Management Discussion and Analysis for the nine months ended September 30, 2010

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 nine months ended September 30, 2010 and 2009 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, 2009 and related MD&A. This information can be found on SEDAR at www.sedar.com and on the Company's website www.aurcana.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Expressed in Canadian dollars, unless stated otherwise, this MD&A is current as of **November 29, 2010.**

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-V**") under the symbol AUN and was elevated to Tier 1 Status in October 2008.

The principal business of the Company is the acquisition, exploration and development of mineral properties, with a focus on properties rich in Silver-Copper-Lead-Zinc. Since 2007, the Company has been operating the La Negra mine ("**La Negra**"), in which it holds a 92% indirect interest, in the state of Queretaro, Mexico. In addition, in 2008 the Company purchased a 100% indirect interest in the Shafter silver mine in Texas ("**Shafter**") and is currently in the process of finalizing detailed engineering and permitting for its construction and operation.

Highlights:

- for the quarter ended September 30, 2010, revenues increased 43% from the same period a year prior to a record $7,476,157 (2009: $5,228,565) and earnings from mining operations increased 72% to a record $3,007,888 (2009: $1,750,338);

- for the nine months ended September 30, 2010, revenues increased 35% from the same period a year prior to a record $17,089,398 (2009: $12,647,262) and earnings from mining operations increased 95% to a record $5,674,330 (2009: $2,909,008);

- for the quarter and nine months ended September 30, 2010, the Company recorded record sales volumes for silver, copper and zinc;

- in July 2010, the Company completed an expansion of the mill at La Negra with production increasing 50% to 1,500 metric tonnes per day ("**TPD**") from the previous 1,000 TPD;

- in June and July 2010, the Company completed a non-brokered private placement of 6,485,000 units at a price of $0.25 per unit for gross proceeds of $1,621,250;

- on September 30, 2010, the Company released a positive feasibility study on Shafter with an estimated capital expenditure of $45 million and a payback of less than one year at current silver prices;

- on November 19, 2010, the Company announced its intention to raise between $50 million and $60 million in equity and another $25 million in debt (see *"Equity and Debt Financings"* below).

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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 may differ materially from those currently anticipated in such statements.

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.

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 included in its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com. The Company's risk factors have remained unchanged from its annual MD&A for the year ended December 31, 2009.

Basis of Presentation: While the accompanying unaudited interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. The Company had a working capital deficiency of $14,263,589 as at September 30, 2010, recorded a net loss of $927,204 for the nine months ended September 30, 2010 and had an accumulated deficit of $42,486,892 at September 30, 2010. The Company will need to raise sufficient funds to meet its obligations as well as fund operations and its ongoing exploration activities (see "*Equity and Debt Financings*" below) 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.

The unaudited interim consolidated financial statements do not reflect 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.

Management Discussion and Analysis for the nine months ended September 30, 2010

Equity and Debt Financings

On November 19, 2010, the Company entered into an agency agreement with Sunel Securities Inc. ("**Sunel**"), whereby Sunel will assist the Company, on a best-efforts basis, to raise gross proceeds of between $50 million and $60 million through a private placement of equity units (the "**Units**") at a price of $0.31 per Unit (the "**Offering**"). Each Unit will consist of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.41 per share for a period of 36 months from closing of the Offering.

Sunel will receive a cash commission equal to 7% of the gross proceeds of the Offering and in addition, the Company will issue compensation options to Sunel, entitling Sunel to purchase broker units ("**Broker Units**") up to 7% of the number of Units sold pursuant to the Offering at a price of $0.41 per Broker Unit for a period of 24 months from closing of the Offering. Each Broker Unit will consist of one common share of the Company and one-half of one common share broker warrant, with each whole broker warrant entitling Sunel to purchase one common share of the Company at a price of $0.41 per share for a period of 24 months from closing of the Offering.

The Offering is subject to certain conditions, including, but not limited to, the receipt of all necessary approvals, including regulatory approval. All securities issued with respect to the Offering will be subject to a four month hold period.

The Company plans to use the net proceeds from the Offering to finance capital expenditures on Shafter, for general working capital purposes and to buy back the La Negra life-of-mine silver purchase agreement from Silver Wheaton (see "*Sale of Silver*" below) plus the outstanding silver balance in arrears, which will release the Company from all future obligations under the Silver Wheaton agreement.

The Company has also entered into a non-binding agreement with Sprott Asset Management LP ("**SAM**") for a US$12.5 million senior secured note offering (the "**Note Offering**") and a non-binding agreement with Sprott Resource Lending Partnership ("**SRLP**") for a US$12.5 million senior secured debt financing (the "**Debt Financing**"). The Debt Financing will be advanced in two tranches. US$5 million of the Debt Financing will be advanced to the Company on the closing of the initial tranche of the Debt Financing. The remaining US$7.5 million of the Debt Financing and the entire US$12.5 million under the Note Offering will be advanced at the request of the Company upon completion of certain conditions precedent. The proceeds from the Note Offering and Debt Financing, together with a portion of the Offering, will be used to finance the development of Shafter through to production. The Company will grant security over substantially all of its properties and assets in favour of both SAM and SRLP, whose security interests will rank equally as between them.

