenues from the La Negra mine on July 1 2007, upon reaching consistent production targets beyond 75% of production recorded in the month of June 2007. As well the Company is commencing with detailed engineering for the construction of the Shafter silver mine in Texas. Permitting for Shafter is also ongoing.

Highlights:

Results of Operations

The third quarter of 2009 continues to build on the advances which started in the second quarter. Metal concentrate prices continue to improve, and the Company continued to adjust its cost structure, both on the operational and administrative side. The Company is now focused on future growth.

As a result of the continued rise of the Canadian dollar, the Company had a foreign exchange gain of \$3.9 million year-to-date and a gain of \$1.2 million on the restructuring of debt. The foreign exchange gain effectively recovers the foreign exchange loss incurred at the 2008 year end; however the company remains exposed to foreign currency fluctuations. The Company had net and comprehensive earnings of \$2.3 million for the quarter (Year to date: \$4.3 million) compared to a loss of \$5.1 million for the same quarter last year (YTD: loss \$8.5 million). Excluding the extraordinary gains, the profit from operations was \$0.5 million (YTD: loss of \$0.7 million) as compared to a loss of \$4.2 million (YTD: \$7.8 million) in the last year.



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The most significant items during the quarter were:

- The Company decided to expand mine production with our current mine crew as well as by contract mining of the Maravillas orebody;
- The plant was shut down from September 15th to the 28th to repair the ball mill motor, resulting in a significant reduction of concentrate production for the month;
- Drilling in the Cobriza Zone defined a new mineralized manto with a drill indicated tonnage of approximately 80,000t;
- The expansion plan to 1,500t/d continued with modifications to the flotation circuit and installation of new flotation tanks. Requests for bids were placed for plant design engineering and reconditioning mill components that were acquired to complete the expansion;
- Silvermex Resources carried out due diligence in support of the planned acquisition of the Rosario Project; and
- The Company diluted Reyna from a 20% interest in the La Negra mine to approximately 8% (see Change in Corporate Structure below).

La Negra

- 72,716 tonnes of ore processed during 3rd quarter;
- Copper concentrate produced 2,385 tonnes (2,428 tonnes sold);
- Zinc concentrate produced 925 tonnes (1,030 tonnes sold);
- Silver produced 159,157 ounces (162,356 ounces sold);
- The difference between production and shipment in all cases reflects the timing of the shipping relative to month end.

Shafter

- In July 2008, the Company completed the acquisition of the Shafter silver mine, from Silver Standard Resources Inc. for \$38.7 million;
- In July 2008 Tetra Tech Inc., of Golden Colorado completed a NI 43-101 compliant report confirming a measured and indicated resource of 24.6 million ounces of silver and an inferred resource of 22.8 million ounces of silver using a four ounce per ton cut off. The full report can be viewed on the Aurcana website www.aurcana.com or on SEDAR www.sedar.com; and
- The project has much of the required infrastructure in place. The Company received a positive pre-feasibility study in June 2009, and continued advancing the permitting process during the 3rd quarter,

Rosario

- During the quarter, the Company announced entering into an agreement to sell the Rosario property for \$250,000, one million shares of Silvermex Resources, and the assumption of all future property payments. Additional consideration \$2.5 million and 1 million shares is to be paid in installments upon production or within 24 months. The sale is still pending.

Corporate

- Lenic Rodriguez was appointed President and CEO;
- Ron Nichols was appointed Senior vice President;
- Nils von Fersen was appointed Vice President of Exploration;
- Ricardo Rodriguez and Antonio Berlanga resigned as directors;
- Subsequent to the quarter end Ken Booth resigned as a director of the Company.



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Overall Performance

Aurcana is engaged in the business of mining, exploration and development of mineral properties. The principal focus is the operation and development of mineral properties, primarily silver operations located in Mexico and the United States. The Company is currently operating the La Negra silver-copper-zinc-lead mine (“La Negra”), located in the state of Queretaro, through Real de Maconi S.A. de C.V. In addition to the Mexico operations, the Company has acquired the Shafter Silver Mine located in Presidio County, southwest Texas which is held through the Company’s 100% owned US subsidiary Silver Assets Inc.

Change in Corporate Structure

At the beginning of the quarter, the Company elected to dilute its former joint venture partner in the La Negra mine from a 20% interest to an 8% interest as a result of an imbalance in capital contributions to the joint venture. At the same time the Company also took direct operational control of the mine.

