Management Discussion and Analysis for the quarter ended June 30, 2013

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Corporation's (the "**Company**" or "**Aurcana**") unaudited condensed interim consolidated financial statements for the quarter ended June 30, 2013 and 2012, and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. This MD&A 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. The information in this MD&A is current to August 29, 2013.

Forward-Looking Statements

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, except as required by law.

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, capital and operating and cash flow estimates contained in the Company's technical reports and feasibility studies; and the access to financing and appropriate equipment and sufficient labour, 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. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "anticipated", "is targeted", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause the actual industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Additional information, about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its most recent annual and quarterly filings, filed with the securities regulatory authorities in Canada available at www.sedar.com.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: requirements for additional capital; dilution; loss of its material properties; interest rate fluctuations; the global economy; future metals price fluctuations, the speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment to perform as expected; labour disputes; supply problems; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of the Company's Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; and those risks identified herein under the heading "Risks and Uncertainties".

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities The major factors which could affect this the Company's cash flows forward-looking statement are the price at which the Company sells its commodities, the ability of the Company to bring the Shafter mine into to its target production levels in the anticipated time frame, the incremental cost and capacity currently planned, and the ability of the mines to meet production budgets for commodities produced at budgeted costs. See also Liquidity discussion on page 14.

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.

Figures are expressed in United States dollars, unless otherwise stated.

Qualified Persons

Mr. Nils von Fersen (PGeo) a qualified person and the Company's Vice President, Exploration and Dr. Sadek El-Alfy, a qualified person and the Company's Vice President, Operations have reviewed and approved the scientific and technical information contained in this MD&A.

All National Instrument 43-101 technical reports filed by Aurcana can be found on the Company's website at www.aurcana.com or on SEDAR at www.sedar.com.

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Highlights:

La Negra Mine:	Three months ended June 30, 2013	2012	Change Year-on-Year	Year to date 2013	2012	Change Year-on-Year
Revenues ($ million) [1]	$11.3	$13.7	$(2.4)	$24.1	$25.7	$(1.6)
Earnings from mining operations ($ million)	2.6	5.5	$(2.9)	7.3	11.0	$(3.7)
Net Income ($ million) [5]	0.3	1.4	$(1.1)	0.6	3.4	$(2.8)
Operating Cash Flow before movements in working capital items ($ million)	$1.9	$5.2	$(3.3)	$5.2	$10.4	$(5.2)
Average market Silver prices per oz	$23.14	$29.38	(21%)	$26.65	$31.06	(14%)
Silver equivalent ounces produced	818,060	690,162	19%	1,410,564	1,181,219	19%
Silver equivalent ounces sold [1] [2]	689,759	597,299	15%	1,196,286	1,042,973	15%
Silver Ounces produced	351,210	373,037	(6%)	661,764	660,523	0%
Silver Ounces sold (Payable at 95%) [1] [2]	309,181	323,307	(4%)	576,530	582,074	(1%)
Total Cash Cost per silver oz net of by-products [1] [3]	$7.79	$6.94	$(0.85)	$8.71	$6.86	$(1.85)
Production Cash cost per silver equivalent oz [3]	$8.87	$8.44	$(0.44)	$9.84	$8.79	$(1.06)
Cash Cost per milled tonne [3] [4]	$30.84	$32.97	$2.13	$34.23	$33.78	$(0.45)
Copper, lead and zinc concentrates produced (tonnes)	8,692	7,751	12%	14,975	13,107	14%
Ore mined (tonnes)	249,036	143,718	73%	449,530	276,156	63%
Ore milled (tonnes)	235,388	176,591	33%	405,469	307,161	32%

[1] Revenues from the sale of concentrates are recorded net of charges for treatment, refining, and smelting (TCRC).
[2] Difference between silver ounces produced vs sold is mainly due to change in concentrates inventory and percentage paid for each metal.
[3] A non IFRS financial measure - See additional information on non-IFRS financial measures page 25.
[4] Depreciation and amortization not included.
[5] Net Income relates to Aurcana and its subsidiaries.

- Total revenues for Q2 2013 were $11.3 million, down $2.4 million from $13.7 million in Q2 2012 mainly due to lower silver prices, lower silver grades processed, a function of more mill feed tonnages derived from the development of new producing areas, and higher inventories at the end of the period.

- The La Negra Mine completed its third mine and mill expansion to 3,000 tonnes per day (“tpd”), on time and on budget, and increased production in April 2013 as planned. During Q2 2013 the mill has averaged 3,057 tpd, a 41% increase from 2,169 tpd averaged during Q1 2013.

- Tonnes milled were 235,388 in Q2 2013 , up 33% from 176,591 tonnes in Q2 2012, of which 92% was mined from mineralized zones comprising estimated Measured & Indicated Resources reported by the Company on October 10, 2012 in the 43-101 Technical Report prepared by Behre Dolbear & Company (USA), Inc. and 8% was mined from other mineralized zones.

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Basis of Presentation:

The accompanying condensed 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.

Nature of Business and Company Description:

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.

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. ("Real de Maconi"). Aurcana acquired an interest in Real de Maconi in 2007 and on February 17, 2012, the Company increased its ownership in Real de Maconi from 92% to 99.86%. In addition to the Mexico operations, the Company holds the Shafter Silver Mine located in Presidio County, southwest Texas through the Company's 100% owned US subsidiary, Silver Assets Inc., which remains in construction and commissioning.