In consideration for the Note Offering and the Debt Financing, the Company will issue to each of SAM and SRLP 6 million share purchase warrants exercisable into common shares of the Company at an exercise price of $0.50 per share for a period of 24 months from the date of closing of the initial tranche of the Debt Financing. In addition, SAM and SRLP will each receive a non-refundable bonus payment of $625,000 from the Company, payable, at the option of the Company, in cash or common shares of the Company upon closing of the initial tranche of the Debt Financing. The Company will also pay a cash commission to Sunel of 2% of the maximum principal amount of the Debt Financing and the Note Offering upon closing of the initial tranche of the Debt Financing.

Equity and Debt Financings (continued)

The Debt Financing will be repayable in 11 quarterly installments, commencing on June 30, 2011, and ending on December 31, 2013. The Note Offering will be repayable in 8 quarterly installments, commencing on March 31, 2012, and ending on December 31, 2013.

Pursuant to the Note Offering, the Company will deliver the cash equivalent of a total of 830,000 ounces of silver to SAM, priced at the closing price of silver on the day prior to each delivery over the term of the notes. Pursuant to the Debt Financing, the Company will deliver the cash equivalent of 830,000 ounces of silver to SRLP, priced at the lesser of: (a) the closing price of silver on the day prior to each delivery over the term of the Debt Financing; or (b) US$19 per ounce. If the prior day's closing spot price is greater than US$23, SRLP will also receive 50% of the price over US$23 multiplied by the number of ounces. The Company has guaranteed a minimum rate of return of 5% per annum on both the Note Offering and the Debt Financing.

The initial tranche of the Debt Financing is subject to definitive documentation, normal course due diligence and the receipt of all necessary approvals, including regulatory approval.

Overall Performance

Earnings/Loss

For the quarter ended September 30, 2010, the Company had earnings from mining operations of $3,007,888 (2009: $1,750,338) on revenues of $7,476,157 (2009: $5,228,565) and cost of sales of $4,468,269 (2009: $3,478,227), excluding amortization and depletion. As production costs track the tonnage produced, these numbers are not directly comparable unless tonnage is considered.

During the quarter ended September 30, 2010, the Company sold 3,658 dry metric tons ("**DMT**") of copper concentrate (2009: 2,183 DMT), 2,065 DMT of zinc concentrate (2009: 925 DMT) and 238,722 ounces of silver (2009: 162,086 ounces).

The average sales price for copper, zinc and silver during the quarter ended Sep 30, 2010 were $3.29 (2009: $2.65), $0.91 (2009: $0.80) and $18.98 (2009: $14.74), respectively.

For the quarter ended September 30, 2010, the Company had net earnings of $1,508,131, or $0.01 per share (2009: net earnings of $2,625,481, or $0.02 per share). The most significant expenses included a loss from trading activity (see "*Mining Operations"* below) of $1,045,470 (2009: $Nil), administrative expenses of $572,484 (2009: $480,249) and depletion of mineral properties of $557,107 (2009: $13,149). These expenses were offset by a foreign exchange gain of $1,030,350 (2009: $1,930,564) and other income of $560,065 (2009: $3,983). The majority of the foreign exchange gain was a result of the strengthening of the Canadian dollar against the United States dollar. The Company revalues certain assets and liabilities at each period end including deferred revenue and its future income tax liability and is therefore susceptible to fluctuations between the Canadian and United States currencies.

For the nine months ended September 30, 2010, the Company had earnings from mining operations of $5,674,330 (2009: $2,909,008) on revenues of $17,089,398 (2009: $12,647,262) and cost of sales of $11,415,068 (2009: $9,738,254), excluding amortization and depletion.

Earnings/Loss (continued)

During the nine months ended September 30, 2010, the Company sold 8,511 dry metric tons ("**DMT**") of copper concentrate (2009: 6,890 DMT), 4,024 DMT of zinc concentrate (2009: 2,932 DMT) and 564,868 ounces of silver (2009: 553,567 ounces).

For the nine months ended September 30, 2010, the Company had a net loss of $927,204, or $0.01 per share (2009: net earnings of $4,583,195, or $0.04 per share). The most significant expenses included a loss from trading activity of $2,218,539 (2009: $Nil), administrative expenses of $1,409,070 (2009: $1,487,121) and depletion of mineral properties of $1,461,936 (2009: $763,623). These expenses were offset by a foreign exchange gain of $407,498 (2009: $3,974,475) and other income of $612,524 (2009: $89,758).