As a result of the change in structure, the consolidated accounting for the Company also changed. Prior to dilution the Company consolidated its 80% interest in the assets, liabilities and earnings of the joint venture. Effective for this quarter, and reflecting the dilution of the former joint venture partner, the Company now consolidates 100% of the assets, liabilities and earnings of the La Negra mine, less an 8% non-controlling interest. This non-controlling interest represents the estimated net book value of the La Negra mine at the date of dilution and an 8% interest in the net income or loss of the mine at each period end subsequent to dilution.

The reported amounts for the non-controlling interest are an estimate based on book values and reported results, and do not represent an acknowledgement of the value of the shares of the subsidiary, a liability to, or an intent to pay funds to the former joint venture partner.

Also as a result of the above, the Company received a notice of a legal action filed in Mexico by *Mechanismos Mineros de Mexico S.A de C.V.* (“*Mechanismos*”), a former contractor who was responsible for labour outsourcing at the La Negra mine. The suit alleged that *Mechanismos* was entitled to severance payments of approximately MP\$1,000,000. The Company denies any such liability and filed a counter claim for MP\$2.4 million for the alleged non-payment of payroll deductions withheld. The Company further alleges that *Mechanismos* has unlawfully retained legal, personnel, and tax documents which are the property of the Company, which may be damaging to the Company. *Mechanismos* was retained on a month-to-month basis and was terminated by the Company at the time the Company took operational control of La Negra.

Earnings

The Company had net and comprehensive earnings of \$2.38 million for the quarter (Year to date: \$4.34 million) compared to a loss of \$5.17 million for the same quarter last year (YTD: loss \$8.51 million). Excluding foreign exchange and extraordinary gains, income from operations was \$0.46 million (YTD: loss of \$0.73 million) as compared to a loss of \$4.28 million (YTD: \$7.73 million). Earnings per share were \$0.02 per share compared to a loss of \$0.05 per share for the same quarter last year.

Revenue

During the quarter ended September 30, 2009, the Company realized revenues from the sale of 2,428 tonnes of copper content (2008- 2,614 tonnes), 1,030 tonnes of zinc content (2008 - 993 tonnes) and 162,356 ounces of silver (2008 – 124,572 ounces) for total net revenues of \$5.2 million (YTD: \$12.6 million) (2008 - \$2.1 million and \$6.6 million respectively). (The comparative results for 2008 reflect the restatements required by the year end analysis of price differentials on final settlement of outstanding contracts).



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The average price for sales of copper, zinc and silver during the period were Cu - \$2.65, Ag - \$14.74 and Zn \$0.80. Metal prices, were a significant factor in the increased profitability of the Company.

The Company renegotiated the terms of its agreement with its concentrate buyer last quarter, to set a one month term for final pricing with the possibility of locking in prices on a monthly basis, month-to-month, when the Company deems this to be favourable. This reduces the potential for significant loss exposure in a rapidly changing market for concentrate such as those experienced in 2008. The precipitous decline in metal prices in 2008 resulted in a large number of open contracts for shipments being effectively repriced at the lower prices in effect at settlement. This resulted in an adjustment to sales of approximately US\$4.8 million (approximately \$5.1 million Canadian) which was reflected in the 2008 financial statements of the Company. Negotiations have resulted in amended terms for the debt recognized as a result of the sales adjustments at year end, and a gain of \$1.24 million has been recognized.

Sale of Silver

In June 2008, Aurcana agreed to sell to Silver Wheaton (Caymans) Ltd. (“Silver Wheaton”) 50% of the silver metal to be produced from ore extracted during the mine-life from Aurcana’s 80% share of silver production at La Negra. The sale was made in consideration of a prepayment to Cane Silver Inc., a 100% owned subsidiary of Aurcana, of US\$25 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of US\$3.90 (subject to an inflationary adjustment beginning after year three) and the prevailing market price per ounce.

The following table reconciles movements on deferred revenue associated with the Silver Wheaton transaction:

| | US Dollars | Canadian Dollars |
|----------------------------------|---------------|------------------|
| Balance, December 31, 2007 | \$ - | \$ - |
| Sale advance | 25,000,000 | 25,331,192 |
| Repayments | (986,298) | (1,052,074) |
| Unrealized foreign exchange loss | - | 5,084,837 |
| Balance, December 31, 2008 | \$ 24,013,702 | \$ 29,363,955 |
| Repayments | (1,676,137) | (1,832,638) |
| Unrealized foreign exchange gain | - | (3,270,488) |
| Balance, September 30, 2009 | \$ 22,337,565 | \$ 24,260,829 |

The denomination of the deferred revenue liability in US dollars continues to cause realized and unrealized foreign exchange changes during this quarter. Any further weakening in the Canadian dollar will result in further losses, while a strengthening will result in gains; consequently it is not possible to determine the extent of any additional gains or losses.