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Review of Mine Operating Results - La Negra Mine

Quarter Ended	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011	Sep-30 2011
Mine Production								
Mine Days	89	88	90	90	89	88	92	89
Mill Days	77	78	83	86	85	85	87	80
Ore mined (tonnes)	249,036	200,494	197,959	196,401	143,717	132,438	131,776	134,072
Ore milled (tonnes)	235,388	170,081	187,255	196,843	176,591	130,570	125,262	119,772
Average tonnes milled per day	3,057	2,181	2,256	2,289	2,078	1,536	1,440	1,497
Average Grade								
Silver (g/t)	59	71	72	80	80	81	81	75
Copper (%)	0.40%	0.40%	0.44%	0.48%	0.42%	0.37%	0.40%	0.39%
Zinc (%)	1.27%	1.27%	1.27%	1.43%	1.49%	1.53%	1.53%	1.42%
Lead (%)	0.31%	0.39%	0.32%	0.36%	0.41%	0.45%	0.46%	0.47%
Implied Recovery								
Silver	78.7%	80.0%	77.7%	74.4%	82.1%	84.5%	81.3%	84.6%
Copper	72.5%	75.6%	75.0%	77.5%	72.9%	67.5%	71.5%	77.5%
Zinc	73.9%	70.8%	67.7%	75.3%	74.1%	74.0%	72.0%	73.7%
Lead	76.5%	78.1%	81.9%	78.0%	79.4%	82.0%	80.7%	80.8%
Metal Production (contained in concentrates)								
Silver (oz)	351,210	310,554	336,956	376,687	373,037	287,486	265,230	244,243
Copper (tonnes)	683	514	618	732	541	326	358	362
Zinc (tonnes)	2,210	1,530	1,611	2,120	1,950	1,478	1,380	1,253
Lead (tonnes)	558	518	491	553	575	482	465	455
Silver Equivalent (oz)	818,060	592,504	624,159	718,063	690,162	491,056	468,343	437,697
Concentrate grades								
Copper (%)	23%	24%	26%	24%	22%	22%	21%	23%
Zinc (%)	46%	46%	47%	46%	46%	48%	45%	43%
Lead (%)	64%	64%	62%	61%	59%	62%	64%	63%

Quarter Ended Concentrate Inventories (tonnes)	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011	Sep-30 2011
Copper								
Initial inventory	490	454	662	158	67	162	30	120
Production	2,968	2,139	2,419	3,063	2,516	1,475	1,679	1,600
Sales	2,548	2,103	2,627	2,559	2,425	1,570	1,547	1,690
Final Inventory	910	490	454	662	158	67	162	30
Zinc								
Initial inventory	467	249	479	83	79	242	76	104
Production	4,857	3,333	3,440	4,631	4,248	3,103	3,058	2,885
Sales	4,881	3,115	3,670	4,235	4,244	3,266	2,892	2,913
Final Inventory	443	467	249	479	83	79	242	76
Lead								
Initial inventory	81	31	145	109	75	39	31	40
Production	867	813	778	903	979	773	729	727
Sales	843	763	892	867	945	737	721	736
Final Inventory	105	81	31	145	109	75	39	31

Sales figures are before treatment and refining charges (TCRC).

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- The La Negra mill upgrade to a nominal 3,000 tpd was completed at the end of March, on time and on budget, resulting in an increase in ore mined and milled in Q2.
- 73% increase in ore mined for a total of 249,036 tonnes during Q2 2013 (Q2 2012: 143,718 tonnes).
- 33% increase in ore milled for a total of 235,388 tonnes during Q2 2013 (Q2 2012: 176,591 tonnes).
- Silver equivalent production during the current period was 818,060 ounces, up 19% from 690,162 ounces in Q2 2012, and a new quarterly record, due to the increase in mined and milled ore.
- Silver production during the second quarter was 351,210 ounces, down 6% from 373,037 ounces in Q2 2012, due to processing ore with lower silver grades. The average silver grade was 59 grams per tonne ("g/t") during the current period, compared to 80 g/t in 2012. The decrease in silver grade was due to an increase in mine development in 2013 related to the mine expansion. La Negra now has mine development equivalent to two years of production completed and will reduce the proportion of development going forward. La Negra's mine plan includes a transition to mining a greater proportion of the higher silver grade mineralized zones from the upper levels of the La Negra mine in 2014 and 2015. Aurcana has ordered a raise boring machine to construct ore passes to transfer ore via gravity from the upper levels to the main haulage level below. It is anticipated that this will increase productivity and reduce operating costs. The raise-borer is expected to be commissioned in Q1, 2014.
- 12% increase in copper, lead and zinc concentrates produced for a total of 8,692 tonnes during Q2 2013 (Q2 2012: 7,751 tonnes), including a new quarterly record in lead and zinc production.
- The inventory of copper/silver concentrates increased by 420 tonnes to 910 tonnes, with commensurate reductions in metal sales and revenues. The mine and plant expansion combined with greater production from the copper rich lower levels of La Negra, resulted in higher copper concentrate production than anticipated exceeding the capacity of the existing filter press. A new larger capacity filter press has been ordered with an anticipated delivery by the end of Q3 2013.
- During Q2 2013, the Company initiated a 15-hole, 5,000 metre surface drill program in order to better define new areas of mineralization announced on February 11, 2013. The first five surface drill holes were completed with initial results confirming new zones of mineralization approximately 350 meters from current underground mining areas at La Negra. Final assay results are still pending and the Company will disclose the findings once the drill program is complete.
- Mining operations and underground exploration drilling at La Negra continue to delineate additional mineralized zones, either between or as extensions of existing mineralized zones. Drill crews completed 6,391 metres ("m") of diamond drilling during 2013 (Q2, 2012: 5,968 m).
- A reserve estimate by Mine Development Associates ("MDA") has been initiated with completion expected in early 2014. The reserve estimate and an updated resource estimate will include updated assumptions regarding metal prices with a focus on higher margin production. The new estimates will include new drilling post the 2012 Behre Dolbear mineral resource estimate that included drill data through February 2012. In 2012 Aurcana completed 13,311 m of underground drilling and is targeting 13,500 m of drilling for 2013.
- The tailings facility currently has the capacity to accept tailings for an estimated 5 years at the current milling rate of 3,000 tpd. A new tailings area has been identified to provide for continued mine operations beyond 10 years. Environmental studies and other permit requirements have been initiated.