The average sales price for copper, zinc and silver during the nine months ended Sep 30, 2010 were $3.25 (2009: $2.12), $0.96 (2009: $0.67) and $18.10 (2009: $13.72), respectively.

Mineral Properties

La Negra

During the quarter ended September 30, 2010, the Company:

- processed 125,050 (2009: 72,716) tonnes of ore;
- produced 3,766 (2009: 2,211) and sold 3,658 (2009: 2,183) tonnes of copper concentrate;
- produced 1,964 (2009: 765) and sold 2,065 (2009: 925) tonnes of zinc concentrate;
- produced 250,953 (2009: 167,559) and sold 238,722 (2009: 162,086) ounces of silver;

The difference between production and sales in all cases reflects the timing of the shipping relative to month end and varying inventory levels.

Mining operations and exploration drilling at La Negra continue to delineate additional mineralized zones, either between or as extensions of existing ore zones which add to the life of La Negra.

During the quarter ended June 30, 2010, 45,000 tonnes (of the 93,201 tonnes milled) were mined from outside the existing reserve base. Results from new drilling have indicated the potential of up to 80,000 tonnes for the Cobriza Zone. Operationally, La Negra has the benefit of multiple mineral deposits that have existing development and are primarily copper-silver rich. A new National Instrument ("**NI**") 43-101 compliant resource review of the Maravillas deposit was completed in the first quarter of 2010 and increased historic reserves by 47% to 188,941 tonnes in the measured and indicated categories. During the quarter ended March 31, 2010, the Maravillas zone was prepared for contract mining with installation of a truck chute, development of access ramps, ventilation, waste and ore raises.

During the quarter ended September 30, 2010, 55,000 tonnes (of the 125,050 tonnes milled) were mined from outside the existing reserve and historic resource base. Exploration drilling and underground development during the third quarter resulted in the definition of 157,000 tonnes in two zones, (Bicentenario, Nuestra Senora) with excellent silver and copper grades. A total of 5,800 tonnes were mined from these zones in the quarter.

With the completion of the installation of additional mill equipment, the ramp-up of the mill expansion to 1,500 TPD was achieved, resulting in a 50% increase in throughput and an increase in concentrate production under a rising price scenario. The operation is under constant review to monitor operational efficiencies and to identify cost cutting measures. A new tailings disposal area has been defined and initial studies are in progress to fulfill requirements for permitting in order to allow the long life of the La Negra operation.

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Production at La Negra

Quarter Ended	Sept 30 2010	June 30 2010	March 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	March 31 2009	Dec 31 2008
Inventory (start of period):								
Ore stockpiles (tonnes)	61,268	40,758	11,736	15,688	6,632	1,220	720	835
Zinc concentrate (DMT)	142	103	45	51	109	371	473	98
Copper/silver concentrate (DMT)	127	79	84	55	41	282	409	177
Production								
Ore mined (tonnes)	111,066	113,711	108,029	89,208	84,204	78,228	69,246	73,266
Ore milled	125,050	94,201	79,007	86,358	72,716	72,323	69,555	70,236
Average grade								
Zinc	1.46%	1.18%	0.90%	0.95%	0.90%	1.18%	0.94%	1.60%
Copper	0.48%	0.48%	0.48%	0.50%	0.56%	0.52%	0.65%	0.77%
Silver (g/t)	78	73	74	91	89	113	99	85
Zinc concentrate (DMT)	1,964	1,124	933	929	765	925	829	1198
Containing zinc metal (tonnes)	850	552	365	344	326	433	358	573
Copper concentrate (DMT)	3,766	2,852	2,053	2,483	2,211	1,958	2,384	2,371
Containing copper metal (tonnes)	492	388	335	376	356	433	390	445
Silver (ounces)	250,953	182,009	154,095	211,244	167,559	205,108	166,031	145,032
Inventory (end of period):								
Ore stockpiles (tonnes)	63,834	61,268	40,758	11,736	15,688	6,632	1,220	720
Zinc concentrate (DMT)	41	142	103	45	51	109	371	473
Copper/silver conc (DMT)	241	127	79	84	55	41	282	409
Sales								
Zinc concentrate (DMT)	2,065	1,085	874	928	925	1069	938	950
Payable zinc metal (tonnes)	730	394	318	344	358	403	331	339
Copper concentrate (DMT)	3,658	2,788	2,065	2,428	2,183	2,105	2,602	2,333
Payable copper metal (tonnes)	442	351	318	335	323	313	432	385
Payable Silver (ounces)	238,722	172,356	153,790	192,926	162,086	200,834	190,647	117,393

Sale of Silver

In June 2008, the Company contracted to sell to Silver Wheaton (Caymans) Ltd. ("**Silver Wheaton**") the equivalent of 50% of the silver metal produced from ore extracted during the mine-life at La Negra. In consideration, the Company received an upfront cash payment of US$25 million which it recorded as deferred revenue, and a further sale price of US$3.90 per ounce of silver sold to Silver Wheaton, with the sale price subject to an inflationary adjustment in year three. Under the terms of the agreement, the Company must deliver sufficient ounces of silver to Silver Wheaton within a forty year term, on a prescribed formula, or a portion of the deferred revenue, without interest, will become repayable to Silver Wheaton. All of the shares of Minera La Negra S.A. de C.V. have been pledged as security for the agreement with Silver Wheaton.