During the first quarter, due to ongoing negotiations surrounding the re-pricing of shipments with our concentrate buyer, and other factors, the Company fell into arrears on its payments of refined silver produced from its La Negra project to Silver Wheaton pursuant to the terms of the Silver off take Agreement with Silver Wheaton. The Company and Silver Wheaton have agreed on a remedy to this situation. At the date of this report the definitive agreement is still being finalized. The balance owing of US \$1.0 (approximately \$1.1 million) has been added to accounts payable in the quarterly financial statements.



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Cost of Sales

The cost of sales in the quarter was \$3.4 million (YTD: \$9.7 million) compared to \$4.0 million (YTD: \$9.1) for the comparable period of the previous year. As production costs track the tonnage produced, these numbers are not directly comparable unless tonnage is considered.

La Negra Mine

Mining operations continue to delineate additional mineralized mantos between or as extensions of known ore zones which add to the life of the La Negra Mine. To the end of the 3rd quarter 28,000 tonnes were mined that were not in the reserve base. A new drill indicated tonnage of 80,000 tonnes was defined for the Cobriza Zone. Operationally, La Negra has the benefit of multiple zones that have existing development and are primarily copper-silver rich.

The operation is under constant review to monitor operational and cost cutting measures. A new inventory control system linking operations, maintenance and warehouse was introduced in the third quarter and will be fully functional by year end. A planned maintenance system has been implemented. Management cost variance reports have been designed and will be implemented in the New Year. La Negra manages its tailings facilities by working with outside consultants. Following the recommendation of the consultant the current tailings facility was upgraded at a cost of US\$240,000 which has improved the safety factor and extended the life of the tailings facility for another ten years at a production rate of 1000 tonnes per day.

On September 15, 2009 the main mill motor failed and required a complete rewind. The mill resumed normal operations on September 29, 2009.

The Company took direct operational control of the mine in the second quarter, and subsequently diluted the JV partner to an 8% ownership interest in the current quarter. As a result, onsite personnel are now in control of the daily functions of the mine operations, and key senior positions have been strengthened with the addition of highly qualified staff.

Plant optimization studies continued during the quarter. As well, metallurgical studies were conducted to investigate the production of a lead-silver concentrate using gravimetric separation which would remove a penalty for lead and result in a higher quality copper concentrate. Additional metallurgical studies were conducted for mill expansion design and optimizing the flotation circuit.

Subsequent to the quarter, bids were awarded for the contract mining of the Maravillas orebody and a 3,000 meter diamond drilling contract to define ore continuity of the principal ore zones, including Maravillas. Several exploration holes are planned to test a magnetic anomaly representing the potential strike extension of the Maravillas ore zone.



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Production at La Negra

| Quarter Ended | Sept 30 2009 | June 30 2009 | March 31 2009 | Dec 31 2008 | Sept 30 2008 | June 30 2008 | March 31 2008 | Dec 31 2007 |
|------------------------------------|--------------------|--------------------|---------------------|-------------------|--------------------|--------------------|---------------------|-------------------|
| Inventory (start of period) | | | | | | | | |
| Ore stockpiles (tonnes) | 6,632 | 1,220 | 720 | 835 | 812 | 3,662 | 4,878 | 6,580 |
| Zinc concentrate (tonnes) | 120 | 371 | 350 | 110 | 8 | 101 | 111 | 49 |
| Copper/silver concentrate (tonnes) | 45 | 210 | 370 | 195 | 7 | 5 | 20 | 99 |
| Production | | | | | | | | |
| Ore mined (tonnes) | 83,250 | 79,110 | 69,366 | 73,666 | 84,042 | 78,732 | 70,344 | 77,162 |
| Ore milled | 72,716 | 72,323 | 69,555 | 70,236 | 81,989 | 73,768 | 71,874 | 78,836 |
| Average grade | | | | | | | | |
| Zinc | 0.88% | 1.19% | 0.94% | 1.60% | 1.04% | 0.73% | 0.96% | 1.28% |
| Copper | 0.54% | 0.48% | 0.65% | 0.77% | 0.74% | 0.74% | 0.91% | 0.73% |
| Silver (g/t) | 85 | 99 | 99 | 85 | 74 | 67 | 77 | 64 |
| Zinc concentrate (tonnes) | 925 | 923 | 812 | 1,318 | 996 | 439 | 670 | 1,184 |
| Containing zinc metal (tonnes) | 353 | 429 | 358 | 573 | 452 | 178 | 301 | 497 |
| Copper concentrate (tonnes) | 2,385 | 2,146 | 2,146 | 2,608 | 2,661 | 2,354 | 2,443 | 2,028 |
| Containing copper metal (tonnes) | 334 | 311 | 390 | 445 | 504 | 428 | 497 | 435 |
| Silver (ounces) | 159,157 | 176,206 | 166,031 | 145,032 | 138,931 | 105,362 | 125,528 | 110,725 |
| Ore stockpiles (tonnes) | 15,688 | 6,632 | 1,220 | 720 | 835 | 812 | 3,662 | 4,878 |
| Zinc concentrate (tonnes) | 56 | 120 | 371 | 520 | 108 | 8 | 101 | 111 |
| Copper/silver concentrate (tonnes) | 60 | 45 | 310 | 450 | 12 | 7 | 5 | 20 |
| Sales | | | | | | | | |
| Zinc concentrate (DMT) | 1,030 | 1,190 | 1,045 | 1,063 | 993 | 454 | 609 | 1,122 |
| Payable zinc metal (tonnes) | 358 | 403 | 331 | 339 | 363 | 162 | 224 | 347 |
| Copper concentrate (DMT) | 2,428 | 2,332 | 2,869 | 2,595 | 2,614 | 2,434 | 2,314 | 2,107 |
| Payable copper metal (tonnes) | 323 | 313 | 432 | 385 | 463 | 412 | 436 | 375 |
| Payable Silver (ounces) | 162,356 | 200,825 | 190,647 | 117,393 | 124,572 | 100,780 | 109,210 | 91,549 |

