ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – For the first quarter ended December 31, 2010

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 11, 2011 (the "Report Date") and describes the operating and financial results of the Company for the first quarter ended December 31, 2010. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the period ended December 31, 2010 and the audited consolidated financial statements and related notes for the fiscal year ended September 30, 2010. The Company prepares its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("GAAP"). 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") at the Don Mario Mine in Bolivia, the El Valle-Boinás/Carlés ("EVBC") 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, and the EVBC 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, the Copperwood or EVBC projects; 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 gold producer with a strong balance sheet and is transforming itself into a multi-mine gold and copper producer. Orvana's primary asset is the EVBC gold-copper-silver project in northern Spain, which is expected to be in production in the spring of 2011. Orvana owns and operates the Don Mario gold mine in Bolivia where the Company is developing the fully-permitted copper-gold-silver UMZ, which is expected to commence initial production in the coming weeks. In addition, Orvana is advancing its Copperwood copper project in Michigan, USA. Additional information is available at Orvana's website (www.orvana.com).

The forward-looking statements made below 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.

Business Strategy

Orvana's goal is to grow and diversify its portfolio of precious and selected base metal assets. With a growing pipeline of promising mineral assets and an experienced management team, Orvana will become a 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 EVBC 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

Through its wholly-owned subsidiary, Kinbauri España S.L. (“Kinbauri”), the Company owns and is developing the El Valle-Boinás/Carlés (“EVBC”) project, which is located in northern Spain’s Rio Narcea Gold Belt and consists of 14 exploitation concessions comprising 4,298 hectares and two investigation permits comprising 754 hectares. Production is expected to commence in the spring of 2011.

During the first quarter of 2011, Orvana continued implementing its plan for recommencing production at the EVBC project, with refurbishing of existing mill facilities proceeding according to the planned start-up schedule. Additional crews were hired to advance the development at both the Boinás and Carlés mines. Development is focused on ramp preparation, stope accesses and additional mine infrastructure. The detailed design of the new shaft has continued and the earth movement at the location of the new head frame has been initiated. The hoist machinery has arrived in Spain and is under refurbishment. Core drilling in the Carlés mine is continuing and during the recently completed quarter core drilling was also started in the Boinás mine with two drill rigs. As at December 31, 2010 the number of Orvana employees working at the site were 192. Revisions to planned shaft development will result in slower production ramp up at the EVBC project.

The Spanish Central Institute of Explosives has certified Kinbauri as a “high user” of explosives, allowing construction of explosives magazines. During the first quarter of fiscal 2011, the Company commenced using a new larger explosives magazine in the Boinás mine. During fiscal 2010, most key permits were obtained, and efforts focused on re-activating the environmental permit required for operating the tailing facility. On October 18, 2010, Spanish authorities confirmed the transfer to Kinbauri of the “Authorización Ambiental Integrada” (Integrated Environmental Authorization) to operate its tailing facility.

On March 5, 2010, the Company announced the completion of an updated resource estimate that showed an increase in resources at the EVBC project. Ore Reserves Engineering of Denver, Colorado, under the supervision of Alan Noble, P.E., an independent qualified person for the purposes of the National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), prepared the resource estimate, which was included in the NI 43-101-compliant Technical Report on the Boinás and Carlés Gold Mines.

On July 14, 2010, the Company announced the completion of the “Technical Report on the Boinás and Carlés Gold Mines” which included an NI 43-101-compliant reserve statement and cash-flow model for the EVBC project. The seven-year mine production schedule generates approximately 100,000 ounces of gold per year and yields an IRR of 48%, a net present value of $91.1 million at a 5% discount rate, and a payback of 2.2 years, with an average pre-tax cash cost per ounce of $461, net of by-products, using metal prices of $800 per ounce of gold, $12.50 per ounce of silver, and $2.00 per pound of copper. The “Technical Report on the Boinás and Carlés Gold Mines” with an effective date of April 30, 2010, was prepared by mining engineers Adam Wheeler, Robert Dowdell, and Alan Noble, all independent qualified persons for purposes of NI 43-101. The reserves and resources estimates are as follows:

Boinás and Carlés Mines – Mineral Reserves and Resources

	Million tonnes	Au g/t	Au Ounces	Cu %	Cu Tonnes
Proven Reserves (1)	1.3	4.1	172,000	0.90	11,800
Probable Reserves	3.4	5.7	612,000	0.68	22,700
Total Reserves	4.7	5.2	784,000	0.74	34,500
Measured Resources (2) (3)	2.1	4.1	271,000	0.80	16,500
Indicated Resources	5.3	5.5	930,000	0.60	32,000
Total Measured & Indicated	7.3	5.1	1,201,000	0.65	48,500
Inferred Resources	9.5	4.9	1,478,000	0.40	36,500

(1) NI 43-101-compliant Technical Report on the Boinás and Carlés Gold Mine (A. Wheeler, B. Dowdell, A. Noble) dated April 30, 1010

(2) NI 43-101- compliant Technical Report on EVBC (A. Noble, P.E.) dated April 19, 2010.

(3) Resources include reserves. Mineral resources that are not mineral reserves do not have a demonstrated economic viability.

These technical reports are available on SEDAR (www.sedar.com) and the Company's website at www.orvana.com.

The Don Mario Mine – Upper 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 underground Lower Mineralized Zone ("LMZ") gold zone at Don Mario. Gold production has been extended into fiscal 2010 and 2011 through the mining of the nearby Las Tojas deposit. The Las Tojas mineralization is of a lower grade, but is an open pit rather than an underground mine and has mineralogical characteristics that are similar to those of the LMZ ore. Mine production from the Las Tojas deposit is now expected to continue into the second quarter of fiscal 2011.

After extensive metallurgical test work and economical considerations, the Company decided to implement a project to develop the UMZ, an open pit copper-gold-silver deposit above the LMZ. The oxides and transition areas will be treated with the process of Leaching-Precipitation-Flotation ("LPF"), and the sulfides with straight flotation. The existing mine equipment currently being used in the exploitation of the Las Tojas deposit will be used to mine 1,700 tonnes per day at the UMZ. Crushing and grinding will be undertaken with existing equipment. A flotation mill was constructed and the installation of the acid plant has now been completed. The LPF mill will be operational during the second quarter of fiscal 2011.