Sale of Silver (continued)

During the first quarter of 2009, as a result of ongoing negotiations surrounding the re-pricing of shipments with the concentrate buyer, and other factors, the Company fell into arrears on its payments of refined silver produced from La Negra to Silver Wheaton pursuant to the terms of the agreement with Silver Wheaton. The Company and Silver Wheaton negotiated a draft agreement to remedy this situation. As at September 30, 2010, the definitive agreement was still being finalized. The draft agreement and subsequent verbal agreements require that a minimum 20% of the silver metal produced is to be repaid each month. Subsequent to September 30, 2010, the Company signed an agreement with Silver Wheaton whereby Silver Wheaton is permitting the Company to extinguish the entire silver purchase agreement for an amount of US$25 million plus all and any silver arrears outstanding as at the date of extinguishment, with the agreement having an expiry date of December 31, 2010. As described in "*Equity and Debt Financings"* above, the Company is attempting to raise between $50 million and $60 million through a private placement of equity units, and if the private placement is successful, a portion of the proceeds will be used to extinguish the silver purchase agreement in full, the amount of which is estimated to be approximately US$29.5 million as of the date of this report.

Included in accounts payable and accrued liabilities at September 30, 2010 was an amount of $2.55 million (December 31, 2009: $1.36 million) owing to Silver Wheaton for 138,392 ounces (December 31, 2009: 99,986 ounces) of silver arrears.

As the sale amount and the corresponding deferred revenue are denominated in US dollars, the amounts included in the unaudited interim consolidated financial statements include an adjustment for unrealized foreign exchange variations.

The related deferred revenue amounts are calculated as follows:

	US Dollars	Canadian Dollars
Balance, December 31, 2009	$ 21,197,876	$ 22,185,697
Recognized as revenue	(2,935,713)	(3,102,804)
Unrealized foreign exchange loss	-	(291,127)
Balance, September 30, 2010	$ 18,262,163	$ 18,791,766

Shafter Project

In July 2008, Aurcana acquired a 100% indirect interest in Shafter from Silver Standard Resources Inc. ("**Silver Standard**"). In consideration, Aurcana paid Silver Standard US$23 million in cash; issued 15 million common shares of the Company to Silver Standard and issued a $10 million convertible debenture to Silver Standard which pays a 3.17% weighted average coupon with a three-year term and is convertible into 6.62 million common shares of the Company at $1.51 per share.

Shafter Project (continued)

In July 2008, Tetra Tech Inc., of Golden, Colorado completed a NI 43-101 compliant report disclosing a measured and indicated resource estimated at 24.6 million ounces (2,900,000 tons at 8.48 ounces per ton) of silver and an inferred resource estimated at 22.8 million ounces (2,167,000 tons at 10.52 ounces per ton) of silver using a four ounce per ton cut off.

The majority of necessary infrastructure is in place with a power line and paved highway crossing the property and an electrical sub-station on site. A 1,050 foot shaft serviced by an 80 ton per hour hoist and 5,100 feet of underground development were installed by Goldfields between 1978 and 1982. A portion of the extensive historical underground workings will be integrated into the mine plan.

In October 2010, the Company completed a NI 43-101 compliant feasibility study. The feasibility study includes trade-off studies in mine, mill and infrastructure which optimize production capacity and maximize Shafter's economic return. It is considered to be at a 10% level of accuracy. 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 is expected to be sustained at a rate of 1,500 tons per day. Accessing the ore body by decline will facilitate early production and cash flow, as it will target resource blocks in the upper levels of the mine above the water table.

The highlights of the report are:

- Payback estimated at under 2 years based on a silver price of $15.53 per ounce;
- An internal rate of return ("**IRR**") estimated at 32% pre tax;
- A pre-tax net present value ("**NPV**") estimated at $34 million using a 5% discount rate;
- An initial capital expenditure estimated at $45 million;
- Annual silver production estimated at 3.8 million ounces in years one and two;
- An average total cost estimated at $8.27 per ounce of silver;
- An estimated mine life of 5 years, based on Measured and Indicated Resources;
- Average silver production estimated at 3.4 million ounces per year, life of mine; and
- An estimated 1,500 tons per day production rate achieved by driving a decline.

Revenue was based on the three year average silver price of $15.53 per ounce as published by the London Metal Exchange in October 2010. Only Measured and Indicated Resources were used in the feasibility study, project economics and life-of-mine determination.