Rosario Project

During the first quarter, the Company announced entering into an agreement to sell the Rosario property.

Subsequent to quarter end, on October 14, 2009 the Company announced the completion of the definitive sale agreement. Under the terms of the Agreement, Silvermex will pay CDN\$250,000 and reimburse Aurcana for all maintenance expenses incurred from August 1, 2009 to November 30, 2009 less any amounts due from the sale of certain equipment to Aurcana. In addition to the cash payment Silvermex will issue 1,000,000 common shares on closing. Upon commencement of commercial production or within 24 months from the effective Date, Silvermex will issue an additional 1,000,000 common shares. The 2,000,000 common shares are subject to a voluntary escrow and will be released at a rate of 25% every three months, commencing three months from the date of issuance. Upon the earlier of six months from the commencement of commercial production or 30 months from the effective Date Silvermex will pay to Aurcana an aggregate of US\$2,500,000 in five installments of US\$500,000 over a 36 month period. Aurcana at its election may take common shares in lieu of cash payments effective as of installment three. Silvermex also assumed the payment obligations to Grupo Mexico due on August 7, 2009 (US\$366,893 paid by Silvermex) and US\$731,500 plus IVA due on February 7, 2010;



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Shafter Project

On July 17, 2008, Aurcana closed the acquisition of a 100% interest in the Shafter silver mine (“Shafter”) located in southwest Texas from Silver Standard Resources Inc. (“Silver Standard”). Aurcana paid Silver Standard US \$23 million in cash; issued 15 million Aurcana common shares and a \$10 million convertible debenture paying a 3% coupon.

In July 2008, Tetra Tech completed an independent NI 43-101 Report using an economic cut off of four ounces per ton.

Tetra Tech 43-101 Compliant Resource

| Resources | Tons | Silver oz/ton | Contained Silver Ounces |
|------------------------|-----------|---------------|-------------------------|
| Measured | 883,000 | 8.50 | 7,500,000 |
| Indicated | 2,017,000 | 8.48 | 17,100,000 |
| Measured and Indicated | 2,900,000 | 8.48 | 24,600,000 |
| Inferred | 2,167,000 | 10.52 | 22,800,000 |

Assumes a 4.0 opt silver cut-off

Silver was mined in the Shafter region from 1883 until 1942, when the mine was closed, not from lack of ore, but by the War Act. Historically reported total production during that period was 35 million ounces of silver from 2.3 million tons of ore, at an average grade of 15.24 ounces per ton.

All necessary infrastructure is in place with a major power line and paved highway crossing the property, an electrical sub-station on site, a 1,050 foot shaft serviced by a 80 ton per hour hoist and 5,100 feet of underground development.

In 2008 the Company appointed a project manager for Shafter, resulting in a 43-101 compliant prefeasibility study being filed on June 29, 2009. The pre-feasibility study includes trade off studies in mine, mill and infrastructure to optimize production capacity and maximize the project’s economic return. The study recommends the use of a decline to access the deposit, and mechanized room and pillar extraction. The decline facilitates the efficient movement of supplies and large equipment for production and allows the existing shaft to be used for hoisting ore from the deepest area of the mine and reducing the truck haulage distance. Daily production will be sustained at a rate of up to 1,500 tons per day. The decline also potentially allows for early production and cash flow, as it will initially target resource blocks in the upper levels of the mine which are located above the water table, and allow delaying of the mine dewatering.