The Company completed a NI 43-101-compliant technical report that describes the updated processing circuit and related mine plan. It was released in August 2010, and was prepared by Gino Zandonai and Roshan Bhappu, P.E., both independent qualified persons for the purposes of NI 43-101, and W. C. Williams, Ph.D., who is a qualified person for the purposes of NI 43-101, but who is not independent of the Company. The reserves and resources estimates are as follows:

Don Mario Mine UMZ – Mineral Reserves and Resources

	Million tonnes	Cu %	Au g/t	Ag g/t
Proven Reserves (1)	2.5	1.48	1.5	49
Probable Reserves	3.2	1.47	1.4	43
Total Reserves	5.7	1.47	1.4	45
Measured Resources (1) (2)	2.7	1.37	1.3	45
Indicated Resources	3.7	1.32	1.3	39
Total Measured & Indicated	6.4	1.34	1.3	41
Inferred Resources	0.3	1.49	1.2	38

(1) NI 43-101 Technical Report (G. Zandonai, R. Bhappu, B. Williams) dated August 20, 2010

(2) Resources include reserves. Mineral resources that are not mineral reserves do not have a demonstrated economic viability.

This technical report is available on SEDAR (www.sedar.com) and the Company's website at www.orvana.com.

The UMZ life-of-mine ("LOM") metal production was estimated to be 152 million pounds of copper, 151,000 ounces of gold and 4.9 million ounces of silver. LOM average annual production is estimated at 14.5 million pounds of copper, 14,400 ounces of gold, and 460,000 ounces of silver. Production is expected to start during the second quarter of fiscal 2011. The production from the UMZ is expected to extend the life of the Don Mario Mine to 2019.

EMIPA has received all environmental and other permits for the operation of the UMZ project.

The Company controls mineral rights on 70,100 contiguous hectares around the Don Mario Mine. During fiscal 2009, the Company acquired induced polarization data along the length of the Eastern Schist Belt, along which the Las Tojas mineralization is located. Drilling is planned during fiscal 2011 to test anomalies that may be indicative of gold mineralization in the shear zones.

In November of 2010, the Authority for the Supervision and Social Control of Companies ("AEMP"), an agency of the Bolivian government, conducted an audit of the legal, financial and accounting information of EMIPA in order to verify its compliance with Bolivian commercial and administrative regulations during the fiscal years 2005 through 2009. AEMP imposed a fine on EMIPA of approximately US$57 for failure to observe certain legal formalities, such as delaying the date of EMIPA's annual ordinary shareholders meeting, and certain accounting matters. EMIPA has paid the fine.

The Copperwood Project

Through its wholly-owned subsidiary, Orvana Resources US Corp., the Company entered into long-term 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. The Company completed option agreements on three other mineralized areas and recently entered in to a long-term mineral lease on 226 hectares adjacent to Copperwood and purchased the surface rights on this property, as well as approximately 480 contiguous hectares.

On March 22, 2010, the Company announced an NI 43-101-compliant mineral resource estimate from the Copperwood stratiform copper deposit located on the leased areas. Measured resources are 14.2 million tonnes of 1.93% copper and indicated resources are 5.3 million tonnes of 1.69% copper for 798 million pounds of copper. Inferred resources are 3.3 million tonnes of 1.49% copper for 107 million pounds of copper. The resource estimate is contained in the "Copperwood Project, Michigan USA NI 43-101 Technical Report", with an effective date of April 30, 2010, and prepared by AMEC E & C Services, Inc., of Phoenix, Arizona, under the supervision of Greg Kulla and Dr. Harry Parker, who are independent qualified persons for the purposes of NI 43-101.

Further to this report, the Company announced on December 14, 2010, resource estimates from deposits proximal to Copperwood. These deposits are referred to as Copperwood S6, which is east of and adjacent to Copperwood and Copperwood Satellites. These estimates were prepared by AMEC E & C Services of Phoenix, AZ., under the supervision of Greg Kulla, P. Geo. and David Thomas, P. Geo. each of whom is a qualified person, independent of the Company within the meaning of NI 43-101. These resource estimates are contained in the "Copperwood S6 and Satellite Project NI 43-101 Technical Report" with an effective date of January 24, 2011. The resource estimates are summarized below:

Copperwood Project – Mineral Resource Estimates

	Million tonnes	Cu %	Cu Million lbs
Measured Resources(Copperwood) (1) (3)	14.2	1.93	600
Indicated Resources (Copperwood) (1) (3)	5.3	1.69	198
Indicated Resources (Copperwood S6) (2) (3)	8.4	1.42	264
Indicated Resources (Copperwood Satellites) (2) (3)	25.0	1.40	771
Total Measured & Indicated	52.9	1.59	1,833
Inferred Resources (Copperwood) (1) (3)	3.3	1.49	107
Inferred Resources (Copperwood S6) (2) (3)	0.5	1.29	13
Inferred Resources (Copperwood Satellites) (2) (3)	36.1	1.30	1,033
Inferred Resources	39.9	1.32	1,153

(1) NI 43-101-compliant Technical Report AMEC E&C Services Inc., Phoenix, AZ (G. Kulla and H. Parker) dated April 30, 2010.

(2) NI 43-101-compliant Technical Report AMEC E&C Services Inc., Phoenix, AZ., (G. Kulla and D Thomas) dated January 24, 2011.

(3) Mineral resources that are not mineral reserves do not have a demonstrated economic viability.

These technical reports are available on SEDAR (www.sedar.com) and the Company's website at www.orvana.com.

The data from these reports was be used to evaluate trade-off studies and refine the conceptual mine plan, which was incorporated into a preliminary economic assessment ("PEA") that was released in September 2010. The PEA was prepared by KD Engineering, of Tucson, Arizona, under the supervision of Joseph Keane, P.E., with Lynn Partington, P.E. and Luquman Shaheen, P.E., who are all independent qualified persons for the purposes of NI 43-101. The economic viability of the Copperwood mineral resource can only be demonstrated by pre-feasibility and feasibility studies, and there is no assurance that the stated resource can be upgraded in confidence and converted to reserves.

Other Exploration Properties

The Company acquired two exploration prospects: (1) Morrisette, Ontario (gold); and (2) Laniel, Quebec (diamonds). No assessment work was done on the Morrisette property during calendar 2010 and the claims will be dropped. The Company plans to option the Laniel prospect.

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. EMIPA has renewed its support of $660 to the local communities for the next five years. Projects supported by Orvana include supervision of and financial support for community 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 annually awards four scholarships to high school students to further their education at the university level. In addition, Orvana has made contributions to the local fire departments for the purchase of equipment. Recently, the Company sponsored the SISU Cross Country Ski Marathon in Ironwood.

The Company is establishing the same strong relationships with the local communities and authorities in the vicinity of the EVBC project in northern Spain as it has in the other communities in which it operates mining projects

Health and Safety

The Company maintains health and workplace safety programs at each of the mine sites. In order to ensure that safety goals and optimal safety standards are achieved, comprehensive training programs for mine and mill operations take place on an ongoing basis.