- In order to continue to successfully operate in a lower silver price environment, cost saving measures have been taken at the La Negra mine to reduce cash and capital costs while focusing on higher grade production. These can be listed as follows:
    1. Reduction of cash costs
        - Optimization on the usage of the drill steel and explosives.
        - Reducing the planned surface exploration program.
        - Deferring investments in non-critical areas.
        - Deferring investments in mine development to focus on mining areas of higher silver grades.
        - The Company has reviewed all its third party contractors, reducing use where possible, including postponing additional mine development.
        - Reducing energy consumption during higher rate peak hours by crushing during non-peak hours alone. The crushing plants have the capacity to achieve this objective.
    2. Optimizing the current equipment by reinforcing maintenance to reduce sustaining capital.

Shafter Mine

- As previously announced in the Company's MD&A for the year ended December 31, 2012, the Company has implemented an upgrade plan for the Shafter mine and is making additional capital improvements in order to ensure that the mill will to reach its target capacity of 1,500 tpd.
- In the first half of the year 2013, expenses incurred at the Shafter mine in the amount of $11.6 million were capitalized (net of proceeds generated from silver sales).
- The Company expects that the Shafter plant will run at a rate of 600 tpd during Q3 2013 and achieve its design target of 1,500 tpd during 2014. The delay in obtaining financing the financing has impacted both the underground mine development and the procurement and installation of necessary equipment to complete the plant.
- The total capital costs required to achieve name plate capacity of 1,500 tpd are estimated to be approximately $18.5 million, of which a total of approximately $5.5 million has been invested to the end of Q2 2013. It is anticipated that the remaining $13 million in capital costs will be funded through the Red Kite financing, which is discussed below, or through other sources of financing. These capital costs include all equipment, including the addition of a flotation circuit in the plant. The management targets the completion of all necessary construction and upgrade work during 2014.
- During the second quarter the Company engaged a mine development contractor at the Shafter mine to develop a further 1,500 feet of decline. The contractor commenced development on May 15 and worked until July 31. At that time the mine development work was suspended pending closing of a financing. The work is expected to resume in September 2013.
- At the end of August, 2013 a second new tailings filter press was delivered to Shafter. This will replace the second of three used low-capacity tailings filter presses that were contributing to operational delays and reduced recovery rates. The upgrade in filter presses is a continuation of several plant improvements designed to reach the planned throughput.
- A new larger refinery and drying oven have been ordered and are expected be commissioned in October 2013.

- To increase overall silver recovery the Company is installing a Counter Current Decantation ("CCD") circuit. The first stage tanks were completed and tested and are expected to be integrated into the leach process stream during Q3 2013.
- SGS Metcon conducted metallurgical testing on the possible addition of a flotation circuit at the Shafter mill. The results indicated that a flotation circuit would increase recoveries of up to 80% of the high grade silver contained in the sulphide minerals at Shafter, which otherwise would not be recoverable in the leach circuit. This cost is included in Shafter's total capital requirements.
- Mill systems are being configured for a higher degree of automation and better process control. This activity began in May 2013 and will continue until projected completion in 2014.

Shafter Exploration

- During the second quarter exploration activities were focused on surface mapping and sampling, as well as mapping and interpretation of underground workings in the historic Presidio Mine. This work program has led to a better understanding of the structural controls governing mineralization that could lead to the identification of new potential "near mine" targets along strike or down dip.
- Surface and underground mapping west of the Mina Grande Fault has identified a northeast-southwest trending graben structure that appears to control the more promising alteration associated with mineralization. A prominent historic resistivity anomaly is coincident with the southernmost extent of this trend. Broadly spaced historic drill holes by Gold Fields intersected silica and iron oxide alteration in the host Mina Grande limestone. Several of these holes returned strongly anomalous silver grades.

Environmental and Sustainability

- Initiatives to reduce water consumption at Shafter continued with the installation of the new tailings filter press, which produces a drier filter cake recovering more process water for re-use.
- Aurcana continues to be the largest property tax payer and the largest employer in the county.
- Aurcana, through its wholly owned subsidiary RGMC, continues its initiatives to revive the old Shafter ghost town. Initiatives include research and permitting towards the establishment of a trailer park, as well as further work on the company store.

