MANAGEMENT'S DISCUSSION AND ANALYSIS – For the first quarter ended December 31, 2009

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on February 12, 2010 (the "Report Date") and describes the operating and financial results of the Company for the first quarter ended December 31, 2009. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the period ended December 31, 2009 and the audited consolidated financial statements and related notes for the year ended September 30, 2009. In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold production, in fine troy ounces, is referred to as "ounces".

Throughout this MD&A, the Company has also used certain non-GAAP measures, including direct mine operating costs, cash operating costs, total cash costs and total production costs, and related unit cost information, because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with Canadian GAAP do not fully illustrate the ability of its operating mine to generate cash flow. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP, should not be construed as an alternative to Canadian GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other companies. The measures are not necessarily indicative of cost of sales as determined under Canadian GAAP. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might", "will" or "are projected to" be taken or achieved) are not statements of historical fact, but are forward-looking statements.

Forward-looking statements relate to, among other things, all aspects of the development of the Upper Mineralized Zone ("UMZ") deposit at the Don Mario Mine in Bolivia, the El Valle-Boinás/Carlés project in Spain and the Copperwood project in Michigan and their potential operations and production; the outcome and timing of decisions with respect to whether and how to proceed with such development and production; the timing and outcome of any such development and production; estimates of future capital expenditures; mineral resource estimates; estimates of permitting time lines; statements and information regarding future feasibility studies and their results; production forecasts; future transactions; future gold, copper and silver prices; the ability to achieve additional growth and geographic diversification; future production costs; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at the UMZ deposit, and the El Valle-Boinás/Carlés and Copperwood projects being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward looking statements. Some of these risks, uncertainties and factors include fluctuations in the price of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; risks generally associated with mineral exploration and development; including the Company's ability to develop the UMZ deposit , the Copperwood project or the El Valle -Boinás/Carlés project; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to obtain financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the jurisdictions in which the Company operates; general economic conditions worldwide; and the risks identified in this MD&A under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form for a description of additional risk factors.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

Management accepts responsibility for the reliability and timeliness of the information disclosed and confirms the existence and effectiveness of the systems of internal control that are in place to provide this assurance. The Board of Directors assesses the integrity of Orvana's public financial disclosures through the oversight of the Audit Committee.

BUSINESS OVERVIEW AND STRATEGY

The Company

Orvana is a Canadian mining and exploration company based in Toronto, Canada involved in the evaluation, development and mining of primarily gold and copper deposits. The Company owns and operates the Don Mario Mine and property in eastern Bolivia, owns the El Valle-Boinás/Carlés project in Spain and holds mineral leases in the state of Michigan, USA, referred to as the Copperwood project. The Company's goal is to grow and further diversify its portfolio of mining assets. The Company's shares have been listed on the Toronto Stock Exchange since 1992 under the trading symbol ORV.

Business Strategy

Orvana's strategy is to use its cash resources and mining capability to achieve its growth and geographic diversification objectives by acquiring, developing and/or operating producing mines and/or advanced-stage properties. Producing mines should have characteristics that best fit with the Company's mine development and operating expertise. Advanced-stage properties should have the potential of being brought into production within three to five years. Orvana intends to continue to transform itself from a single-mine gold producer into a significant cost-focused, multi-mine gold and copper producer.

Orvana developed its cash resources as a result of the efficient development and profitable operation of the Don Mario Mine. Under its acquisition strategy, Orvana has obtained two cornerstone minerals projects: the El Valle-Boinás/Carlés project and the Copperwood project. The Company continues to consider other possible acquisition opportunities that fit with its mine development and operating expertise as well as its asset portfolio objectives.

The El Valle-Boinás/Carlés Project

The Company acquired the El Valle-Boinás/Carlés project through its acquisition of Kinbauri Gold Corp. ("Kinbauri") in the fall of 2009. The El Valle-Boinás/Carlés project is located in northern Spain's Rio Narcea Gold Belt and consists of 14 concessions comprising 4,298 hectares. Orvana's preliminary estimates for annual gold and copper production from El Valle-Boinás/Carlés are approximately 100,000 ounces of gold and 9 million pounds of copper over an estimated mine life of 10 years.