Regular mine inspections are performed by representatives from the mine operations, planning and safety departments. These inspections review current conditions and implement corrective action on potential safety issues that arise as mine development progresses. Worker training on mining, mechanical and electrical equipment are also part of the programs. The Company has also hired service providers to support the Company's safety department in risk assessment, training, and work environment monitoring. The Company maintains health and safety metrics to track performance over time including Lost Time Injury Frequency Rates and Lost Time Injury Severity Rates. During the 2010 fiscal year, significant improvements were experienced in both frequency and severity indices at the Don Mario Mine.

Additionally, the board of directors established a Safety, Health and Environment Committee. The purpose of the Safety, Health and Environment Committee is to: review safety, health and environmental policies and programs; to oversee Orvana's safety, health and environmental performance; to monitor current and future regulatory issues and, where appropriate, to make recommendations to the Board on significant safety, health and environmental matters.

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, efficient mine development and capital spending programs.

Revenues and Net Income

The Company's results for the first quarter ended December 31, 2010 and 2009 are summarized in the table below:

	First quarter ended December 31,	
	2010	2009
Revenues	$6,427	$11,876
Net (loss) income before derivatives mark-to-market adjustment, net-of-tax(1)	(2,400)	1,200
Derivatives mark-to-market adjustment, net-of-tax(1)	(18,624)	-
Net (loss) income	(21,024)	1,200
(Loss) earnings per share – basic and diluted	($0.18)	$0.01
(Loss) earnings per share before derivatives mark-to-market adjustments, net-of-tax – basic and diluted(1)	($0.02)	$0.01

(1) These amounts are non-GAAP measures and are derived from the following amounts in the income statement: Derivatives loss of $26,606 less future income tax recovery of $7,982.

Revenues for the first quarter were in line with management's expectations, as Orvana works towards the starting up the Don Mario UMZ and EVBC mines. The net loss before the unrealized after-tax loss from the mark-to-market revaluation of the Company's forward contracts (derivatives) was also in line with management's expectations.

Tonnes treated in the first quarter of fiscal 2011 were 148,094 compared to 156,176 in the first quarter of fiscal 2010. As anticipated, gold production was lower at 4,920 ounces for the first quarter of fiscal 2011, representing a 48% decline compared to 9,527 ounces for the prior year, due to processing lower grade ore from the Las Tojas deposit.

Revenue for the first quarter of fiscal 2011 decreased by 46% to $6,427 on 4,734 ounces sold compared to $11,876 on 10,880 ounces sold during the same period of the prior year. Lower ounces produced and sold accounted for most of the decline in revenue, 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 $4,274 to produce 4,920 ounces for the first quarter of fiscal 2011 compared to $4,558 to produce 9,527 ounces for the first quarter of fiscal 2010. Total direct mine operating costs increased to $869 per ounce for the first quarter of fiscal 2011 compared to $478 per ounce for the first quarter of fiscal 2010, reflecting the unfavourable impact of processing the lower grade Las Tojas deposit.

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

	First quarter ended December 31,	
	2010	2009
Direct mine operating costs	$4,274	$4,558
Direct mine operating cost per treated tonne	$28.86	$29.19
Direct mine operating cost per ounce produced	$868.75	$478.46

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".

General and administrative expenses for the three months ended December 31, 2010 were $1,042 compared to $1,121 for the same period a year ago.

The costs of acquiring mineral properties are capitalized. Property option costs and exploration and development expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. The Company periodically assesses its capitalized exploration and development expenditures for impairment and where there are circumstances indicating that such impairment exists, the carrying value of the impaired asset is written down to fair value. During the first quarter of fiscal 2011 there were no exploration expenditures compared to $100 for the same period of the prior year. The decrease in costs this year was due to the Company's current focus on mine development.

Stock based compensation expense was $628 for the quarter ended December 31, 2010 compared to $152 for the same period of the prior year, with the increases due to the amortization of additional stock options granted to employees and management during the first quarter of fiscal 2011.

Long term compensation expense was $1,107 for the first three months of fiscal 2011 compared to $177 for the prior year. The increase in long-term compensation resulted primarily from the mark-to-market adjustment related to appreciation in the value of restricted share and deferred share units previously issued, with the significant increase in the Company's share price to C$3.90 per share at December 31, 2010 from a share price of C$2.70 per share at September 30, 2010.

Other expense for the first quarter of fiscal 2011 was a net expense of $48 compared to $8 for the prior year quarter.

The unrealized after-tax loss of $18.6 million on the Company's forward contracts (derivatives instruments) significantly impacted the Company's net loss the first quarter of fiscal 2011. This loss resulted from the mark-to-market revaluation on these contracts. The Company did not have forward contracts in the first quarter of the prior year.

The net loss for the first quarter ended December 31, 2010 was $21,024 (a loss of $0.18 per share) compared to net income of $1,200 ($0.01 earnings per share) for the first quarter of the prior year, and was primarily due to the derivative loss on the mark-to-market revaluation of gold, copper and foreign exchange forward contracts, and lower revenues and higher costs from processing the lower grade ore from the Las Tojas deposit. Excluding the unrealized after-tax loss of $18,624 on forward contracts, the reported net loss would have been $2,400. Refer to the non-GAAP measures noted on page 10.

Financial Instruments

Pursuant to the terms of the Credit Suisse US$ 50 million credit facility, during the first quarter, the Company entered into forward contracts as follows: commitments to sell at various future dates 37,500 ounces of gold at $1,333.70/oz. and 13,671 tonnes of copper at $3.29/lb. and a US $80 million commitment to purchase Euros at various future dates. These contracts are summarized in the table below. Changes in the fair value of derivatives are recognized in the income statement.

The following table summarizes the gold, copper and foreign exchange forward contracts in place:

	As at December 31, 2010	As at September 30, 2010
Gold forwards:		
Ounces	37,500	-
Average price per ounces	$ 1,333.70	-
Copper forwards:		
Tonnes	13,671	-
Average price per tonne	$ 7,260	-
Average price per pound	$3.29	-
Euro/US dollar forwards:		
Amount in US dollars	$80,000,000	-
Average Euro/US dollar exchange rate	$1.38	-

The mark-to-market fair value of all forward contracts is based on independently provided market rates and determined using standard valuation techniques. These market rates include the impact of counterparty credit risk.

A gross mark-to-market adjustment of $26.6 million on the forward contracts has been recorded in the income statement in the first quarter of fiscal 2011. The spot prices and foreign exchange rates at December 31, 2010 used for mark-to-market valuations were:

- Gold spot price was $1,410 per ounce;
- Copper spot price was $9,650 per tonne ($4.38 per pound);
- Euro / US dollar spot exchange rate used was 1.34.