Project configuration and trade-off studies were finalized in early 2010 based on the basic engineering performed by SNC Lavalin. The finalized project configuration resulting from this work has allowed the permit amendment applications to be submitted, and forms the basis of the Feasibility Study published in November 2010.

Project execution planning is such that mine and process plant construction can start immediately on receipt of financing with an 18 month construction timeline. Construction planning performed to date includes securing the services of key personnel including a mine construction manager, a permitting manager and an office manager, as well as securing the services of Tucson-based engineering and construction companies. Detailed engineering work and procurement of key equipment items got underway in November in order for construction to start in January or February 2011.

Market Trends

Beginning in 2003, copper prices saw an overall increase from US$1.30/lb to US$3.23/lb in 2007. With the dramatic declines in commodities and overall financial markets in mid 2008, copper was down to US$1.31/lb on December 31, 2008 but has steadily improved to US$3.65/lb as at September 30, 2010.

Zinc has generally followed the same trend as copper with prices of US$0.47/lb in 2003, increasing to US$1.68/lb in June 2007 and then declining throughout 2008 to US$0.51/lb on December 31, 2008 before trending up to US$0.99/lb as of September 30, 2010.

Silver prices saw a dramatic increase from average prices of US$4.87/ounce in 2003 to US$13.38/ounce in 2007, followed by a decline throughout 2008 to US$10.79/ounce at December 31, 2008 and then increasing significantly to US$21.80/ounce as of September 30, 2010.

The Company is reviewing its options with respect to hedging in 2010. Under its current agreement, the Company has the option to fix prices for copper on a monthly basis with its concentrate buyer.

Mining Operations

For the quarter ended September 30, 2010, the Company had earnings from mining operations, excluding amortization and depletion, of $3,007,888 (2009: $1,750,338), or $0.02 per share (2009: $0.02 per share).

Revenues for the quarter ended September 30, 2010 were $7,476,157 (2009: $5,228,565) and cost of sales were $4,468,269 (2009: $3,478,227) excluding the effects of sales to Silver Wheaton.

As noted in "*Sale of* Silver" above, the Company is contracted to sell the equivalent of 50% of the silver metal produced from ore extracted during the mine-life at La Negra to Silver Wheaton. In 2010, and for presentation purposes, the Company separated transactions related to the silver purchase agreement from normal mining operations on the statement of operations. For each ounce that is owed to Silver Wheaton, the Company records revenues of US$3.90 per ounce plus a pro-rated portion of the deferred revenue on a per ounce basis. For each ounce that is owed to Silver Wheaton, the Company records the cost of silver at market prices. The Company delivers the silver that is owed to Silver Wheaton in the form of silver certificates.

For the quarter ended September 30, 2010, the Company experienced a loss from its trading activities with Silver Wheaton of $1,045,470 (2009: $Nil). In 2009 the Company did not separate transactions related to the silver purchase agreement from normal mining operations. In addition to reducing the margin on sales to Silver Wheaton, an increase in the market price of silver also has an unfavorable impact on the amounts owing for silver ounces that are already in arrears.

Significant non-cash operating expenses for the quarter ended September 30, 2010 included depletion of mineral properties of $557,107 (2009: $13,149) and amortization of $260,882 (2009: $278,159).

Mining Operations (continued)

For the nine months ended September 30, 2010, the Company had earnings from mining operations, excluding amortization and depletion, of $5,674,330 (2009: $2,909,008), or $0.05 per share (2009: $0.04 per share).

Revenues for the nine months ended September 30, 2010 were $17,089,398 (2009: $12,647,262) and cost of sales were $11,415,068 (2009: $9,738,254) excluding the effects of sales to Silver Wheaton.

For the nine months ended September 30, 2010, the Company experienced a loss from its trading activities with Silver Wheaton of $2,218,539 (2009: $Nil). The trading loss was comprised of:

	2010	2009
Sales earned from Silver Wheaton ($3.90/ounce)	$ 1,267,528	$ -
Recognition of deferred revenue	3,102,804	-
	4,370,332	-
Cost of sales (at market price)	(5,773,470)	-
Unrealized loss on change in silver price for silver in arrears	(512,164)	-
Foreign exchange loss	(303,237)	-
Loss from trading activity	$ (2,218,539)	$ -

Significant non-cash operating expenses for the nine months ended September 30, 2010 included depletion of mineral properties of $1,461,936 (2009: $763,623) and amortization of $760,471 (2009: $581,780).

Corporate expenses

Corporate expenses for the quarter ended September 30, 2010 totaled $1,226,713 (2009: $992,798) with the most significant being:

- administrative expenses of $572,484 (2009: $480,249);
- financing costs of $392,317 (2009: $Nil); and
- professional fees of $110,060 (2009: $85,428).

Administrative expenses

The most significant administrative costs during the quarter ended September 30, 2010 consisted of salaries and consulting fees of $318,027 (2009: $279,000) that were paid to employees and companies controlled by directors, officers or employees of the Company and travel and accommodation costs of $119,860 (2009: $40,000).