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Overall Performance

Earnings

The Company had earnings from La Negra mining operations of:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Earnings from Mine Operations ($ million)	2.6	5.5	7.3	11.0
Income before Taxes ($ million)	0.5	2.0	2.0	4.6
Net Income ($ million)	0.3	1.4	0.6	3.4

The decrease in earnings from La Negra mining operations for the quarter ended June 30, 2013, as well as for the six months ended June 30, 2013, compared to the same periods of the previous year was mainly related to the decrease in metal prices and lower silver grade at La Negra mine, despite the increase in the volume of ore produced as result of the recent expansion.

Revenue

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Revenues from mining operations	**$ 11,337,026**	$ 13,739,509	**$ 24,098,837**	$ 25,688,042
Figures in $million:				
Gross revenues from Mining operations	**$ 14.1**	$ 17.1	**$ 29.1**	$ 31.7
Deductions T.C., refining and smelting charges deducted by the customers	**2.8**	3.3	**5.0**	6.0
Revenues from mining operations	**$ 11.3**	$ 13.8	**$ 24.1**	$ 25.7
Net Revenues by customer:				
Customer "A"	**$ 6.9**	$ 7.4	**$ 14.0**	$ 13.4
Customer "B"	**4.4**	6.4	**10.1**	$ 12.3
Revenues from mining operations	**$ 11.3**	$ 13.8	**$ 24.1**	$ 25.7

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Copper, zinc and lead concentrate production were higher than sales as a result of the smelter facilities being closed over the weekend at the end of June.

	Three months ended June 30,		Six months ended June 30,	
Revenues derived from:	**2013**	2012	**2013**	2012
Silver	44%	53%	49%	53%
Copper	28%	21%	26%	24%
Zinc	20%	18%	17%	16%
Lead	8%	8%	8%	7%
Total	**100%**	**100%**	**100%**	**100%**

Metals payable at: Silver 95%, Lead 95%, Copper 96.5% and Zinc 85%.

Revenues are recorded net of charges for treatment, refining and smelting (TCRC). TCRC deducted from revenues for each concentrate is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
TCRC:				
Copper/Silver Concentrate	13%	12%	12%	11%
Zinc Concentrate	29%	28%	28%	27%
Lead/Silver Concentrate	19%	22%	17%	21%

The average prices for sales of zinc, copper, silver and lead before metals' payable and TCRC deductions are as follows:

	Three months ended June 30,		Six months ended June 30,	
Price of metals sold:	**2013**	2012	**2013**	2012
Silver ($/oz)	$21.72	$28.51	$24.79	$30.38
Copper ($/lb)	$3.24	$3.52	$3.36	$3.63
Zinc ($/lb)	$0.84	$0.86	$0.86	$0.89
Lead ($/lb)	$0.95	$0.89	$0.98	$0.91

Cost of Sales

The cost of sales for the quarter ended June 30, 2013 was $8.8 million (2012: $8.3 million), which includes delivery freight, royalties, depletion, depreciation and amortization in the amount of $1.6 million for the current quarter (2012: $2.3 million). The cost of sales for the six months ended June 30, 2013 was $16.8 million (2012: $14.7 million), which includes delivery freight, royalties, depletion, depreciation and amortization in the amount of $2.9 million for the current period (2012: $3.9 million). Depletion, depreciation and amortization decreased in the current period due to the increase in resources subject to depletion, supported by the recently filed NI 43-101 report.

The production cash cost per milled tonne for the quarter ended June 30, 2013 was $30.92 (2012: $34.12). The production cash cost per milled tonne for the six months ended June 30, 2013 was $34.74 (2012: $34.23). (*For discussion of this non-IFRS financial measure see page 29 and following*.) Current cost per milled tonne is lower than the previous period due to costs efficiencies realized from an increase in ore milled.

Market trend for metal prices is as follows:

Market Average Price	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Silver ($/oz)	$ 23.16	$ 30.08	$ 32.66	$ 29.80	$ 29.42	$ 32.62	$ 31.82	$ 38.79
Copper ($/lb)	$ 3.23	$ 3.60	$ 3.59	$ 3.50	$ 3.57	$ 3.77	$ 3.40	$ 4.08
Zinc ($/lb)	$ 0.84	$ 0.92	$ 0.88	$ 0.86	$ 0.87	$ 0.92	$ 0.86	$ 1.01
Lead ($/lb)	$ 0.93	$ 1.04	$ 1.00	$ 0.90	$ 0.89	$ 0.95	$ 0.90	$ 1.12

* Source: London Metal Exchange

The Company is currently reviewing its options with respect to hedging. Currently the Company is able to fix prices on a monthly basis with its concentrate buyer.

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Administrative Costs

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Administrative costs[1]	**$ 741,868**	$ 1,163,880	**$ 1,485,188**	$ 1,830,178
Professional fees	**215,661**	74,933	**378,396**	119,052
Investor relations	**126,865**	143,011	**257,540**	241,052
Marketing	**150,966**	177,283	**308,762**	329,864
Listing and filing fees	**32,694**	40,273	**100,878**	81,102
	$ 1,268,054	$ 1,599,380	**$ 2,530,764**	$ 2,601,248

[1] Administrative costs break down:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Management fees	**$ 120,245**	$ 548,498	**$ 242,420**	$ 646,433
Rent and overhead	**46,063**	36,341	**92,090**	74,133
Travel and accommodation	**45,682**	73,348	**149,517**	164,456
Office	**57,559**	114,813	**145,257**	153,722
Salaries and Consulting fees	**286,558**	222,903	**537,573**	434,482
Directors Fees	**67,490**	68,056	**140,407**	97,527
Other	**118,271**	99,921	**177,924**	259,425
	$ 741,868	$ 1,163,880	**$ 1,485,188**	$ 1,830,178

Professional fees

The Company incurred professional fees for the quarter ended June 30, 2013 of $215,661 (2012: $74,933). For the six months ended June 30, 2013, professional fees were $378,396 (2012: $119,052). The increase was due to more legal advice on operations and an increase in audit fees related to Shafter.