Forward contracts included in the balance sheet comprise:

	As at December 31, 2010	As at September 30, 2010
Fair value of derivatives – start of period	**$ -**	**$ -**
Contracts matured during the period resulting in cash receipts (payments)	-	-
Mark-to-market fair value (loss) gain during the period	(26,606)	-
Fair value of derivatives – end of period	**(26,606)**	**-**
Less: current portion	3,306	-
Total non-current derivative instruments	**$(23,300)**	**$ -**

Changes in the fair value of the outstanding forward contracts during the most recently completed fiscal quarter are recognized in the income statement as non-cash derivative gains or losses. At maturity of each contract, a cash settlement takes place and there is a corresponding reduction in the carry value of the forwards book. If a forward contract is in the money at maturity, the Company will receive a cash payment.

At December 31, 2010, the average copper contract price of the copper forward book was $7,260 per tonne, compared to an average forward market rate of $8,592 per tonne resulting in the copper forward book being out of the money with a mark-to-market liability or potential opportunity cost of $18.2 million. The average gold contract price of the gold forward book was $1,334 per ounce, compared to an average forward market rate of $1,483 per ounce, resulting in the gold forward book being out of the money with a mark-to-market liability of $5.6 million. The average foreign exchange rate contract price of the forward book was $1.38 Euro to US dollar compared to an average forward market rate of $1.34 Euro to US dollar resulting in the foreign exchange forward book being out-of-the-money with a mark-to-market liability of $2.8 million.

Sensitivities

Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. More specifically, the Company is exposed to commodity price risk arising from revenue derived from actual gold and copper sales.

Commodity risk is managed through the use of derivative instruments such as forward contracts to economically hedge a proportion of its forecast production. The Company has hedged a portion of the expected gold and copper production with forward contracts as required under the terms of the Credit Suisse credit facility.

At December 31, 2010, the Company had outstanding copper forward contracts totaling 13,671 tonnes for the period 2011 through 2015. The copper forward tonnes equate to approximately 85% of EVBC's expected copper production (25% or Orvana's overall expected copper production) from 2011 to 2015. The Company also had outstanding gold forward contracts totaling 37,500 ounces for the period 2012 through 2015. The gold forward ounces equate to 9% of EVBC's expected gold production from 2012 to 2015.

Gold / Copper Forwards - Sensitivity

At December 31, 2010, if the spot price of copper had been 10% higher or lower while all other variables remained constant, the after-tax loss for the year to date would have increased or decreased by $8.2 million as a result of changes in the fair value of the copper forward contracts.

At December 31, 2010, if the spot price of gold had been 10% higher or lower while all other variables remained constant, the after-tax loss for the year to date would have increased or decreased by $3.9 million as a result of changes in the fair value of the derivative instruments.

Euro / US Dollar Forwards - Sensitivity

Based on the financial instruments held at December 31, 2010, if the US dollar strengthened or weakened by 10% against the Euro, with all other variables remaining constant, the Company's after-tax loss for the year to date would have been $5.4 million higher or lower as a result of changes in the fair value of the Euro/ US dollar forward contracts.

Cash Flows

The following table summarizes the principal sources and uses of cash for the first quarters ended December 31, 2010 and 2011:

	First quarter ended December 31,	
	2010	2009
Cash (used) provided by operating activities	($6,867)	($551)
Capital expenditures*	(8,983)	(5,037)
Long-term debt net of repayments	45,801	371

*Including net assets under capital leases

Cash Provided by Operating Activities

Cash used in operating activities was $6,867 for the first quarter ended December 31, 2010 compared to cash used by operating activities of $551 in the first quarter ended December 31, 2009. The first quarter decline in operating cash flow resulted primarily from lower revenues and increased expenses from mining the lower grade ores from the Las Tojas deposit.

Capital Expenditures

Capital expenditures for the first quarter of fiscal 2011 were $8,983 (first quarter of fiscal 2010 - $ 5,037), consisting of: $3,769 for the Don Mario UMZ development, $3,770 for the development of the EVBC project in Spain, $1,258 for the development of the Copperwood project in Michigan; and $186 for other capital expenditures.

Financial Condition – December 31, 2010 compared to September 30, 2010

The following table provides a comparison of key elements of the Company's balance sheet at December 31, 2010 and September 30, 2010:

	December 31, 2010	September 30, 2010
Cash and cash equivalents	$42,688	$12,700
Non-cash working capital (deficit)**	529	1,951
Total assets	207,178	156,472
Long-term debt and obligations under capital leases	50,820	5,104
Shareholders' equity	89,069	109,402

(**) Non-cash working capital (deficit) excludes the current portions of long-term debt, obligations under capital leases and derivative instruments

Cash and cash equivalents increased by $29,988 to $42,688 for the first quarter ended December 31, 2010. Non-cash working capital was $529 at December 31, 2010 compared to working capital of $1,951 at the end of September 30, 2010, mainly resulting from decreases in value-added taxes and other receivables of $2,957, supplies inventory of $902, and by decreases in accounts payable and accrued liabilities of $2,637.

Long-term Debt

On October 8, 2010, Kinbauri, entered into a $50 million five-year term corporate credit agreement with Credit Suisse AG ("Credit Suisse"). The funds will be used by Kinbauri to complete construction of the EVBC project. Additionally, the credit agreement provides that up to $15 million may be used by Orvana for general corporate purposes.

Interest on the outstanding principal is calculated at a rate per annum equal to LIBOR plus 3.85%. As permitted under the terms of the credit agreement, the Company has opted to capitalize interest amounts otherwise owing until April 8, 2011 such that the credit limit is increased by the amount of such capitalized interest.

Quarterly principal repayments are required commencing June 30, 2012. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the full principal amount of the credit outstanding, are: 2012 – 16.7%; 2013 – 34.6%; 2014 – 23.7%; and 2015 – 25.0%.

The security for the credit facility includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. In addition, payment and performance of Kinbauri's obligations under the credit facility are guaranteed by Orvana.

The credit agreement requires that Kinbauri enter into forward contracts on the sale of gold production in the period January 2012 to December 2015; the sale of copper production in the period July 2011 to December 2015; and the purchase of Euros in the period March 2012 to December 2015.

The credit agreement contains covenants that restrict, among other things, the Company's ability to incur additional indebtedness, to make distributions in certain circumstances, to sell material assets, or to carry on business other than one related to the mining business. Kinbauri and Orvana are also required to maintain certain financial ratios as well as, on a consolidated basis at the Orvana level, a minimum tangible net worth. Amounts included in calculations required to determine adherence to financial covenants exclude unrealized gains and losses resulting from mark-to-market adjustments of the metals and foreign exchange forward contracts required under the terms of the credit agreement.