On June 29, the Company announced the results of the pre-feasibility study. The highlights of the report were:

- Payback of under 2 years based on a silver price of \$13.55 per ounce;
- An internal rate of return (“IRR”) of 23% pre tax;
- A pre tax net present value (“NPV”) of \$23 million at a 5% discount rate;
- An initial estimated capital expenditure of under \$40 million;
- Silver production of 3.75 million ounces in year one and 4 million ounces in year two; and
- An average total cost of \$7.50 per ounce of silver produced in the first two years.

Over a mine life of 4.7 years, based on measured and indicated resources

- Average silver production of 3.2 million ounces per year, life of mine; and
- 1,500 tons per day production rate achieved by driving a decline



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Revenue was calculated on the base case, the three year average silver price of \$13.55 per ounce as of April 2009, as published by the London Metal Exchange. Only the measured and indicated resources are used in the study for PFS design, economics and life of mine.

Market Trends

Copper prices had seen an overall increase in price since 2003 of US\$1.30/lb to US\$3.23/lb in 2007 and with declines in commodities and overall financial markets in mid 2008, copper was at US\$1.31/lb on December 31, 2008 and US\$3.13/lb as at the date of this report.

Zinc prices have essentially followed the same trend with prices in 2003 of US\$0.47/lb increasing to US\$1.68/lb in June 2007 and with the same decline seen with most commodities prices was at US\$0.51/lb on December 31, 2008 and US\$1.02/lb as at the date of this report.

Silver prices saw a dramatic increase from average prices of US\$4.87/ounce in 2003 to US\$13.38 in 2007 with a drop in price to US\$10.79/ounce at December 31, 2008 and US\$18.49/ounce as at the date of this report.

As the Company was in the initial production stages on September 30, 2007 management at the time did not enter into any hedging facilities for its copper/zinc/silver concentrates until it could see grade and throughput to be consistent with production expectations and as such is relying on the current market prices for its sales of concentrate which could have a high sensitivity impact on its revenues. The Company is currently reviewing its options with respect to hedging in 2010. Currently we can fix prices on a monthly basis with our concentrate buyer.

Results of Operations: The Company's operating profit for the quarter ended September 30, 2009 was \$0.47 million (YTD: loss of \$0.7 million) (2008: a loss of \$4.2 million and \$7.8 million respectively) and its net earnings and comprehensive earnings after the extraordinary items were \$2.4 million (YTD: \$4.3 million - \$0.04 earnings per share) (2008: a loss of \$5.1 million and \$8.5 million respectively - \$0.09 per share).

Revenues for the quarter ended September 30, 2009 were \$5.2 million (YTD: \$12.6 million) compared to \$2.1 million (\$6.6 million) for the same period of 2008, and the cost of sales was \$3.4 million (YTD: \$9.7 million) compared to 2008 \$4.0 million and \$9.0 million respectively. The Company's earnings from mining operations were \$1.4 million (YTD: \$1.5 million) compared to a loss of \$2.7 million and \$4.6 million.

In 2008 the Company experienced a significant decline in metal concentrate prices and adverse foreign exchange rates with respect to the US dollar. This year recovering metal concentrate prices along with the rising Canadian dollar have resulted in the recapture of the foreign exchange losses incurred last year, and higher margins in metal concentrate sales. In addition, operating costs appear to have stabilized.

Non cash operating expenses for the quarter ended September 30, 2009 include depletion of mineral properties of \$13,000 (YTD: \$0.76 million) (2008: \$0.6 million and \$1.6 million) as we are adjusting the calculation of depletion to reflect production within and without of the 43-101 and historical reserve amounts, amortization of \$0.3 million (YTD: \$0.06 million) (2008: \$0.2 million and \$0.5 million) and accretion of ARO of \$25,000 (YTD: \$50,000) (2008: \$11,000 and \$34,000) and stock based compensation of \$340,000 (YTD: \$391,000) (2008: \$308,000 and \$420,000).