Corporate expenses (continued)

Financing Costs

On August 20, 2010, the Company renegotiated a credit facility agreement (the "**Loan**") with its principal customer Trafigura Beheer B.V. ("**Trafigura**"). As at June 30, 2010, the outstanding balance under the original loan was $2,671,352. On August 20, 2010, the Company exercised its right to draw down the Loan to its full amount of US$3,400,000. The Company received approximately US$1,380,000 on August 23, 2010.

As compensation for the renegotiation, the Company issued an aggregate of 2,125,203 common share purchase warrants to Trafigura with each warrant entitling Trafigura to purchase one common share of the Company at an exercise price of $0.30 per share with an expiry of August 20, 2012. The $392,317 that was recorded as financing costs was the fair value of the warrants using the Black-Scholes Pricing Model.

Professional fees

The professional fees during the quarter ended September 30, 2010 consisted of audit and tax fees of $64,328 (2009: $Nil) and legal fees of $42,311 (2009: $85,428).

Cash Flows

During the quarter ended September 30, 2010, cash decreased by $1,372,221, from $1,625,442 at June 30, 2010 to $253,201 at September 30, 2010. Cash of $917,695 was provided by financing activities, cash of $361,108 was used in operating activities and cash of $1,928,808 was used in investing activities. Financing activities consisted of net proceeds of $222,502 resulting from a private placement of 1,060,000 units at a price of $0.25 per unit, proceeds of $3,750 from the exercise of stock options and the Company receiving $695,193 after the renegotiation of its notes payable. Investing activities consisted of $1,502,562 of plant and equipment purchases and $426,246 of capitalized mineral property expenditures.

Financial Data for the last Eight Quarters

Quarter Ended		Sept. 30 2010		June 30 2010		March 31 2010		Dec. 31 2009
Total Revenues	$	7,476,157	$	4,935,470	$	4,677,771	$	3,486,288
Loss from operations	$	(82,284)	$	(1,129,925)	$	(612,272)	$	(3,040,975)
Net earnings (loss)	$	1,508,131	$	(3,136,875)	$	701,540	$	(576,266)
Earnings (loss) per share	$	0.01	$	(0.03)	$	0.00	$	(0.01)

		Sept. 30 2009		June 30 2009		March 31 2009		December 31 2008
Total Revenues	$	5,228,565	$	4,031,331	$	3,387,366	$	1,388,542
Earnings (loss) from operations	$	466,232	$	(685,116)	$	(509,492)	$	(5,583,643)
Net earnings (loss)	$	2,625,481	$	2,837,660	$	(879,946)	$	(18,960,624)
Earnings (loss) per share	$	0.02	$	0.03	$	(0.00)	$	(0.19)

Liquidity

As at September 30, 2010, the Company had a working capital deficiency of $14,263,589 (December 31, 2009: working capital of $687,232). The most significant current assets consisted of inventory of $1,546,048 (December 31, 2009: $1,361,922) and trade accounts receivable of $1,586,210 (December 31, 2009: $1,052,517). These amounts were offset by a convertible debenture of $9,411,372 (December 31, 2009: $Nil), accounts payable and accrued liabilities of $7,287,299 (December 31, 2009: $4,361,865) and the current portion of the Company's notes payable of $1,292,308 (December 31, 2009: $1,391,375).

The convertible debenture, which is due in July 2011, is with Silver Standard in relation to the Company's purchase of the Shafter Project. At December 31, 2009, the convertible debenture was included in non-current liabilities. The most significant payables and accrued liabilities were $2,549,000 (December 31, 2009: $1,356,000) owed to Silver Wheaton, $1,080,000 (December 31, 2009: $662,000) of royalties owing and $890,000 (December 31, 2009: $609,000) owed for salaries, source deductions and employee benefits at La Negra. The notes payable are a combination of equipment purchases at La Negra and amounts owed to Trafigura.

At September 30, 2010, the Company's most significant long-term liabilities consisted of deferred revenue of $18,791,766 (December 31, 2009: $22,185,697) relating to the silver purchase agreement with Silver Wheaton and a future income tax liability of $16,472,597 (December 31, 2009: $16,754,344).

As required under current Canadian Generally Accepted Accounting Principles ("**GAAP**"), the Company has recorded a future income tax liability of $16,472,597 (December 31, 2009: $16,754,344) in its financial statements with respect to its purchase of Shafter. 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 Shafter. Any actual tax liability will exist when Shafter comes into production and is profitable. The actual tax liability at that time may differ from the estimate recorded. This accounting estimate may be revised or eliminated upon conversion to International Financial Reporting Standards ("**IFRS**").