Shareholders' Equity

Shareholders' equity decreased $20,333 to $89,069 at December 31, 2010, due to the net loss of $21,024, partially offset by increases in share capital and contributed surplus of $691.

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.

As stated in the Business Strategy section, Orvana's focus is to use its cash resources and mining capability to build long-term value for its shareholders through organic growth and future strategic acquisitions, primarily focused on advanced-stage gold and/or copper properties.

In the short term, Orvana is focused on commencing production at the EVBC gold-copper-silver project in northern Spain, its Don Mario copper-gold-silver operation in eastern Bolivia, and advancing its Copperwood copper project in Michigan.

In Spain, the Company is continuing its production start-up plan for the EVBC project, with work well underway and start-up planned for the spring of 2011. Revisions to the shaft development will result in slower production ramp up at the EVBC project than initially anticipated. Orvana has also initiated a 20,000-metre drill program.

In Bolivia, at the Don Mario Mine, construction of the LPF plant is completed and preparations are underway to mine the UMZ. The Las Tojas deposit will extend gold production into the second quarter of fiscal 2011, with production from the UMZ expected to commence during the coming weeks. The UMZ will extend the expected life of the Don Mario Mine operation to approximately 2019.

In Michigan, at Copperwood, a NI 43-101-compliant resource estimate and a preliminary economic assessment of a nine year mine life were completed in the fourth quarter of fiscal 2010 under the supervision of Joseph Keane, P.E. of KD Engineering in Tucson, Arizona. Completion of a pre-feasibility study and submission of a mine plan permit to the state of Michigan is expected to take place in the spring of 2011. In November 2010 a 2,500-metre drill program was commenced at the Copperwood project

With the start up of operations at the EVBC project and the UMZ expected to occur in fiscal 2011, Orvana expects annualized gold production to increase from about 28,000 ounces in fiscal 2010 to approximately 120,000 ounces once full production is attained at both the EVBC project and the UMZ. Additionally, annualized copper production is expected to increase substantially to over 12,000 tonnes and annualized silver production is expected to increase to over 750,000 ounces.

Kinbauri entered into a $50 million five-year term corporate credit agreement with Credit Suisse AG in October 2010. After fully funding its capital requirements at the EVBC project and the UMZ, Orvana expects to have residual cash reserves as well as accumulating further reserves net of principal repayments from its operating free cash flows. Orvana will continue to seek gold and/or copper advanced stage properties in politically stable regions, utilizing its mining expertise to increase long-term value for shareholders.

Other factors explaining changes in financial position and results of operations in the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010 are described above under the heading, “Overall Performance”.

LIQUIDITY AND COMMITMENTS

During the first quarter of fiscal 2011, the net increase in cash and cash equivalents, after capital expenditures, foreign exchange gains and losses and including the proceeds and repayments of long-term debt incurred, was $29,988, resulting in total cash and cash equivalents of $42,688 at December 31, 2010.

In the past, the Company’s primary source of liquidity has been from operating cash flow. Over fiscal years 2011 and 2010, Orvana has spent and expects to spend approximately $70 million on pre-production capital on the EVBC project, $20 million on the development of the UMZ of the Don Mario Mine and $7.3 million largely on engineering studies related to the Copperwood project. Spending on these projects for the first quarter of fiscal 2011 was approximately $3,769 on the UMZ, $3,770 on the EVBC project and $1,258 on the Copperwood project. It is expected that these projects will be financed from existing cash reserves and financing available under the credit facility.

As described above under the Long-term Debt and Outlook sections, in October 2010, the Company entered into a $50 million five-year term corporate credit facility with Credit Suisse AG. Funds will be used to complete construction of the EVBC project, in Spain and for general corporate purposes. Cost of the facility, including fees, is expected to average approximately 5% to 6 % per annum, based on current interest rates. The facility includes a hedging program on the project, and is 9% of EVBC's expected gold production for 2012 to 2015 and about 85% of EVBC's expected copper production (25% of Orvana's overall expected copper production) from 2011 to 2015.

As disclosed under the heading "Long-term Debt", the credit agreement contains covenants that restrict, among other things, the Company's ability to incur additional indebtedness, to make distributions in certain circumstances, to sell material assets, or to carry on business other than one related to the mining business. Kinbauri and Orvana are also required to maintain certain financial ratios as well as, on a consolidated basis at the Orvana level, a minimum tangible net worth. Amounts included in calculations required to determine adherence to financial covenants exclude unrealized gains and losses resulting from mark-to-market adjustments of the on metals and foreign exchange forward contracts required under the terms of the credit agreement.

As a condition of this credit facility, during November 2010, Kinbauri entered into the following forward contracts with Credit Suisse: to sell 37,500 gold ounces at a forward rate of $1,334 per oz., with equal maturities covering the period January 2012 to December 2015; to sell 13,671 metric tonnes of copper at a forward rate of $7,260 per metric tonne ($3.29 per lb.) with maturities covering the period July 2011 to December 2015; and foreign exchange contracts converting $80,000 to Euro at an average forward rate of $1.38, with maturities covering the period March 2012 to December 2015.

At December 31, 2010, the Company's other contractual obligations were: bank debt; two EMIPA term credit facilities; obligations under capital leases; operating leases; asset retirement obligations; purchase obligations related to construction at the UMZ and EVBC projects; and provision for statutory labour obligations. Contractual obligations are summarized in the following table below:

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank Debt	3,621	3,621			
Long-term debt	52,173	1,295	30,570	20,308	
Obligations under capital leases	2,185	922	1,263		
Operating leases	1,020	130	445	445	
Asset retirement obligations*	15,189				15,189
Purchase obligations	10,461	6,204	2,387	1,342	528
Provision for statutory labour obligations	1,577				1,577
Long term compensation	2,717		1,868		849
Total Contractual Obligations	88,943	12,172	36,533	22,095	18,143

*Asset retirement obligations are at undiscounted amounts in the table.

During the 2010 fiscal year, EMIPA entered into short-term, 150-day credit facilities in Bolivianos with Banco de Credito de Bolivia and Banco Bisa at annual interest rates ranging from 4% to 6%. At December 31, 2010 there was approximately $3,621 drawn against these credit facilities. These credit facilities are secured by certain machinery and equipment of EMIPA. The proceeds were used to finance EMIPA's working capital needs.

EMIPA also 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 of EMIPA. The proceeds were used to finance equipment purchases for the UMZ.

During the 2010 fiscal year, Kinbauri entered into capital leases for the purchase of underground mining equipment in Spain. Under each capital lease agreement, 30% to 40% of the purchase price of the equipment is paid in cash at the time of delivery with the balance financed over a three-year lease term. Capital lease payments are payable quarterly with interest at 5.5% per annum. Obligations under capital leases amounted to $2,185 at December 31, 2010.