In November 2009, the Company implemented a plan to recommence production at El Valle-Boinás/Carlés. Key infrastructure, including a fully-equipped mill was already in place at the time of acquisition. Work is underway on a number of initiatives: including renewing and activating permits; preparation of a mine plan; and the refurbishment of the existing equipment. Key milestones were achieved during the quarter which included: the approval by the regional authorities to restart mining activities; the granting of blasting permits; the improvement of the access portals at the El Valle-Boinás and Carlés sites; the purchase of underground equipment, including scoop trams, trucks, and drilling platforms; and the definition of the mining methods and their related costs. Based on a revised production schedule, Orvana estimates pre-production capital costs to be approximately $50,000. The pre-production capital cost estimate assumes the utilization of the existing underground infrastructure, the sinking of a shaft and the refurbishment/upgrading of the existing mill and utilizing certain underground mining equipment no longer in use at the Don Mario Mine. The underground development and the sinking of the shaft are expected to commence during the second quarter, 2010. Underground drilling was completed with the purpose of upgrading inferred resources to measured and indicated. An updated resource estimate is also planned to be completed during the first half of fiscal 2010.

The Don Mario Mine – Lower Mineralized Zone and the Las Tojas Concession

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario Mine in eastern Bolivia. Fiscal 2009 marked the last year of production from the Company's low-cost Lower Mineralized Zone ("LMZ") gold mine in the Don Mario district. Gold production has been extended into fiscal 2010 through the mining of the nearby Las Tojas mineralization. The Las Tojas mineralization is of a lower grade, but has mineralogical characteristics that are similar to those of the LMZ ore. Mine production from the Las Tojas deposit is expected to continue into the last quarter of fiscal 2010. The depletion of the LMZ mine in fiscal 2009 and the processing of the lower grade of the Las Tojas deposit will result in year-on-year declines in gold production in fiscal 2010 from the 62,644 ounces produced in fiscal 2009.

The Don Mario Mine – Upper Mineralized Zone

On May 14, 2009, the board of directors of the Company approved the development of the Upper Mineralized Zone ("UMZ') of the Don Mario Mine. The initial project plan did not include the production of the copper in the oxide zone and planned the flotation of the oxide ore at the end of the mine life to recover only the gold and silver ore. A revised mine plan utilizing a Leach-Precipitation-Flotation ("LPF") process was adopted, which will separate the copper from all ore types. Mine development, including the LPF facility, is being constructed at an estimated cost of $20,000.

As previously disclosed, the UMZ life-of-mine metal production was estimated to be 70.5 million pounds of copper, 176,000 ounces of gold and 6.1 million ounces of silver, but the revised mine plan is expected to add 80 million pounds of copper to the forecasted production. Annual production is estimated at 11.7 million pounds of copper, 19,000 ounces of gold, and 700,000 ounces of silver. The production from the UMZ project is expected to extend life of the Don Mario Mine to 2019. Pre-stripping of the UMZ is expected to begin during the second quarter of fiscal 2010, with production expected to start at the beginning of fiscal 2011.

The Copperwood Project

Through its wholly-owned subsidiary Orvana Resources US Corp., the Company has entered into mineral leases covering 712 hectares within the "Western Syncline", which is located in the Upper Peninsula of the State of Michigan, USA. These leased areas are referred to as the Copperwood project.

All assays from the Company's 82-hole, 13,000-metre drill program that was completed in fiscal 2009 have been received. The Company has contracted AMEC E&C Services Inc., a unit of AMEC plc of London, to audit handling and sampling protocols and to prepare a resource estimate compliant with the National Instrument 43-101 -- Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). This estimate is expected to be completed during the second quarter of fiscal 2010. Orvana is conducting trade-off studies for project development and expects to submit a mine-permit application during fiscal 2011. Production is projected to commence in fiscal 2013.

Exploration Properties

The Company controls mineral rights on 70,100 contiguous hectares around the Don Mario Mine. During fiscal 2009, the Company explored the length of the Eastern Schist Belt, along which the Las Tojas mineralization is located. The data is being evaluated in order to identify any potential drill targets.

Through the acquisition of Kinbauri, the Company acquired three exploration prospects: (1) Aztec, Nevada (gold); (2) Morrisette, Ontario (gold); and (3) Laniel, Quebec (diamonds). The Aztec prospect, located a few kilometers from the Goldfield district, will be drill tested during the second quarter of fiscal 2010. The Company expects to option the Morrisette and Laniel prospects.

The forward looking statements made above with respect to the anticipated development and exploration of the Company's mineral projects are intended to provide an overview of management's expectations with respect to certain future activities of the Company and may not be appropriate for other purposes.

Social and Environmental Policies

Orvana is committed to developing and operating its projects, including reclamation efforts, in full compliance with recognized international and local environmental standards. In furtherance of this commitment, Orvana regularly implements programs to protect and enhance natural habitats and sensitive species, including reclamation efforts, reforestation efforts and the establishment of water sources for wildlife.

In addition, Orvana is committed to the social development and well-being of the communities in which it operates. To this end, Orvana continues to support, financially and otherwise, local community endeavours associated with that objective.