Marketing

The Company incurred marketing expenditures for the quarter ended June 30, 2013 of $150,966 (2012: $177,283). For the six months ended June 30, 2013, marketing expenditures were $308,762 (2012: $329,864). Under the current market situation, the Company is assessing its attendance at trade shows and conferences in North America and new markets such as Asia and Europe.

Listing and filing fees

The Company incurred listing and filing fees for the quarter ended June 30, 2013 of $32,964 (2012: $40,273). For the six months ended June 30, 2013, listing and filing fees were $100,878 (2012: $81,102). The increase was primarily due to higher TSX Venture sustaining fees.

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Management fees

The Company incurred management fees for the quarter ended June 30, 2013 of $120,245 (2012: $548,498). For the six months ended June 30, 2013, management fees were $242,420 (2012: $646,433). Fees were lower for 2013 primarily due to non-payment of bonuses.

Salaries and consulting fees

The Company incurred salaries and consulting fees for the quarter ended June 30, 2013 of $286,558 (2012: $222,903). For the six months ended June 30, 2013, salaries and consulting fees were $537,573 (2012: $434,482). The increase was due to the addition of an in-house Corporate Communications Director in September 2012 and the VP of Operations as of January 2013.

Directors' fees

The Company incurred Directors fees for the quarter ended June 30, 2013 of $67,490 (2012: $68,056). For the six months ended June 30, 2013, Directors fees were $140,407 (2012: $97,527). The increase was mainly due to the addition of a new director and more frequent Board meetings held.

The Company's financial quarterly information is as follow:

Quarter Ended	Jun-30 2013	Mar-31 2013	Dec-31 2012	Sep-30 2012
Total Revenues	$ 11,337,026	$ 12,761,811	$ 16,290,724	$ 14,950,026
Earnings from mine operations	$ 2,551,101	$ 4,793,278	$ 7,615,012	$ 6,407,942
Net Income	$ 254,689	$ 391,737	$ 2,960,480	$ 3,595,607
Income per share	$ -	$ -	$ 0.01	$ 0.01

	Jun-30 2012	Mar-31 2012	Dec-31 2011	Sep-30 2011
Total Revenues	$ 13,739,509	$ 11,948,533	$ 10,989,499	$ 12,493,057
Earnings from mine operations	$ 5,480,639	$ 5,507,440	$ 5,708,583	$ 6,811,070
Net Income	$ 1,403,126	$ 1,992,127	$ 1,574,320	$ 3,825,034
Income per share	$ -	$ -	$ 0.01	$ 0.01

- In the quarter ended June 30, 2013, earnings from mine operations decreased $2,242,177 or 47% compared to the quarter ended March 31, 2012, primarily attributed to a reduction in metal prices, lower silver grade and higher copper concentrates held in inventory, partially offset by more ore milled and less depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $137,048 or 35% compared to the preceding quarter, due mainly to the reduction of the earnings from mine operations that more than off-set a general reduction in expenses.

- In the quarter ended March 31, 2013, earnings from mine operations decreased by $2,821,734 or 37% compared to the quarter ended December 31, 2012, primarily attributed to the reduction in metal prices and a 9% decrease in ore milled, partially offset by a lower depletion, depreciation and amortization expense of mineral properties and property, plant and equipment. Depletion, depreciation and amortization decreased on assets as a result of an increase in mineral resources. Net income for the period decreased by $2,568,743 or 87% compared to the preceding quarter, due mainly to the increase in the stock-based compensation and foreign exchange costs, partially offset by lower income taxes.

- In the quarter ended December 31, 2012, earnings from mine operations increased by $1,207,070 or 19% compared to the quarter ended September 30, 2012, primarily attributed to rise of the metal prices, partially offset by 5% decrease of the ore milled and less depletion of mineral properties, depreciation and amortization expense. Net income for the period decreased by $451,264 or 13% compared to preceding quarter, due mainly to the increase in the administrative costs and income tax, partially offset with lower stock-based compensation for the previous quarter.

- In the quarter ended September 30, 2012, earnings from mine operations increased $927,303 or 17% compared to the quarter ended June 30, 2012, primarily attributed to a higher silver price and 11% increase of the ore milled. Net income for the period increased by $1,824,755 or 115% compared to the preceding quarter, due mainly to the decrease in administrative costs and the stock-based compensation, partially offset with increased income tax.

- In the quarter ended June 30, 2012, earnings from mine operations decreased $26,801 compared to the quarter ended March 31, 2012, primarily attributed to a reduction in metal prices and additional depletion of mineral properties, depreciation and amortization, partially offset by 35% additional ore milled. Net income for the period decreased by $405,138 or 20% compared to the preceding quarter, due mainly to the increase in administrative costs and the stock-based compensation, partially offset with increased foreign exchange for the previous quarter.