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Administrative expenses

Administrative expenses for the quarter ended September 30 2009 totaled \$0.48 million (YTD: \$1.5 million) (2008: \$0.2 million and \$0.9 million):

| | Three months ended September 30 | | Nine months ended September 30 | |
|-----------------------------|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Management fees | \$ 109,000 | \$ 65,000 | \$ 111,000 | \$ 325,000 |
| Rent and overhead | 22,000 | 20,000 | 64,000 | 32,000 |
| Travel and accommodation | 40,000 | 9,000 | 68,000 | 78,000 |
| Office | 36,000 | 34,000 | 85,000 | 144,000 |
| Insurance | 6,000 | (18,000) | 24,000 | 22,000 |
| Consulting | 170,000 | 104,000 | 492,000 | 266,000 |
| Maintenance of Rosario mine | 97,000 | - | 404,000 | - |
| | <u>\$ 480,000</u> | <u>\$ 214,000</u> | <u>\$ 1,487,000</u> | <u>\$ 867,000</u> |

Maintenance fees at Rosario include expenditures which would previously have been capitalized during the development of the project.

Professional fees

The Company incurred professional fees for the quarter of \$85,000 (YTD: \$140,000) (2008: \$195,000 and \$291,000). The decrease in expenditures was the result of lower legal and accounting fees due to reduced activity in these areas in the first quarter.

Investor Relations

The Company incurred investor relation expenditures for the quarter of \$21,000 (YTD: \$68,000) (2008: \$109,000 and \$295,000) These expenditures were reduced due to lower attendance at conferences and an emphasis on cost containment in the quarter.

Property evaluation

Property evaluation expenditures for the quarter of \$2,500 (YTD: \$87,000) (2008: \$87,000 and \$615,000) are in relation to consulting fees, site visits, maps and misc expenses that were incurred by the Company's head office for the Rosario, La Negra, and Shafter projects. The decrease reflects the direct capitalization of activities related to the Shafter project.

Cash Flows

Cash flow from operating activities (before changes in non-cash working capital) for the quarter ended September 30 ,2009 was an inflow of \$3.4 million (YTD: \$2.9 million) (2008: outflow of \$3.8 million and \$6.5 million) due to positive revenues and results from mining operations.



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Selected Annual Information

| Fiscal Year Ended | December 2008 | December 2007 | December 2006 |
|-------------------------------------|---------------|---------------|---------------|
| Total revenues | 11,789,811 | 6,580,237 | \$Nil |
| Administrative expenses | 1,890,546 | 1,497,591 | 314,774 |
| Depletion of mineral properties | 2,789,848 | 1,204,825 | - |
| Stock-based compensation | 438,183 | 2,666,149 | 1,228,677 |
| Write off of mineral property costs | 4,039,708 | - | 157,759 |
| Loss from continuing operations | 10,885,934 | 3,827,415 | \$2,246,865 |
| Net loss | 24,106,786 | 3,827,415 | \$2,246,865 |
| Basic and diluted loss per share | (0.24) | (0.04) | \$(0.04) |
| Total assets | 81,169,336 | 35,857,695 | \$13,022,088 |
| Current assets | 7,466,544 | 16,006,902 | 2,219,637 |
| Mineral properties | 67,645,254 | 14,184,404 | 8,163,982 |
| Current liabilities | 5,098,374 | 3,855,490 | 3,141,823 |
| Long-term financial liabilities | 66,804,447 | 1,627,335 | \$1,606,129 |
| Cash dividends declared | \$Nil | \$Nil | \$Nil |

Financial Data for the last Eight Quarters

| Quarter Ended | Sept. 30 2009 | June 30 2009 | March 31 2009 | December 31 2008 |
|----------------------------------|----------------|----------------|---------------|------------------|
| Total Revenues | \$ 5,228,565 | \$ 5,223,323 | \$ 3,387,366 | \$ 1,388,542 |
| Profit (loss) before other items | \$ 466,232 | \$ (685,116) | \$ (509,492) | \$ (5,583,643) |
| Net Income (loss) | \$ 2,388,932 | \$ 2,837,670 | \$ (879,946) | \$ (18,960,624) |
| Income (loss) per share | \$ 0.02 | \$ 0.03 | \$ (0.00) | \$ (0.19) |
| | Sept. 30 2008 | June 30 2008 | March 31 2008 | December 31 2007 |
| Total Revenues | \$ 2,126,202 | \$ 3,205,640 | \$ 3,347,273 | \$ 2,643,781 |
| Income (loss) before other items | \$ (4,285,574) | \$ (1,045,140) | \$ (229,670) | \$ 236,230 |
| Net Income (loss) | \$ (5,172,711) | \$ (962,245) | \$ (438,417) | \$ 236,230 |
| Income (loss) per share | \$ (0.05) | \$ (0.01) | \$ (0.00) | \$ (0.00) |

The results for the fourth quarter of 2008 reflect significant adjustments which were booked at year end related to price-adjusted sales which were under negotiation at year end, and the write down of the Rosario project of \$4,039,708. These results are not typical and are not indicative of future results.