At the Don Mario Mine the Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to and to improve their standard of living. Projects supported by Orvana included supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; community business development initiatives; and maintenance of community roads.

In support of the social and economic well-being of the surrounding communities of the Copperwood project in Michigan, Orvana has awarded scholarships to students to further their education at the university level, and the Company has also provided funding towards the construction of a microwave internet tower to Wakefield Township to provide wireless internet services to four neighbouring communities.

The Company intends to establish the same strong relationships with the local communities and authorities in the vicinity of the El Valle-Boinás/Carlés project in northern Spain as it has in the other communities in which it operates mining projects

OVERALL PERFORMANCE

Key Performance Factors

The key factors affecting Orvana's financial performance include gold prices, tax rates, ore reserves, ore grades and recoveries, energy prices, cost management and efficient mine development and capital spending programs.

Revenues and Net Income

The Company's results for the first quarters ended December 31, 2009 and 2008 are summarized in the table below:

	First quarter ended December 31,	
	2009	2008
Revenues	$11,876	$14,165
Net income	1,200	3,914
Earnings per share – basic and diluted	$0.01	$0.03

Tonnes treated in the first quarter of fiscal 2010 were 156,176 compared to 64,238 in the first fiscal quarter of fiscal 2009. Gold production for the first quarter of fiscal 2010 was 47% lower, at 9,527 ounces, compared to 18,025 ounces for the same period of the prior year due to the lower grades of ore from the Las Tojas deposit and the stockpile.

Revenue for the first quarter of fiscal 2010 decreased by 16% to $11,876 on 10,880 ounces sold compared to $14,165 on 17,678 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue, this was somewhat offset by higher average gold prices realized. The quantity of gold sold in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Direct mine operating costs were $4,558 to produce 9,527 ounces in the first quarter of fiscal 2010 compared to $3,536 to produce 18,025 ounces in the first quarter of fiscal 2009. Total direct mine operating costs increased to $478.46 per ounce for first quarter of fiscal 2010 compared to $196.20 for the first quarter of fiscal 2009, reflecting the unfavourable impact of higher tonnages processed at lower grades.

Direct mine operating costs per treated tonne and per ounce produced are noted in the table below:

	First quarter ended December 31,	
	2009	2008
Direct mine operating costs	$4,558	$3,536
Direct mine operating cost per treated tonne	29.19	55.28
Direct mine operating cost per ounce produced	$478.46	$196.20

A reconciliation of direct mine operating costs to cost of sales is included in the section entitled "Don Mario Mine and Las Tojas – Production Cost Analysis".

The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is expected to be economically feasible and the decision is taken to proceed with further investment. During the first quarter of fiscal 2010 the Company capitalized expenditures of $178 relating to the UMZ project. Total UMZ-related costs capitalized from the start of the full feasibility study in fiscal 2007 to the end of the end of first quarter of fiscal 2010 amount to $2,896. Also during the first quarter the Company capitalized costs with respect to its Copperwood project of $508 for a total amount of $4,369.

Stock based compensation expense was $329 for the three months ended December 31, 2009 compared to $92 for the same period last year. The current quarter included a charge to expense for the change in market price with respect to deferred share units of $109 and restricted share units of $68 in addition to a charge for stock option expense of $152. The first quarter of the prior year included $67 for deferred share units granted in the quarter and stock option expense of $25.

The Company's policy is to invest excess cash in highly liquid, highly-rated financial instruments.

Interest and other income and expense for the three months ended December 31, 2009 was a net expense of $8 compared to net interest income of $624 for the same period a year ago. The current quarter interest and other expense exceeded interest income earned in the quarter due to the significant decline in interest rates on investment grade deposit certificates and the lower cash balances available for investment when compared to the same period a year ago when certain cash deposits were invested at rates as high as 4%.

The effective income tax rate of 58.9% for the three months ended December 31, 2009 was higher than the rate of 44.2% for the same period of the prior year due to unutilized losses from the expenses at the Canadian corporate office.

Net income for the first quarter ended December 31, 2009 was $1,200 ($0.01 per share) compared to $3,914 ($0.03 per share) for the same period of the prior year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the three months ended December 31, 2009 and 2008:

	First quarter ended December 31,	
	2009	2008
Cash provided/(used) by operating activities	($551)	$7,806
Capital expenditures	(5,037)	(1,761)
Long-term debt net of repayments	371	(389)

Cash Provided by Operating Activities

Cash provided by operating activities for the first quarter ended December 31, 2009 decreased by $8,357 to a use of cash of $551 when compared to the first quarter ended December 31, 2008. Cash flow from operations before working capital changes declined by $2,093 resulting primarily from lower revenues. There were significant changes in non-cash working capital mainly due to increases in gold sales receivable of $1,440, value-added taxes and prepaid expenses of $1,059, and a decrease in accrued liabilities and accounts payable of $2,515.