- In the quarter ended March 31, 2012, earnings from mine operations decreased $201,143 or 4% compared to the quarter ended December 31, 2011, primarily attributed to increase of mineral and mill supplies, salaries and benefits, and depletion of mineral properties, partially offset by increase of metals prices and 4% additional ore milled. Net income for the period increased by $417,807 or 27% compared to the preceding quarter, due mainly to the reduction of the stock-based compensation.

- In the quarter ended December 31, 2011, earnings from mine operations decreased $1,102,487 or 16% compared to the quarter ended September 30, 2011, primarily attributed to lower metal prices, partially offset by 5% increase of the ore milled. Net income for the period decreased by $2,250,714 or 59% compared to preceding quarter, due mainly to the increase in administrative costs, stock-based compensation and foreign exchange for the previous quarter.

- In the quarter ended September 30, 2011, earnings from mine operations increased $1,506,081 or 28% compared to the quarter ended June 30, 2011, primarily attributed to the rise of the silver price partially offset by a 10% decrease in ore milled. Net income for the period increased by $2,258,236 or 144% compared to the preceding quarter, due mainly to the decrease in administrative costs and gain on foreign exchange, partially offset with increased stock-based compensation and income tax.

Liquidity

At June 30, 2013 the Company had a working capital deficiency of $(17.4 million) (Dec 2012 – working capital of $7.1 million), which consisted of $3.0 million held in cash and short term deposits; accounts receivable of $4.1 million (trade & others); inventory of $5.3 million; short-term investment of $0.4 million; and prepaid expenses of $1.3 million. These amounts are offset by accounts payable of $16.3 million, which consisted of the current portion of the Company's finance contracts payable of $3.4 million for equipment purchases at the La Negra Mine and Shafter Mine and the short-term $11.8 million note payable with respect to the credit facility with its concentrate buyer.

The Company operates in a cyclical industry where historically, levels of cash flow have reflected market prices for commodities. Despite the current short-term liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing significant operating cash flows for the Company.

The Company anticipates that the Shafter plant will run at a rate of 600 tpd during Q3 2013 and achieve its design target of 1,500 tpd during 2014. This plan will require further infusion of funds to meet these planned production levels. The level of these further expenditures at the Shafter Mine may exceed the cash flows generated by the La Negra Mine until the Shafter Mine achieves its design production with resultant positive cash flows.

In June, 2013, the Company executed an indicative term sheet with RK Mine Finance ("Red Kite"), which set out the terms of a debt financing transaction (the "Financing"), pursuant to which an affiliate of Red Kite would advance to the Company an unsecured 3 year loan facility of US$ 50 million (the "Loan Facility"), and which also provides for the Company and Red Kite entering into a silver and gold off take agreement in respect of production from the Shafter mine. The Financing remains subject to the negotiation of definitive documentation and other conditions precedent. It is anticipated that the closing of the Financing will strengthen Aurcana's balance sheet and provides significant financial flexibility to complete its corporate growth objectives. It is anticipated that proceeds from the Loan Facility of approximately US$ 13 million will be used towards completion of all construction and upgrade work for the Company's Shafter mine and the balance will be used for development of the La Negra mine and working capital purposes.

The Company has also entered into a short-term loan in the amount of $15 million with its main concentrate purchaser to help finance the Company through the current modifications being completed on the Shafter mill and as a bridge until the mine reached positive cash flows. At June 30, 2013 the balance of this liability was $11.75 million. Subsequent to June 30, 2013, the Company received an additional $3 million and postponed repayment of the July installment in the amount of $1.7 million. Also the repayment terms have been amended as follows:

Previous Repayment Schedule:

Month	Amount
July 2013	$ 1,750,000
August 2013	1,750,000
September 2013	1,750,000
October 2013	2,000,000
November 2013	2,000,000
December 2013	2,500,000
Old Balance	$ 11,750,000
Additional Funds	3,000,000
Amended Balance	$ 14,750,000

Amended Repayment Schedule:

Month	Amount
August 2013	1,750,000
September 2013	1,750,000
October 2013	2,000,000
November 2013	2,000,000
December 2013	2,500,000
January 2014	1,750,000
February 2014	1,500,000
March 2014	1,500,000
	$ 14,750,000

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

Accounts payable and accrued liabilities are due within the current operating period.

The Company's expected sources of cash flow in the upcoming year will be through its operations from both La Negra and Shafter and possibly equity or debt financing, loans, lease financing and entering into joint venture agreements, or a combination thereof.

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Capital Resources

At June 30, 2013, the Company had $3.0 million in cash and cash equivalents and a working capital deficiency of $(17.4) million.

a) The Company has commitments for capital expenditures as of June 30, 2013 related to capital equipment contracts for the amount of $8,250,727 due as follows:

2013	$	**1,627,037**
2014		**3,415,465**
2015		**3,133,161**
2016		**75,064**
	$	**8,250,727**

The Company expects to ultimately meet these commitments with the cash flow generated by operations, and, subject to the closing of the Financing, proceeds thereof.

Besides these commitments, the Company anticipates making additional capital expenditures in the amount of $13 million, in order to complete the upgrades of the Shafter project.

b) The Company has anticipated that the near term cash flow generated from the operating activities will not be sufficient to meet the Company commitments and has therefore sought additional funding as previously mentioned.