At December 31, 2010, asset retirement obligations on a discounted basis amounted to $7,686 for the Company's Don Mario Mine in eastern Bolivia and the EVBC mine in northern Spain. These asset retirement obligations relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Associated long-lived assets include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination.

Management estimates that the total undiscounted amount of the cash flows required to settle the Company's asset retirement obligations with respect to the operation of the Don Mario Mine is $7,723. The credit-adjusted interest rate used to discount estimated cash flows for these liabilities is 8%. Accretion expense is recorded using the resulting weighted average credit-adjusted interest rate. The discounted amount of this obligation as at December 31, 2010 is estimated at $3,362 and the related costs are expected to be incurred in 2021 through 2024.

Management estimates the total undiscounted amount of the cash flows required to settle the Company's asset retirement obligations with respect to the future operation of the EVBC project in Spain is $7,466. The credit-adjusted interest rate used to discount estimated cash flows is 8%. Accretion expense is recorded using the credit-adjusted interest rate. The discounted amount of the estimated cash flows as at December 31, 2010 required to settle the Company's current obligations with respect to the EVBC sites is $4,324. It is expected that these amounts will be incurred in 2018 and beyond.

Prior to the Company's acquisition of Kinbauri, the El Valle Mine had been shut down by its then owner and remediation measures required were completed and a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010, an additional reclamation bond in the amount of €1,521,960 was deposited by Orvana and relates to the Company's new tailings facility. These funds are held in a Spanish financial institution as restricted cash and amount to approximately $3,207 at December 31, 2010 (2009 - $1,309).

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 $179 for the first quarter of fiscal 2011, compared to $331 for the same period in fiscal 2010.

Prior to its acquisition by Orvana, Kinbauri granted a 2.5% NSR in return for an advance of C$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 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.

CAPITAL RESOURCES

At December 31, 2010, the Company had capital resources of $139,889 represented by long-term debt and obligations under capital leases of $50,820 and shareholders' equity amounting to $89,069.

Shareholders' equity decreased by $20,333 to $89,069 ($0.77 per share) as at December 31, 2010, compared to $109,402 ($0.94 per share) at September 30, 2010.

RESULTS OF OPERATIONS

The following table and analysis compare operating results for the first quarters ended December 31, 2010 and 2009:

	First quarter ended December 31,	
	2010	2009
Revenues	$6,427	$11,876
Costs and expenses of mining operations	5,577	7,212
Expenses and other income	29,560	1,743
Net (loss) income before derivatives mark-to market adjustment, net-of-tax (1)	(2,400)	1,200
Derivative mark-to-market adjustment, net-of-tax(1)	(18,624)	-
Net (loss) income	(21,024)	1,200
Earnings (loss) per share – basic and diluted	$(0.18)	$0.01

(1) These amounts are non-GAAP measures and are derived from the following amounts in the income statement: Derivatives loss of $26,606 and future income tax recovery of $7,982.

Revenues

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

	First quarter ended December 31,	
	2010	2009
Revenues	$6,427	$11,876
Ounces sold	4,734	10,880
Average gold prices realized per ounce	$1,358	$1,092

Revenue for the first quarter of fiscal 2011 decreased 46% to $6,427 on 4,734 ounces sold compared to $11,876 on 10,880 ounces sold during prior year's first quarter. 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 - Las Tojas – Production Cost Analysis".

Don Mario Mine - Las Tojas

Ore from the LMZ was exhausted in the last quarter of fiscal 2009. Production in the current period is from the lower grade Las Tojas deposit. The following table shows the tonnages treated and the head grade in g/t gold at the Las Tojas for the first quarter of 2011 fiscal year compared to the first quarter of 2010 fiscal year:

		First quarter ended December 31,	
		2010	2009
Las Tojas	Tonnes	148,094	156,176
	g/t	1.33	2.13
Recovery rate		77.5%	89.0%
Gold produced – ounces		4,920	9,527

Don Mario Mine - Las Tojas – Production Cost Analysis

The table below presents the cash operating costs and total production costs from the Las Tojas deposit in producing 4,920 ounces in the first quarter of fiscal 2011 compared to 9,527 ounces in the first quarter of fiscal year 2010.

	First quarter ended December 31,			
	2010		2009	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$4,274	$868.75	$4,558	$478.46
Third-party smelting, refining and transportation costs	38	7.65	49	5.17
Cash operating costs	4,312	876.40	4,607	483.63
Royalties and mining rights	227	46.06	381	39.99
Mining royalty tax	450	91.48	829	87.00
Total cash costs	4,989	1,013.94	5,817	610.62
Depreciation, amortization and accretion	627	127.46	1,097	115.13
Total production costs	$5,616	$1,141.40	$6,914	$725.75
Gold production	4,920 ozs.		9,527 ozs.	

Cash operating costs were $876.40 per ounce on 4,920 ounces produced for the first quarter of the 2011 fiscal year compared to $483.63 per ounce on 9,527 ounces produced for the first quarter of the 2010 fiscal year. The increase in costs was largely due to the processing of the lower grade ore from the Las Tojas deposit.

The difference between direct mine operating costs of $4,274 and cost of sales of $4,170 reported in the consolidated financial statements for the first quarter of fiscal 2011 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to 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,	
	2010	2009
Cost of Sales	$4,170	$4,836
Changes in gold inventories and gold in circuit	104	(278)
Direct mine operating costs (non-GAAP measure)	$4,274	$4,558

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended December 31, 2010:

	Quarters ended			
	Dec. 31, 2010	Sept 30, 2010	June 30, 2010	Mar. 31, 2010
Revenues	$6,427	$6,732	$7,758	$5,978
Net (loss) income	($21,024)	($867)	($1,106)	($1,658)
Earnings (loss) per share – basic and diluted	($0.18)	($0.01)	($0.01)	($0.01)
Total assets	$207,178	$156,472	$139,514	$137,243
Total long-term financial liabilities	50,820	$5,104	$3,235	$3,879
Gold production - ozs.	4,920	5,114	6,545	6,565
Gold sales – ozs.	4,734	5,520	6,535	5,406
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$1,014	$971	$904	$771
- Average gold price realized	$1,358	$1,219	$1,187	$1,106
Operating statistics -				
- Gold ore grade – g/t	1.33	1.41	1.66	1.70
- Gold recovery rate - %	77.5%	73.5%	79.5%	83.3%

	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	$0.3	$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	$611	$403	$451	$272
- Average gold price realized	$1,092	$950	$918	$894
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%

Comments on the tables of quarterly results

Average gold prices realized during each of the eight quarters ended December 31, 2010 ranged from $ 894 to $1,358 per ounce. Higher average gold prices in the last four quarters did not translate into higher quarterly net income when compared to the previous four quarters mostly due to higher production costs associated with processing the lower head grade ore from the Las Tojas deposit and overall lower quantities of gold produced.