Capital Expenditures

Capital expenditures for the first quarter of fiscal 2010 were $5,037 (2009 - $1,761), made up of: $3,019 for the Don Mario UMZ project development, $1,465 for the development of the El Valle-Boinás/Carlés project in Spain, $508 for the development of the Copperwood project in Michigan; and $45 for computer equipment in the Corporate office in Canada.

Financial Condition – December 31, 2009 compared to September 30, 2009

The following table provides a comparison of key elements of the Company's balance sheet at December 31, 2009 and September 30, 2009:

	December 31, 2009	September 30, 2009
Cash and cash equivalents	$52,751	$58,036
Non-cash working capital (deficit)**	833	(2,833)
Total assets	141,236	140,607
Long-term debt	4,515	4,144
Shareholders' equity	111,719	110,367

**Non-cash working capital (deficit) excludes the current portion of long-term debt

Cash and cash equivalents decreased by $5,285 to $52,751 for the first quarter ended December 31, 2009. The non-cash working capital deficit decreased by $3,666 to a surplus of $833 from a deficit of $2,833 at the end of September 30, 2009, mainly resulting from increases in gold sales receivables of $1,440 and other receivables and prepaids of $1,059 and a decrease in accounts payable of $2,515.

Shareholders' equity increased $1,352 to $111,719 for the first quarter ended December 31, 2009, primarily due to net income earned by the Company.

Outlook

The forward looking statements made in this section are intended to provide an overview of management's expectations with respect to certain future operating activities of the Company and may not be appropriate for other purposes.

The LMZ of the Don Mario Mine was depleted at the end of fiscal 2009 and the Las Tojas deposit is expected to extend gold production into the last quarter of fiscal 2010. While gold production will decline in fiscal 2010, the development of the UMZ project will extend the expected life of the Don Mario Mine operation to approximately 2019.

The Company has implemented a plan to recommence production at the El Valle-Boinás/Carlés mine with work well underway. A number of key milestones were achieved during the quarter, including approval by the regional authorities to restart mining activities; the granting of blasting permits; the improvement of access portals and the purchase of underground equipment. Underground development and the sinking of the shaft are expected to commence during the second quarter of fiscal 2010. Existing ramps and other infrastructure will be utilized for early production while the shaft is sunk at El Valle-Boinás area. At Carlés the current ramp will be extended to access deeper lying mineralizations. The infrastructure currently in place requires some refurbishment but its existence reduces start up costs and accelerates the time to production, with production expected to start in fiscal 2011. Underground drilling was completed with the purpose of upgrading inferred resources to measured and indicated. An updated resource estimate is also planned to be completed during the first half fiscal 2010.

In Copperwood, work continues towards obtaining a NI 43-101 resources estimate which is expected to be completed during the second quarter of fiscal 2010.

Orvana remains focused on building long-term value for its shareholders through organic growth and further strategic acquisitions that fit with the Company's mine development and operating expertise.

Other factors explaining changes in financial position and results of operations in the first quarter of fiscal 2010 compared to the first quarter of fiscal 2009 are described above under the heading, "Overall Performance".

LIQUIDITY AND COMMITMENTS

Total cash and cash equivalents at December 31, 2009 were $52,751. Long-term debt of $4,515 was repayable over the next three years. The Company's primary source of liquidity has been from operating cash flow. Orvana expects to spend approximately $50,000 over the next two years on pre-production capital on the El Valle-Boinás/Carlés project, $20,000 on the development of the UMZ project of the Don Mario Mine and $4,000 largely on engineering studies related to the Copperwood project. These projects will be financed from existing cash reserves, operating cash flows and new financing as required.

Management has begun discussions with and consideration of the following forms of financing:

- Bank financing

  A number of banks are being approached with respect to possible corporate-level financing arrangements.

- Government loans

  Management is approaching the Instituto de Credito Oficial ("ICO"), a financing arm of the Spanish government, for possible loan assistance for the El Valle-Boinás/Carlés project.

- Government subsidies

  Also in Spain, there are two main types of subsidies: (i) regional incentives and (ii) mining, exploration, investigation & development subsidies. These subsidies are provided under programs supported by the European Union and the Spanish government. Subsidies may be available for a wide range of purposes including new equipment/assets, environmental studies, drilling and exploration, engineering studies and other services. Subsidies may be awarded in amounts ranging from 5% to 25% of a project's/item's cost. The Company has already been awarded $756 for several projects underway. This amount is included in cash and cash equivalents and is on deposit in favour of the Spanish government pending audit by the government of compliance with the terms of these subsidies.