While the Company continues to make improvements at La Negra, and considering that the operation has generated positive cash flows since the Company assumed direct control at the mine in 2009, the operation has yet to reach consistent profitability such that the Company can realize 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 the Company 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 of the date of this report, the Company had 127,719,360 common shares outstanding, 11,112,500 stock options outstanding and 15,164,063 warrants outstanding.

Outstanding Share Capital (continued)

As of the date of this report, on a fully diluted basis, with all options, warrants and the convertible debenture exercised, a total of 160,618,440 shares would be issued and outstanding.

Off-Balance Sheet Arrangements

At September 30, 2010, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

During the nine months ended September 30, 2010, the Company paid or accrued:

- Management fees of $260,000 (2009: $203,096) to companies controlled by directors and officers or former directors and officers;
- Administrative management fees of $77,051 (2009: $71,096) to companies controlled by officers;
- Technical and consulting services of $117,950 (2009: $65,674) to companies controlled by directors or officers; and
- Consulting fees of $37,500 (2008: $126,000) to former officers or companies controlled by former officers.

As at September 30, 2010, prepaid expenses and advances contained an amount of $2,075 (December 31, 2009: $56,434) paid to officers and directors as advances for travel, accommodation and conference costs.

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

Commitments

Supply agreement

On November 14, 2006 and January 19, 2007, Minera La Negra signed purchase contracts for copper and zinc, respectively, with Trafigura, whereby Trafigura agreed to purchase 100%, evenly spread from January to December, copper and zinc concentrates produced by La Negra. Prices are based on the published prices in the Metal Bulletin in London in US dollars. In August 2010, the copper purchase contract was extended to 2014 and the parties agreed to review the zinc purchase contract by the end of 2011.

Office Lease

Effective May 1, 2010, the Company executed a lease for new office space for a period of 60 months, expiring on April 30, 2015. The minimum annual payments are $86,160 (May 1, 2010 to April 30, 2012), $89,750 (May 1, 2012 to April 30, 2013) and $93,340 (May 1, 2013 to April 30, 2015).

Deferred Revenue

The Company has commitments to deliver 50% of its silver production from La Negra as payment for the funds received from the advance silver sale. Currently the Company is delivering 20% of production as per amended terms discussed above.

Contingencies

a) During the nine months ended September 30, 2010, the Company received a notice of legal action filed in Mexico by Mechanismos Mineros ("**Mechanismos**"), a former contractor who was responsible for labour outsourcing at La Negra. The suit alleged that Mechanismos was entitled to severance payments of approximately Mexican Pesos ("**MP**") $1 million (approximately $82,000). The Company denies any such liability and filed a counter claim for MP$2.4 million (approximately $196,000) alleging 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 and which may be damaging to the Company.

b) During the nine months ended September 30, 2010, the Company received a notice of assessment with respect to value-added tax and other taxes which the Government of Mexico believed are outstanding in the amount of MP$66 million (approximately $5.46 million). The notice was issued due to the inability of the Company to provide documentation to the government to support previous tax filings. The documentation had been retained by Mechanismos. Pursuant to a court order, the documentation was eventually returned to the Company and was submitted to the government. As the Company believed that the assessment was in error and would eventually be reversed, no provision was ever recorded for this amount.

   In October 2010, the government notified the Company that upon final review, the Company had satisfied all government requests and the government concluded that there were no outstanding tax liabilities and that the file would be closed without any obligations to the Company.

Adoption of new accounting standards

Effective January 1, 2010 the Company adopted the following new accounting standards:

The Canadian Institute of Chartered Accountants ("**CICA**") concurrently issued Section 1601 "*Consolidated Financial Statements*" and Section 1602 "*Non-Controlling Interests*", which replace Section 1600 "*Consolidated Financial Statements*". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "*Business Combinations*".

The Company has early adopted the requirements of CICA 1582, 1601 and 1602, effective January 1, 2010. The adoption resulted in a reclassification of non-controlling interests of $598,307 to shareholders' equity as at December 31, 2009. In addition, non-controlling interests are now presented within shareholders' equity on the consolidated balance sheet and the non-controlling interests in income are no longer deducted in arriving at consolidated net earnings. There is no effect from adoption on previous business combinations.

International Financial Reporting Standards

Publicly listed enterprises will be required to adopt IFRS in replacement of Canadian GAAP 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 has commissioned Deloitte 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 the Company including assessing the potential impact to the financial statements, note disclosures, and exemptions available on transition.

While the Company has begun assessing the adoption of IFRS for 2011 and will begin implementing accounting systems necessary to accommodate the transition within a reasonable timeframe, the financial reporting impact of the transition to IFRS cannot be reasonably quantified at this time. Based on work completed thus far, the Company has identified the following possible financial reporting impacts:

- *Business Combinations:* Business combinations recorded under IFRS will be significantly different than those recorded under Canadian GAAP prior to the adoption of CICA 1582. The Company has early adopted the requirements of CICA 1582, 1601 and 1602, effective January 1, 2010, and as a result, does not expect the transition to IFRS 3, Business Combinations, to have a significant impact as the standards are largely converged.