Management Discussion and Analysis for the period ended September 30, 2009

Liquidity: At September 30, 2009 the Company had a working capital deficit of \$488,326 (2008 – surplus of \$3,262,648) which consisted of \$1,368,861 held in cash and short term deposits, account receivables of \$417,257 (trade) and \$1,015,078 (other) prepaid expenses of \$316,796, and inventory of \$1,686,094. These amounts are offset by accounts payable of \$2,465,170 and the current portion of the Company's notes payable of \$2,827,242 in relation to equipment purchases at the La Negra mine and the final acquisition payment due to IMMSA in relation to the Company's Rosario project. The negotiations with Trafigura moved a significant portion of the current portion of long term debt at year end to non-current, and also resulted in a gain of \$1,247,427.

The Company's long term debt relates to the convertible debenture with Silver Standard in relation to the Company's Shafter Project (\$8,738,838) and unearned revenues in relation to the silver purchase agreement with Silver Wheaton (\$24,260,829).

The Company has recorded a Future Income Tax Liability of \$19,762,314 in its financial statements with respect to the Shafter project. FIT is not considered in the assessment of liquidity as it is an accounting estimate, required under Canadian GAAP, representing the potential future tax liability attached to the Shafter project. Any actual tax liability will exist if and when the Shafter project comes into production and is profitable. The actual tax liability at that time may differ from the estimate recorded.

While the Company continues to make improvements at its La Negra mine the operation has yet to reach consistent profitability resulting in the Company not realizing any additional cash flows from the mine. The Company's source of liquidity has consisted primarily of cash from proceeds of equity issues and there can be no assurance that the Company will be able to continue to raise funds, in which case it may be unable to meet its obligations. Should Aurcana be unable to realize a profit on its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

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

As at September 30, 2009, the Company had 108,583,933 common shares issued and outstanding. As of the date of this report, the Company had 108,583,933 shares outstanding.

As at September 30, 2009, the Company had 7,695,000 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, there were 10,447,500 options outstanding.

As at September 30, 2009, the Company had no warrants outstanding as all warrants had expired or been exercised in 2008. As of the date of this report no warrants were outstanding.

As of the date of this report, on a fully diluted basis, if all options were exercised, a total of 119,031,433 shares would be issued and outstanding.

Subsequent to the quarter end, the Company commenced a non-brokered private placement for up to 15,000,000 units at \$0.22 for proceeds of \$3,300,000. Each unit will consist of one share and one half of one common share purchase warrant. One full common share purchase warrant will permit the holder to purchase a further common share for a period of 18 months from closing at a price of \$0.35 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 \$0.70 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 in the amount of 7% cash and warrants at a price of \$0.30 per warrant on the same terms as the Offering Warrants may be paid on a portion of the financing.

The effect of the private placement is not included in the fully diluted total as, at the date of this report, the private placement was not fully closed



Management Discussion and Analysis for the period ended September 30, 2009

Off-Balance Sheet Arrangements: The Company had no off-balance sheet arrangements as at September 30, 2009 or as at the date hereof.

Transactions with Related Parties:

During the nine month period ended September 30, 2009, the Company paid or accrued

- Management fees of \$203,096 (2008 - \$380,862) to companies controlled by directors or former directors;
- Technical, geological and consulting services of \$65,674 (2008 - \$104,200) to companies controlled by directors or officers; and
- Consulting fees of \$126,000 (2008 - \$100,500) to officers or companies controlled by officers.

As at September 30, 2009:

- Prepaid expenses and deposits included an amount of \$nil (2008 - \$9,000) for management fees paid to a company controlled by common directors;
- Accounts payable included \$nil (2008 - \$12,000) to an officer and to a company controlled by a director.

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

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. Prices are based on the published prices in the Metal Bulletin in London in US dollars.

Acquisition of Rosario property

The Company has commitments, through its subsidiary Aurcana de Mexico S.A. de C.S.V., on the acquisition of the Rosario property requiring payment of US\$1,288,250 of which US\$556,750 is payable during 2009 (paid) and \$731,500 during 2010. This property is in the process of being disposed of as of the date of this report.

Office Lease

Effective May 1, 2007, the Company executed a lease for new office space for a period of 36 months, expiring on May 31, 2010. The minimum annual payments are \$50,391 in 2009 and \$21,180 in 2010.

Deferred Revenue

The Company has commitments to deliver 50% of its silver production from the La Negra property as payment for the funds received from the advance silver sale.