- Other forms of financing

  Management is also investigating the possibility of other forms of financing such as off-take related financing and forward sales of by-product.

- In-country non-recourse financing for the Upper Mineralized Zone project in Bolivia

The most significant contractual obligations of the Company are two term credit facilities and the Company's asset retirement obligations, with statutory labour obligations, long-term compensation and purchase obligations related to the acid plant for the UMZ project, representing the balance as detailed in the table below:

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	4,515	2,595	1,920		
Operating leases	78	78			
Purchase obligations	1,500	1,500			
Provision for future labour obligations	1,503			1,503	
Asset retirement obligation*	4,001				4,001
Total Contractual Obligations	11,597	4,173	1,920	1,503	4,001

*The asset retirement obligation is at the undiscounted amount in the table.

EMIPA has two term credit facility agreements with Banco Bisa S.A. The first facility bears interest at 7.75% and is payable in equal quarterly installments over a three-year period maturing in March 2011. The second facility bears interest at 7.8% and is payable in equal quarterly installments over a three year term maturing in September 2012. There are no specific covenants related to these credit facilities. Both loans are secured by certain machinery and equipment. The proceeds were used to finance equipment purchases for the UMZ project.

The Company has recorded asset retirement obligations at a discounted amount of $2,359 relating to the LMZ of the Company's Don Mario Mine and the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

While mining of the LMZ ceased during fiscal 2009, the Company has made the decision to develop the UMZ and mining operations are expected to commence in early fiscal 2011. Management has determined that existing infrastructure including the mills, processing plant, related structures and tailings dam will be required for mining the UMZ, thus delaying by about 10 years the expected timing of performance of asset retirement activities. In addition, exploitation of the UMZ will affect estimates of the asset retirement obligations. The Company will prepare new estimates of the asset retirement obligations relating to the UMZ and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

An asset retirement obligation at a discounted amount of $469 at December 31, 2009 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and remediation measures required were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834,000 was deposited (held in a Spanish financial institution, amounting to $1,289 at December 31, 2009), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the El Valle-Boinás/Carlés sites is $1,201. It is expected that this amount will be incurred in 2022 and beyond. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

The El Valle Mine is not in operation. Since the acquisition of Kinbauri, the Company has prepared a plan to develop the mine and a mine plan. Management expects the production to commence in the first half of fiscal 2011. The Company will prepare new estimates of the asset retirement obligations relating to El Valle-Boinás/Carlés sites and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

The Company is subject to a 3% net smelter return royalty (a "NSR") on its production from the Don Mario property. This royalty is payable quarterly and amounted to $331 for the quarter ended December 31, 2009, compared to $393 for the same period of the prior year.

Prior to its acquisition by Orvana, Kinbauri's Spanish subsidiary granted a 2.5% NSR in return for an advance of Cdn. $7.5 million. The royalty rate increases to 3% for any quarter year in which the average price of gold reaches or exceeds $1,100 per ounce. The Company has fair valued the advance at $10,787, being the present value of forecasted royalty payments at a 15% discount rate. The estimated fair value of the mineral properties acquired reflects the estimated fair value of the NSR.

The leases relating to the Copperwood project are also subject to a NSR on copper production. The royalty will be determined on a quarterly basis and will range from 2% to 4% based on prevailing copper prices adjusted for inflation and will become payable when the project commences production.

During the first quarter of fiscal 2010, the net decrease in cash and cash equivalents, after capital expenditures, foreign exchanges losses and including the proceeds and repayments of long-term debt incurred, was $5,285, resulting in total cash and cash equivalents of $52,751 at December 31, 2009.

CAPITAL RESOURCES

At December 31, 2009, the Company had capital resources of $116,234 represented by long-term debt of $4,515 and shareholders' equity amounting to $111,719.

Shareholders' equity increased by 1% or $1,352 to $111,719 ($0.97 per share) during the three months ended December 31, 2009, compared to $110,367 ($0.96 per share) at September 30, 2009.

RESULTS OF OPERATIONS

The following table and analysis compare operating results for the three months ended December 31, 2009 and 2008:

	First quarter ended December 31	
	2009	2008
Revenues	$11,876	$14,165
Costs and expenses of mining operations	7,212	6,556
Expenses and other income	1,743	596
Net income	1,200	3,914
Earnings per share – basic and diluted	$0.01	$0.03

Revenues

Orvana's sales are determined according to spot gold prices. The Company's practice is to not hedge its gold production. Bullion is shipped to a single customer for refining and sale. The following table summarizes gold revenues and prices realized:

	First quarter ended December 31	
	2009	2008
Revenues	$11,876	$14,165
Ounces sold	10,880	17,678
Average prices per ounce	$1,092	$801

Revenue for the first quarter of fiscal 2010 decreased 16% to $11,876 on 10,880 ounces sold compared to $14,165 on 17,678 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue which was somewhat offset by higher average gold prices. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Further information on production operations and costs is presented below under “Don Mario Mine and Las Tojas – Production Cost Analysis”.