Readers are cautioned that there are many factors which may impact cash provided by operations which are difficult to predict and forecast.

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Outstanding Share Capital:

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

As at August 29, 2013, the Company had 58,409,564 common shares issued and outstanding.

As at August 29, 2013, the Company had 3,978,906 share purchase options outstanding at various exercise prices and maturing at various future dates.

As at August 29, 2013, the Company had 9,108,559 common share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price (CDN)	Expiry Date
3,303,313	$8.00	November 18, 2013
5,511,497	$3.28	December 7, 2013
293,750	$2.49	June 30, 2015
9,108,559		

Related Parties Transactions

The Company's related parties consist of companies owned by executive officers and directors and payments to these parties are as follows:

	Note		June 30 2013		June 30 2012
Technical and consulting fees	(i)	$	237,672	$	122,979
General and administrative expenses	(ii)		-		92,920
Management fees	(iii)		242,420		646,433
Related party transactions fees		$	480,092	$	862,332

i) To companies controlled by officers: VP Operations ($142K) and VP Exploration ($99K) for management services performed.
ii) To a company controlled by the former corporate secretary for management services performed as an officer.
iii) To a company controlled by the President & CEO for management services performed.

During the six months ended June 30, 2013, there were no significant transactions with related parties outside of the ordinary course of business and were measured at fair value.

Compensation of key management personnel:

		June 30 2013		June 30 2012
Related party transactions fees	$	480,092	$	862,332
Directors' fees		140,407		97,527
Officer salaries		153,574		107,388
Stock-based compensation		2,504,902		3,742,320
	$	3,278,975	$	4,809,567

Commitments:

On November 14, 2006, the Company's subsidiary, Minera La Negra S.A. de C.V. ("Mineral 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 the copper and zinc concentrate to be produced at the La Negra mine during the years 2007, 2008, 2009 and extended until the end of 2013. On March 2011, Minera La Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced until the end of 2013. Prices set in both agreements are based on the average of the month in which the shipment is made as per the published prices in the Metal Bulletin in London in US dollars. During July 2013, the agreement with Glencore was extended until 2016 and amended to include lead, copper and zinc concentrates.

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).

Financial Instruments:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Mexico. A portion of its assets and liabilities are denominated in currencies other than the functional currency of the related entity in Canada and Mexico. A significant change in the currency exchange rates between the non-functional currency balances and the functional currency has an effect on the Company's results for operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At June 30, 2013, the Company's Canadian operations are exposed to currency risk through the following assets and liabilities denominated in US dollars:

		June 30, 2013
Cash and cash equivalents	CDN$	385,544
Other receivable		24,322
Accounts payable		(192,756)
	CDN$	217,110
US$ Equivalent		**206,418**

Based on the above net exposures as at June 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN Dollar would result in a $20,642 change to the Company's gain in terms of unrealized exchange.

At June 30, 2013, the Company's Mexican operations are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		June 30, 2013
Cash and cash equivalents	MXP$	1,851,009
Other receivable		2,807,597
Accounts payable		(120,878,964)
	MXP$	(116,220,358)
US$ Equivalent		**(8,923,896)**

Based on the above net exposures as at June 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the USD Dollar against the Mexican Peso would result in an $892,390 change to the Company's loss in terms of unrealized exchange.

Credit risk:

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, accounts receivable and amounts receivable.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with banks of investment grade. As the Company has its operations in developing countries, it is unavoidable that some cash is held with regional banks in areas where the banking system does not operate as efficiently as in major financial centers. In these circumstances, the Company attempts to keep only minimal balances with such banks.

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives that are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Company's Audit Committee.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. 100% of the Company's product sales and trade accounts receivable are generated from two customers representing 100% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities and other long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

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The Company classifies the fair value of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The following table summarizes the fair value hierarchy, as of June 30, 2013:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 3,008,732	-	$ 3,008,732	n/a
Trade and other receivable	-	4,067,867	-	4,067,867	n/a
Short-term investments	376,669	-	-	376,669	Level 1
Amounts receivable	-	-	-	-	n/a
	$ 376,669	**$ 7,076,599**	**-**	**$ 7,453,268**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(16,271,314)	(16,271,314)	n/a
Note payable	-	-	(11,750,000)	(11,750,000)	n/a
Long Term Debt	-	-	(8,250,727)	(8,250,727)	n/a
	$ 376,669	**$ 7,076,599**	**$ (36,272,041)**	**$ (28,818,773)**	

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The following table summarizes the fair value hierarchy, as of December 31, 2012:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 10,027,622	-	$ 10,027,622	n/a
Trade and other receivable	-	3,817,901	-	3,817,901	n/a
Short-term investments	715,780	-	-	715,780	Level 1
Amounts receivable	-	599,525	-	599,525	n/a
	$ 715,780	**$ 14,445,048**	**-**	**$ 15,160,828**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(10,880,576)	(10,880,576)	n/a
Long Term Debt	-	-	(7,082,292)	(7,082,292)	n/a
	$ 715,780	**$ 14,445,048**	**$ (17,962,868)**	**$ (2,802,040)**	

There were no material differences between the carrying value and fair value of long-term assets and liabilities as of June 30, 2013. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

Management of Capital:

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from operations.

See also Liquidity discussion on page 15.