RISKS AND UNCERTAINTIES

The Company owns and operates the Don Mario Mine in Bolivia and is developing the EVBC project in Spain and the Copperwood project in Michigan, U.S.A. As a result, the Company is subject to the laws and governmental regulations in those countries as well as those in Canada. Changes to such laws or governmental regulations, including with respect to matters such as environmental protection, repatriation of profits, restrictions on production, export controls, expropriation or nationalization of property or limitations on foreign ownership, could have a material adverse effect on the Company's results of operations or financial condition.

Orvana's international assets and operations are subject to various political, economic and other uncertainties, including, among other things, risks of political instability and changing political conditions, labour and civil unrest, acts of terrorism, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts; adverse changes in mining, taxation or other laws and policies and foreign exchange and repatriation restrictions; restrictions on foreign investment in or ownership of resources; and trade barriers or restrictions. The Company also may be hindered or prevented from claiming against or enforcing its rights with respect to a government's action because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict political or social conditions or developments or changes in laws or policy or to what extent, if any, such conditions, developments or changes may have a material adverse effect on the Company's operations. Moreover, it is possible that deterioration in economic conditions or other factors could result in a change in government policies respecting the presently unrestricted repatriation of capital investments and earnings.

In Bolivia, in view of the Constitution enacted on February 7, 2009, recent and anticipated changes to mining laws and policies and mining taxes, and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions that adversely affect the Company. The Constitution could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government has acquired under the Constitution to control the commercialization of minerals.

If the Don Mario Mine is nationalized or expropriated prior to the EVBC and Copperwood being brought into production, the Company would cease to have any producing assets until such other projects are brought into production. 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 the Company.

The Bolivian Constitution provides that the Government shall grant mining rights by means of mining contracts, in place of the previously established process of granting mining concessions. The Transitory Provisions of the Bolivian Constitution provide a process for the migration of mining concessions into mining contracts. According to the Constitution, previously acquired rights under mining concessions will be respected but are subject to this migration process. Although the Government has not yet adopted the new Mining Code nor specific regulations for the migration of mining concessions to mining contracts, the Company's Bolivian subsidiary, EMIPA, has filed an application to the Bolivian Mining Ministry requesting the migration of its mining concessions into mining contracts.

According to the draft of the new Mining Code, the Bolivian government has also proposed higher mining royalty taxes if a company's annual gross revenues exceed 210 million Bolivianos or approximately US$30 million. At present the maximum mining royalty tax rates are 7% for gold (at gold prices of $700 per troy ounce and higher) and 5% for copper (at copper prices of $2.00 per pound and higher). The incremental rates of tax are based on a specific formula for each metal. At a gold price of $1,366 per troy ounce, the incremental mining royalty tax rate would be 4.5% for a total rate of 11.5%. At a copper price of $3.76 per pound, the incremental mining royalty tax would be 1.3% for a total rate of 6.3%.

The official draft of the new Mining Code is expected to be circulated by the Government to the mining sector shortly. However, this draft has yet to be passed into law and underlying regulations providing the framework for the draft Mining Code have yet to be developed. Thus, its potential effect on future mining activities and the Company's mineral concessions remains unclear.

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. 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. Risks associated with the conduct of exploration programs and the operation of mines include: unusual or unexpected geological formations; unstable ground conditions that could result in cave-ins or landslides: floods; power outages; shortages, restrictions or interruptions in supply of natural gas, cyanide, sulphur, lime, water or fuel; labour disruptions; social unrest in adjacent areas; fires; explosions; and the inability to obtain suitable or adequate machinery, equipment or labour. Any of these risks could have a material adverse effect on the Company's results of operations or financial condition.

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, the EVBC project and the Copperwood project. For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

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

For additional information regarding risks relating the Company and its operations, including additional risk factors, please see the Company's Annual Information Form, which is available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with 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.

Net realizable amounts of property, plant and equipment

At December 31, 2010, the net book value of the Don Mario property, plant and equipment amounted to $22,259 (excluding UMZ feasibility study costs capitalized of $3,893). 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 the fiscal 2010 year, an evaluation was completed to assess the fair market value of the assets of the EVBC project acquired with Kinbauri Gold Corp., the results of this evaluation have been included in the net book value of the assets associated with the acquisition.

The Company periodically assesses its capitalized exploration and development expenditures for impairment and where there are circumstances indicating that such impairment exists, the carrying value of the impaired asset is written down to fair value. The capitalized costs for the Copperwood project amounted to $8,251. The PEA for the 10 year underground mine at Copperwood showed a pre-tax cash flow internal rate of return of 26% using copper pricing of $2.00 per pound, with current copper prices in excess of this price, net realizable amounts are in excess of these capitalized costs.

Asset retirement obligations

As at December 31, 2010, asset retirement obligations on a discounted basis amounted to $7,686 for the Company's Don Mario Mine in eastern Bolivia and the EVBC mine in northern Spain. These asset retirement obligations relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Associated long-lived assets include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination.

Management estimates that the total undiscounted amount of the cash flows required to settle the Company's asset retirement obligations with respect to the operation of the Don Mario Mine is $7,723. The credit-adjusted interest rate used to discount estimated cash flows for these liabilities is 8%. Accretion expense is recorded using the resulting weighted average credit-adjusted interest rate. The discounted amount of this obligation as at December 31, 2010 is estimated at $3,362 and the related costs are expected to be incurred in 2021 through 2024.

Management estimates the total undiscounted amount of the cash flows required to settle the Company's asset retirement obligations with respect to the future operation of the EVBC project in Spain is $7,466. The credit–adjusted interest rate used to discount estimated cash flows is 8%. Accretion expense is recorded using the credit-adjusted interest rate. The discounted amount of the estimated cash flows required to settle the Company's obligations with respect to the EVBC sites as at December 31, 2010 is $4,324. It is expected that these amounts will be incurred in 2018 and beyond.

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 $628 for the first quarter ended December 31, 2010 compared to $152 for the first quarter of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. 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.

Long-term compensation

Effective October 1, 2008 the Company established a Deferred Share Unit ("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 a Restricted Share Unit ("RSU") plan for designated executives, with each RSU having the same value as an Orvana common share. Under the RSU plan certain executives may be awarded a portion of their bonus compensation in RSUs. A provision was accrued at September 30, 2010 for RSU's to be granted with respect to the 2010 fiscal year. The fair value of amounts granted each period together with changes in fair value are expensed in the period.