Don Mario Mine and Las Tojas

Ore from the LMZ was exhausted in the last quarter of fiscal 2009. The production in the current period was from the lower grade Las Tojas deposit and the stockpile. The following table shows the tonnages treated and the head grade in g/t gold at the Don Mario underground mine and Las Tojas for the first quarter of fiscal 2010 compared to first quarter of fiscal 2009:

		First quarter ended December 31	
		2009	2008
Underground mine	Tonnes	--	53,126
	g/t	--	10.72
Las Tojas, minipit & stockpile	Tonnes	156,176	11,112
	g/t	2.13	2.15
Total	Tonnes	156,176	64,238
	g/t	2.13	9.24
Recovery rate		89.0%	94.5%
Gold produced – ounces		9,527	18,025

At December 31, 2009, the Don Mario Mine and Santa Cruz administrative office had a total of 221 employees and 184 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the mine’s requirements.

Don Mario Mine and Las Tojas – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 9,527 ounces in the first quarter of fiscal 2010 compared to 18,025 ounces in the first quarter of fiscal 2009.

	First quarter ended December 31			
	2009		2008	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$4,558	$478.46	$3,536	$196.20
Third-party smelting, refining and transportation costs	49	5.17	111	6.15
Cash operating costs	4,607	483.63	3,647	202.35
Royalties and mining rights	381	39.99	431	23.88
Mining royalty tax	829	87.00	988	54.81
Total cash costs	5,817	610.62	5,066	281.04
Depreciation and amortization	1,097	115.13	1,209	67.10
Total production costs	$6,914	$725.75	$6,275	$348.14
Gold production	9,527 ozs.		18,025 ozs.	

Total unit production costs increased by $377.61 per ounce to $725.75 per ounce for the first quarter of fiscal 2010 when compared to a unit cost of $348.14 for the first quarter of fiscal 2009, due to the processing of the higher volumes of lower grade ore from the Las Tojas deposit and the stockpile.

The difference between direct mine operating costs of $4,558 and cost of sales of $4,836 reported in the consolidated financial statements for the first quarter of fiscal 2010 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to the cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	First quarter ended December 31	
	2009	2008
Cost of Sales	$4,836	$3,400
Changes in gold inventories and gold in circuit	(278)	136
Direct mine operating costs (non-GAAP measure)	$4,558	$3,536

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended December 31, 2009:

	Quarters ended			
	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009
Revenues	$11,876	$13,660	$11,869	$16,311
Net income	$1,200	$1,574	$3,218	$4,694
Earnings per share – basic and diluted	$0.01	$0.01	$0.03	$0.04
Total assets	$141,236	$140,607	$127,208	$123,766
Total long-term financial liabilities	$4,515	$4,144	$3,056	$3,459
Gold production - ozs.	9,527	13,768	12,760	18,091
Gold sales – ozs.	10,880	14,383	12,925	18,244
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$610.62	$402.63	$450.81	$271.54
- Average gold price realized	$1,091.59	$949.76	$918.30	$894.07
Operating statistics -				
- Gold ore grade – g/t	2.13	3.51	5.98	10.07
- Gold recovery rate - %	89.0%	89.1%	92.6%	95.2%

	Quarters ended			
	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008
Revenues	$14,165	$15.681	$18,244	$19,062
Net income	$3,914	$4,605	$7,135	$7,102
Earnings per share – basic and diluted	$0.03	$0.04	$0.06	$0.06
Total assets	$124,985	$120,685	$112,538	$100,633
Total long-term financial liabilities	$3,856	$4,245	$4,626	$3,500
Gold production - ozs.	18,025	17,656	20,877	19,988
Gold sales – ozs.	17,678	18,109	20,453	20,644
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$281.04	$304.85	$249.38	$244.80
- Average gold price realized	$801.28	$865.96	$891.97	$923.40
Operating statistics -				
- Gold ore grade – g/t	9.24	9.18	11.12	10.72
- Gold recovery rate - %	94.8%	93.6%	95.6%	94.0%

Comments on the tables of quarterly results

Average gold prices realized during each of the eight quarters ended December 31, 2009 ranged from $801 to $1,092 per ounce. Higher average gold prices in fiscal 2009 and the first quarter of fiscal 2010 did not translate into higher quarterly net income when compared to the quarters of fiscal 2008 mostly due to lower production volumes and higher production costs associated with processing the higher volume lower head grade ore from the Las Tojas deposit.