Management Discussion and Analysis for the period ended September 30, 2009

Changes in Accounting Policies: These financial statements are presented in accordance with generally accepted accounting principles applicable in Canada, and have been prepared in accordance with the Significant Accounting Policies described in Note 2 of our audited financial statements for the year ended December 31, 2008 except as noted below.

Adoption of new accounting standards

Effective January 1, 2009, CICA Handbook Section 3064, “Goodwill and Intangible Assets”, replaces Section 3062, “Goodwill and Intangible Assets,” and CICA Section 3450, “Research and Development Costs,” and EIC-27, “Revenues and Expenditures During the Pre-operating Period”. The new Section also caused amendments to Accounting Guideline (AcG) 11, “Enterprises in the Development Stage,” and CICA Section 1000, “Financial Statement Concepts.” The Standard reinforces the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarifies the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that may not meet the definition and recognition criteria are eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The effect of this change is being evaluated by the Company.

Emerging Issues Committee Abstract EIC 173, “Credit Risk and the Fair Value of Financial Assets and Liabilities” was adopted effective January 20, 2009. The EIC determines that counterparty credit risk and an entity’s own credit risk should be taken into account in estimating the fair value of financial assets and liabilities, including derivatives. It was determined that this Abstract did not have a material impact on the consolidated financial statements of the Company, as the previously recognized fair values of financial assets and liabilities reflected an appropriate measure of the parties’ credit risk.

Emerging Issues Committee Abstract EIC 174, “Impairment Testing of Mineral Exploration Properties” was adopted effective February 28, 2009. The EIC provides guidance on the appropriateness of capitalizing exploration costs prior to establishing mineral reserves and also provides additional guidance to evaluating capitalized exploration costs for possible impairment. The adoption of this Abstract did not have any impact on the Company’s consolidated financial statements since it is the Company’s accounting policy to expense exploration costs incurred on any properties in the pre-feasibility stage.

International Financial Reporting Standards (“IFRS”)

Publicly listed enterprises will be required to adopt IFRS in replacement of Canadian Generally Accepted Accounting Principles on January 1, 2011. This transition will require the Company to present its March 31, 2011 financial statements under IFRS, with restated comparative information. The conversion to IFRS will impact the Company’s accounting policies, information technology, and financial reporting systems which include internal controls over financial reporting, data systems, and disclosure controls and procedures.

The Company commissioned a third party service provider to prepare a diagnostic of the key elements of the transition to IFRS that will impact the Company’s financial statements. This diagnostic has identified and ranked the key IFRS to Canadian GAAP differences applicable to Aurcana, assessed the potential impact to the financial statements, note disclosures, and exemptions available on transition. During 2009 to date, the Company has completed a project plan with timelines and key milestones.

The Company expects to determine specific impacts to financial reporting in the fall of 2009. This assessment shall be instrumental in determining the approach required for record keeping in 2010, the first year in which IFRS will apply as comparative information in the 2011 financial statements.



Management Discussion and Analysis for the period ended September 30, 2009

The Company's Audit Committee is overseeing the IFRS conversion project and holds Management accountable for a successful IFRS transition. The Company will continue to communicate progress of this conversion in its upcoming quarterly reports.

Controls and Procedures: In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Risks and Uncertainties: The operations of Aurcana are speculative due to the high risk nature of its business which involves the copper and zinc production and exploration and development of mining properties. The following is a brief discussion of those distinctive or special characteristics of Aurcana's operations and industry which, may have a material impact on, or constitute risk factors in respect of Aurcana's financial performance.

Mining Risks and Insurance

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

Uncertainty of Mineral Reserves

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

The Company adjusts its mineral reserves annually by the amount extracted in the previous year, by the additions and reductions resulting from new geological information and interpretation, actual mining experience, and from changes in operating costs and metal prices. Mineral reserves are not revised in response to short-term cyclical price variations in metal markets.



Management Discussion and Analysis for the period ended September 30, 2009

Replacement of Mineral Reserves

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

Reclamation Obligations

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

Exploration Risks

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

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

Conflicting Interests

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.

Permitting and Title

Aurcana's operations may require licenses and permits from various governmental authorities. There can be no assurance that Aurcana will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and production operations on Aurcana's properties.

Any of Aurcana's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect or defects do exist, it is possible that Aurcana may lose all, or a portion, of



Management Discussion and Analysis for the period ended September 30, 2009

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.

Management Services

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

Market Influences

The Company's Common Shares are listed for trading on the TSX Venture Exchange. Shareholders of the Company may be unable to sell significant quantities of the Common Shares into the public trading markets without a significant reduction in the price of the shares, 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.

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