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Adoption of New and Amended IFRS Pronouncements:

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financail statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Company's disclosure requirements in respect of IFRS 13 are contained in Note 24 of these condensed consolidated interim financial statements.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 which required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

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b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

Risks and Uncertainties*:*

The operations of Aurcana are speculative due to the high risk nature of its business which involves the silver, copper, lead and zinc production and the 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.

Litigation Risk

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers of the Company as defendants. The plaintiff asserts that certain of the Company's news releases misrepresented the production level at the Shafter mine. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between December 14, 2012 and April 11, 2013 and seeks damages on behalf of that class in the sum of $50 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations.

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 Resources and 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 grade of mineralized material 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 silver, copper, lead 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 a mineralized deposit 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 resources and 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.

Aurcana has engaged Mine Development Associates ("MDA") to provide an updated reserve estimate at Shafter that will better define the high grade and low grade ore zones to reflect the nature of the mineralization. This will enhance the mine plan going forward, enabling Aurcana to pursue the higher margin ore in the current silver price environment. Completion is expected during the fourth quarter of 2013. Aurcana has also engaged MDA to perform a reserve estimate at La Negra which will improve the mine plan, enabling a focus on higher margin production, and provide the basis for evaluating further expansion potential at La Negra. Completion of the report is expected in early 2014.

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Replacement of Mineral Resources and Reserves

There are a number of uncertainties inherent in any program relating to the location of economic mineral resources and 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 resources and reserves to replace mined reserves and to expand current mineral resources and 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 sites. 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 mineral development 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

Some 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 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 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. 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 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 operating performance, underlying asset values or future prospects. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

Impairment of property, plant and equipment assets and mining interests

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, production and grades, operating costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances could alter these projections materially, which could impact the recoverable amount of the assets.

As at June 30, 2013, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver metal constituted impairment indicators, and completed an impairment assessment for the Shafter mine a fair value less costs to sell basis.

The key assumptions incorporated in the impairment model included the following:

- Silver Prices ($/Oz) 2013: $22; 2014 to 2016: $25; and 2017 to 2023: $22.
- The Shafter mine is expected to reach its production target of 1500 tpd during 2014.
- Operating costs are estimated based on the Shafter feasibility study.
- Production volume, grades and recoveries from 2015 and beyond are the same as indicated in the Shafter feasibility study.
- Discount rate: 9% after tax rate.

The impairment evaluation did not result in the identification of an impairment loss as of June 30, 2013.

Non-IFRS Financial Measures

The Company has included certain non-IFRS financial measures including “Total cash cost per Silver equivalent oz sold”, “Total cash cost per Silver oz sold, net of by-products” and “Cash cost per milled tonne” to supplement its Condensed Interim Consolidated Financial Statements, which are presented in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with useful information to evaluate the underlying performance of the Company. Non-IFRS financial measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as substitute for measures of performances prepared in accordance with IFRS.

a) Total production cash cost per Silver equivalent oz

The Company uses cash cost per Silver equivalent oz to describe its cash production costs on an overall basis. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company’s underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. This performance measure is commonly utilized in the mining industry.

AURCANA CORPORATION

Management Discussion and Analysis for the quarter ended June 30, 2013

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Cash cost				
Cost of sales per financial statements	**$ 8,785,925**	$ 8,258,870	**$ 16,754,458**	$ 14,699,963
Less royalties and PSE	**(318,457)**	(651,176)	**(974,680)**	(1,210,089)
Less freight and delivery	**(594,020)**	(373,531)	**(894,563)**	(659,308)
Less depletion, depreciation and amortization	**(675,718)**	(1,415,255)	**(1,396,920)**	(2,438,378)
Change in Inventory	**61,186**	3,819	**392,928**	(15,082)
Total cash cost	**7,258,916**	5,822,727	**13,881,223**	10,377,106
Silver Equivalent Oz. Produced	**818,060**	690,162	**1,410,564**	1,181,219
Production Cash cost per silver equivalent oz	**$ 8.87**	$ 8.44	**$ 9.84**	$ 8.79

b) Cash cost per milled tonne

The Company uses cash costs per milled ton to describe its cash production costs based on tonnes of ore milled. Cash costs incorporate all production costs, which include direct and indirect costs of production. Non-cash adjustments include, as applicable, share-based compensation expense, inventory impairments, depreciation, amortization and depletion of mineral properties.

The Company uses this performance measure to monitor its cash costs per milled tonne internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Cash cost				
Cost of sales per financial statements	**$ 8,785,925**	$ 8,258,870	**$ 16,754,458**	$ 14,699,963
Less royalties and PSE	**(318,457)**	(651,176)	**(974,680)**	(1,210,089)
Less freight and delivery	**(594,020)**	(373,531)	**(894,563)**	(659,308)
Less depletion, depreciation and amortization	**(675,718)**	(1,415,255)	**(1,396,920)**	(2,438,378)
Change in Inventory	**61,186**	3,819	**392,928**	(15,082)
Total cash cost	**7,258,916**	5,822,727	**13,881,223**	10,377,106
Tonnes milled	**235,388**	176,591	**405,469**	307,161
Cash cost per milled tonne	**$ 30.84**	$ 32.97	**$ 34.23**	$ 33.78

AURCANA
CORPORATION

Management Discussion and Analysis for the quarter ended June 30, 2013

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the six months ended June 30, 2013 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate 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. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at www.sedar.com.

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