RISKS AND UNCERTAINTIES

The Company holds the rights to mineral concessions in Bolivia and as such is subject to the laws governing the mining industry in that country. In view of: the new constitution approved in the national referendum held on January 25, 2009; the new mining policy and mining tax changes that have been implemented and that are being proposed; and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions in Bolivia that adversely affect the Company. The new constitution could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government would have under the constitution to control the commercialization of minerals.

There could also be changes to governmental regulation with respect to such matters as repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership. There could also be shifts in the political stability of the country and labour or civil unrest. In May 2006, the Bolivian government moved to increase its share of the country's oil and gas sector by imposing a profit-sharing arrangement in which the government receives a 50% share in operating profits of companies operating in the sector. On May 1, 2008, the Bolivian government announced additional measures to increase its control over the oil and gas and telecommunications sectors. Similar actions on the part of the government with respect to the mining sector, in addition to the recent increase in income and other taxes, could materially adversely affect the Company's Bolivian subsidiary.

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that "nationalization" will not occur. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. If the Don Mario Mine were to be nationalized, the Company would cease to have any producing assets. Other changes in governmental regulation or governmental actions such as those described above could also have a material adverse effect on the results of operations or financial condition of Orvana.

The Bolivian government has indicated that it intends to amend the mining code to require that, in the future, Corporacion Minera de Bolivia ("COMIBOL"), the state-owned mining company, will control Bolivian land subject to the grant of mineral concession rights. Under these amendments, an application will have to be made for new mineral concessions in the future and all concessions granted may result in some form of joint venture with COMIBOL or another government entity in the exploitation of any minerals found.

Additional recent proposed modifications to the mining code have been published by the government. One such proposal would see mineral concessions revert to the state in a time-frame depending on the length of time since any exploration work was undertaken ranging from immediate reversion for concessions not worked for more than five years to reversion after one year for concessions not worked for four years and so on.

Mineral reserve and resource figures provided by the Company are estimates and no assurances can be given that the indicated amount will be produced. Estimated reserves and resources may have to be recalculated based on actual production experience and the prevailing prices of the metals produced.

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations and fluctuations in the sales price of products. The value of the Company's mineral properties is heavily influenced by metal prices, particularly the price of copper and gold. Metal prices can and do change significantly over short periods of time and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably. Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production. The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results or past production. Production volumes and costs can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, shortages or interruptions in supply of natural gas, water or fuel, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that because minerals are recovered in small scale laboratory tests that similar recoveries will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Mineral exploration and mining involve considerable financial, technical, legal and permitting risks. Substantial expenditures are usually required to establish ore reserves and resources, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs conducted by the Company will result in profitable commercial mining operations, as, within the mining industry, few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages, shortages or interruptions in supply of natural gas, water or fuel, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. In addition, social unrest in areas adjacent to the Company's properties could have a material adverse effect on the Company's activities

Beyond 2010 and in the absence of new operations or reserves being added, the Company's revenue stream will depend on production from the UMZ project of the Don Mario Mine, the Copperwood project and the El Valle-Boinás/Carlés project. For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing.

The Company's business, results of operations and financial condition, and the trading price of its common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits; metal prices; labour costs and the supply and price of energy and other consumables; exploration; development and operating risks; natural gas; water and fuel supply; production estimates; mineral reserves and resources; title matters; reclamation costs; competition; additional funding requirements; insurance; currency fluctuations; conflicts of interest and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

A high percentage of the Company's revenues, costs and assets are denominated in United States dollars, and the remainder is primarily denominated in Euros and Bolivian and Canadian currencies. As such, the Company is exposed to foreign currency fluctuations.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are ore reserves, accounts receivable, property, plant and equipment, depreciation and amortization, asset retirement obligations, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

Mineral reserves

The LMZ was depleted during the last quarter of fiscal 2009. Mineralized material from the Las Tojas deposit and the stockpile was processed concurrently with ore from the LMZ deposit during fiscal 2009. Processing of the mineralized material from the Las Tojas deposit and the stockpile are expected to continue through to the final quarter of fiscal 2010. It is expected that mining of the UMZ of the Don Mario Mine will extend the life of mine to approximately 2019.

Net realizable amounts of property, plant and equipment

At December 31, 2009, the net book value of the Don Mario property, plant and equipment amounted to $12,957 (excluding UMZ feasibility study costs capitalized of $2,896 and the Copperwood project costs of $4,369). Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining ore; gold, copper and silver prices; and cash operating costs. Based upon current estimates of reserves, with copper prices in excess of $2.00 per pound and gold prices in excess of $650 per ounce, net realizable amounts are in excess of related net book value of property, plant and equipment. During fiscal 2010 an evaluation will be completed to assess the fair market value of the assets of the El Valle-Boinás/Carlés project acquired with Kinbauri.