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at December 31, 2010, there were 116,378,172 common shares outstanding with a stated value of $76,323 and there were also 3,450,000 stock options outstanding at the same date with a weighted average exercise price of Canadian $1.64. Stock options outstanding have expiry dates ranging from 2011 to 2015.

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, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls or in other factors 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.

Changes in Accounting Policies and New Accounting Standards

New accounting policies not yet adopted

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests:

The CICA issued three new accounting standards in January 2009: Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-Controlling interests”. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. Sections 1601 and 1602 together replace section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is in the process of evaluating the requirements of the new standards.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended December 31, 2011. The Company's fiscal 2012 interim and annual financial statements will include comparative fiscal 2011 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

The Company has developed a comprehensive IFRS transition plan and established an implementation team to prepare for this transition. The Company has also engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The implementation team has completed its assessment of the key areas where changes to accounting policies may be required.

During the first quarter of fiscal 2011, the team has continued its detailed analysis of IFRS requirements for these key areas. The analyses include a detailed assessment of the alternatives available or any changes that may be required to Orvana’s current accounting policies.

The following table summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	In progress, completion expected during Q2 fiscal 2011
Final determination of expected changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	Q2 – Q3 fiscal 2011
Resolution of the expected accounting policy change implications on information technology, internal controls, business processes and contractual arrangements.	Q2 – Q4 fiscal 2011
Quantification of the expected Financial Statement impact of changes in accounting policies, and determination of the expected IFRS transition date balance sheet (as at October 1, 2010).	Q3 – Q4 fiscal 2011
Preparation of pro forma Q1 fiscal 2012 financial statements consistent with IFRS presentation and disclosure requirements.	Q3 fiscal 2011 – Q1 fiscal 2012
Board, management and employee education and training.	Throughout the transition process

Impact of Adopting IFRS on the Company

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems, and business processes. To date, changes to systems and process that have been identified are minimal and the Company believes the systems and processes can accommodate the necessary changes. The Company will also identify any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements will be trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and Audit Committee are being regularly updated on the progress of the IFRS conversion plan, and with information regarding the potential for changes to significant accounting policies.

Impact of Adopting IFRS on Internal Controls over Financial Reporting

Any changes to accounting policies or business processes have the potential to affect the Company's internal controls over financial reporting ("ICFR"). As part of its analysis of potential changes to accounting policies, the implementation team is assessing whether changes to ICFR are required.

The Company has also reviewed certain existing controls and procedures to ensure they are appropriately included in the ongoing activities of the IFRS transition plan.

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

To date, the Company has identified the following IFRS optional exemptions it may apply in the preparation of an opening IFRS statement of financial position as at October 1, 2010, Orvana's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities prospectively from the Transition Date. IFRIC 1 provides guidance regarding the treatment of changes in decommissioning, restoration and similar liabilities, such as the Company's asset retirement obligations.
- To elect not to apply retrospective treatment to certain aspects of IAS 21. The Effect of Changes in Foreign Exchange Rates, and deem the cumulative translation differences for all foreign operations to be zero at the Transition Date.
- To not reassess whether arrangements contain a lease under IFRS where the same determination that would be made under IFRIC 4 Determining whether an Arrangement Contains a Lease (IFRIC 4) was made previously in accordance with Canadian GAAP.
- To apply the transitional provisions of IFRIC 4 to leases which the same determination as IFRIC 4 was not made previously in accordance with Canadian GAAP. Therefore, the determination of whether these arrangements contain a lease is based on the circumstances existing at the Transition Date.

As the analysis of its accounting policies under IFRS continues, the Company may decide to elect to apply these, or other, optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS may result in changes to significant accounting policies and have an impact on the recognition, measurement and disclosure of balances and transactions in the Company's financial statements.

Although the Company has not yet completed the determinations of the full effects of adopting IFRS on its financial statements, included below are highlights of the areas that have been identified as having the most potential for a change to significant accounting policies. The list is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas identified to have the most potential for significant changes.

As the IFRS implementation plan continues, the Company will make a final determination of changes to its accounting policies that will result from adopting IFRS, and may identify other changes that will have an impact on the financial statements.

Exploration expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

The Company expects to retain its current policy of capitalizing exploration and evaluation expenditures once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. However the Company expects to change its accounting policies such that capitalized exploration costs are reclassified to deferred development costs when technical feasibility and commercial viability are demonstrable. The Company expects the retrospective application of this change in accounting policy will not have a significant effect on its financial statements.

Property, plant and equipment (measurement and valuation)

IFRS requires the Company to choose, for each class of capital assets, between the cost model and the revaluation model. Under the revaluation model, an item of PP&E is carried at its revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. The Company expects it will choose the cost model in accounting for its capital assets, which is consistent with current Canadian GAAP.

Other aspects of IAS 16, while similar to current Canadian GAAP, include some differences that will require a change in accounting policies. These differences include the accounting for significant components of assets that are recorded and depreciated separately.

The retrospective application of this change in accounting policy may have a significant effect on the measurement of property, plant and equipment.

Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. In addition, the grouping of assets for the purposes of impairment may be different under IFRS than currently used under Canadian GAAP. Depending on the circumstances, this may lead to the recognition of impairment losses under IFRS that would not otherwise have been recognized under current Canadian GAAP.

Provisions, including asset retirement obligations

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. In addition, IFRS differs in certain respects related to the measurement of provisions, including asset retirement obligations. Changes in accounting policies to reflect these differences may result in changes to the measurement of certain liabilities.

Foreign Currencies

IFRS requires that the functional currency of the company and its subsidiaries be determined separately, and the process of considering factors to determine functional currency are somewhat different than current Canadian GAAP. It is possible that a change in the functional currency of the Company and one or more its subsidiaries would be required on adoption of IFRS. The Company has not finalized this assessment or whether retrospective application of any change would have a significant effect on the financial statements.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. In particular, a change may be required to the measurement and timing of recognizing the expense associated with grants under the stock option plan. The Company is determining the impact of the change on the measurement of compensation expense associated with the stock option plan.

Accounting for income taxes

While accounting for income taxes is similar under IFRS and Canadian GAAP, in certain circumstances there are differences in the measurement of future tax assets and future tax liabilities. The Company is determining whether any changes in its accounting policies related to income taxes will have a significant effect on its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for future fiscal 2011 interim periods and the year ended September 30, 2011 will include updates on the progress of the transition plan, and, to the extent known, information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending December 31, 2011 will also include fiscal 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's Transition Date IFRS statement of financial position (as at October 1, 2010).

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.