- *Impairment Testing:* Both Canadian GAAP and IFRS require an entity to undertake impairment testing where there is an indication of impairment for property, plant and equipment; however, the methodology for such testing is different under Canadian GAAP than it is under IFRS.

  Canadian GAAP provides a two-step approach to testing a long-lived asset for impairment, where the first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.

  Under IFRS, the first step of the Canadian GAAP impairment test is eliminated and the undiscounted cash flows are not considered. The carrying value of the asset is compared to its recoverable amount, determined to be the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount.

  Unlike Canadian GAAP where impairment reversals are not permitted, IFRS requires the reversal of a prior impairment, which could result in greater variability in earnings if the recoverable amount of a previously impaired asset is determined to be higher than its carrying value.

International Financial Reporting Standards *(continued)*

- *Income Taxes:* There are a number of IFRS and Canadian GAAP differences in accounting for income taxes, the most significant related to the calculation of temporary differences on non-monetary items and the initial recognition exemption on an asset acquisition.

  Under Canadian GAAP, deferred tax balances are calculated in the currency in which the taxes are denominated and then converted to the accounting presentation currency at the current rate. IFRS requires that deferred taxes be determined in an entity's functional accounting currency. The different treatment under IFRS results in a measurement difference for deferred taxes on monetary items where an entity's tax and accounting functional currencies differ.

  IFRS provides an initial recognition exemption such that a deferred tax asset or liability is not recognized in the event that it arises from initial recognition of an asset or liability acquired outside of a business combination. This exemption does not exist in Canadian GAAP.

  The Company has not yet determined how the above differences might impact its financial statements on conversion to IFRS.

- *Asset Retirement Obligations:* IFRS has a lower threshold for recognition of provisions than Canadian GAAP. For example, under IFRS a provision for asset retirement obligations would be recorded to the extent that it is probable and represents a legal or constructive obligation. This could result in the additional recognition of provisions upon transition to IFRS. The measurement of those provisions may also be adjusted, as IFRS requires re-measurement of the liability at each reporting date as well as potential differences in the discount rate used in the calculation. These differences may result in higher volatility within the income statement and differences in presentation.

- *Foreign Currency Translation:* Canadian GAAP requires an entity to determine the functional currency of the parent company and then assess whether a subsidiary is an integrated or self-sustaining entity. This determination dictates the method of foreign exchange translation for the consolidated financial statements. IFRS requires functional currency to be assessed independently for each entity within a consolidated group and introduces the concept of primary and secondary factors. The Company is assessing the effect of this change.

- *Share-based Payments:* Canadian GAAP requires that share-based payments are measured at fair value with an expense recorded over the vesting period of the instrument. The Company's Canadian GAAP accounting policy is largely consistent with IFRS with the exception of the initial inclusion of a forfeiture rate in the fair value estimation and minor changes to the initial valuation of option tranches which vest over different periods. We have not yet determined the impact that these changes will have on our consolidated financial statements.

There are a variety of other differences between Canadian GAAP and IFRS that do not appear to be applicable to the Company at this time or whose effect will be nominal based on current operations. It is possible that other significant differences to Canadian GAAP could arise prior to the January 1, 2011 transition date.

International Financial Reporting Standards *(continued)*

In addition to the above-noted impacts, the Company has also performed an analysis of the optional exemptions available under IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" ("IFRS 1"). The decisions reached regarding these options exemptions are preliminary at this time, and the most significant are as follows:

- Share-based payments: Full retrospective application is avoided for equity instruments which have vested as of January 1, 2010, the date of transition to IFRS.
- Business combinations (IFRS 3): Permits an entity that has conducted prior business combinations to apply IFRS 3 on a prospective basis from the date of transition. This avoids the requirement to restate prior business combinations.
- Changes in Existing Decommissioning, Restoration and Similar Liabilities (IFRIC 1): This exemption allows a first-time adopter to utilize a practical methodology rather than full retrospective restatement for the initial measurement of the liability and cost of the related asset.
- Borrowing Costs (IAS 23): This exemption allows a first-time adopter to apply IAS 23 (revised) from the date of transition prospectively to IFRS for all qualifying assets for which the capitalization start date is on or after that date. Borrowing costs will not be capitalized retrospectively and the Company will only capitalize borrowing costs incurred after the date of transition (January 1, 2010).

The next phase of the Company's changeover plan is to determine specific financial reporting impacts, continue to select accounting policies and quantify differences to Canadian GAAP. The Company's Audit Committee is overseeing the IFRS conversion project and holds Management accountable for a successful IFRS transition.

Disclosure Controls and Procedures

Disclosure controls and procedures ("**DC&P**") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("**ICFR**") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with Canadian generally accepted accounting principles.

TSX-V listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

Disclosure Controls and Procedures (continued)

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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