Asset retirement obligations

Asset retirement obligations amounting to $2,359 relate to the LMZ of the Company's Don Mario Mine and the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

While mining of the LMZ ceased during fiscal 2009, the Company has made the decision to develop the UMZ and mining operations are expected to commence in early fiscal 2011. Management has determined that existing infrastructure including the mills, processing plant, related structures and tailings dam will be required for mining the UMZ, thus, delaying by about 10 years the expected timing of performance of asset retirement activities. In addition, exploitation of the UMZ will affect estimates of the asset retirement obligations. The Company will prepare new estimates of the asset retirement obligations relating to the UMZ and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

An asset retirement obligation of $469 at December 31, 2009 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and remediation measures required were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834,000 was deposited (restricted cash, held in a Spanish financial institution, amounting to $1,289 at December 31, 2009), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the El Valle-Boinás/Carlés sites is $1,201. It is expected that this amount will be incurred in 2022. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

The El Valle Mine is not in operation. The Company has prepared a plan to develop the mine and a mine plan. Management expects production to commence in the first half of fiscal 2011. The Company will prepare new estimates of the asset retirement obligations relating to El Valle-Boinás/Carlés sites and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

Stock-based compensation

The Company recorded stock-based compensation expense of $329 for the first quarter ended December 31, 2009 compared to $92 for the same period of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the options issued during the period, as well as Deferred Share Units ("DSU") and Restricted Share Units ("RSU") issued. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Effective October 1, 2008 the Company established a DSU plan for its directors, with each DSU having the same value as an Orvana common share. Under the plan the directors receive a portion of their annual compensation in the form of DSUs. The DSUs vest immediately and are redeemable in cash when the individual ceases to be a director. The fair value of amounts granted each period together with changes in fair value are expensed in the period.

Also effective on October 1, 2008 the Company established an RSU plan for designated executives, with each RSU having the same value as an Orvana common share. Under the RSU plan certain senior executives may be awarded a portion of their bonus compensation in RSUs. The first awards of RSUs under the Plan were granted in the first quarter of fiscal 2010 in respect of the year ended September 30, 2009 and a provision in respect of these awards was accrued at September 30, 2009.

Financial and Other Instruments

The Company has not used any hedging or other financial instruments in the current fiscal year to date or in the prior three fiscal years.

Off-Balance-Sheet Arrangements

Orvana has not entered into any off-balance-sheet arrangements.

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at the Report Date, there were 115,233,173 common shares outstanding with a stated value of $74,777. There were also 3,525,000 stock options outstanding at the Report Date with a weighted average exercise price of Canadian $0.89. Stock options outstanding have expiry dates ranging from 2010 to 2014.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

The management of Orvana, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of December 31, 2009. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

Orvana acquired Kinbauri in September of 2009, and management has excluded the results of this acquisition from its assessment of the effectiveness of the Company’s disclosure controls and procedures and internal controls over financial reporting as of December 31, 2009. Kinbauri’s net assets acquired at September 30, 2009 were $45,068.

There were no significant changes in the Company's internal controls or in other factors, with the exception of the acquisition indicated above, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

International Financial Reporting Standards(“IFRS”)

The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will also be required to provide IFRS comparative information for the previous year. The transition from Canadian GAAP to IFRS will be applicable for the Company for its first quarter ended December 31, 2011 of fiscal 2012 when the Company will prepare both current and comparative financial information using IFRS.

The conversion to IFRS from Canadian GAAP is a significant undertaking. The implementation project consists of three primary phases.

- Initial diagnostic phase: This phase involves performing a high-level impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase was ranked as having a high, moderate or low impact on financial reporting.
- Impact analysis, evaluation and solution development phase: This phase involves the selection of IFRS accounting policies by senior management and the review by the audit committee; the quantification of the impact of the changes to existing polices on the

opening balance sheet; and the development of the draft IFRS financial statements. This phase would also include the development of IFRS training programs and the identification of the changes to internal controls over financial reporting and business process and procedures

- Implementation and review phase: This phase involves the delivery of training programs to key personnel and the board members and the implementation of the required changes to information systems and business policies and procedures identified in the previous phase of the project.

The Company completed the high level diagnostic phase during fiscal 2009 and will be focusing on the impact analysis, evaluation and solution development phase during fiscal 2010, including the analysis of the elections available upon first-time adoption of IFRS that could have a significant impact on the Company's financial statements.

Other Information

Other operating and financial information, including the Company's Annual Information Form, is available in public disclosure documents filed on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.