ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three months ended December 31, 2013.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three months ended December 31, 2013 and related notes thereto (the "Q1 Financials"). The Q1 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company uses certain non-IFRS financial performance measures in this MD&A. For a detailed reconciliation of each of the non-IFRS measures used in this MD&A, please see the discussion under "Other - Non-IFRS Measures" below.

In this MD&A, all currency amounts (except per unit amounts) are in thousands and, unless otherwise stated, they are in thousands of United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". References to "revenue" are to "net revenue" as defined in the notes to the table under "Overall Performance" below. The information presented in this MD&A is as of February 6, 2014, unless otherwise stated.

A cautionary note regarding forward-looking statements follows this MD&A.

Orvana

Orvana is a gold and copper producer with organic growth opportunities. Orvana's producing properties consist of (i) El Valle-Boinás Mine (the "Boinás Mine") and Carlés Mine (collectively with the Boinás Mine "EVBC" or the "EVBC Mines"), two underground gold-copper-silver mines located in the northern part of Spain; and (ii) Upper Mineralized Zone at the Don Mario Mine (the "UMZ Mine"), an open-pit gold-copper-silver mine located in the south-eastern part of Bolivia. In addition, Orvana has completed a feasibility study and obtained the major permits for its Copperwood copper project (the "Copperwood Project") located in the Upper Peninsula of Michigan, United States. Orvana's focus is currently on its operations and growth through exploration at and surrounding its operations. However, the Company does also consider opportunities to add value through external growth. Orvana is an Ontario company and its common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol TSX:ORV.

Q1 2014 Operating and Financial Highlights

- Production of 18,855 ounces of gold, 4.7 million pounds of copper and 252,830 ounces of silver and sales of 19,613 ounces of gold, 4.4 million pounds of copper and 218,016 ounces of silver compared to production of 17,759 ounces of gold, 4.4 million pounds of copper and 233,452 ounces of silver and sales of 12,895 ounces of gold, 4.0 million pounds of copper and 244,516 ounces of silver in the first quarter of fiscal 2013. (1)
- Revenue of $35,220 in the first quarter of fiscal 2014 compared to revenue of $35,651 in the first quarter of fiscal 2013.
- Mining costs increased by $3,530 or 17% from $20,246 to $23,776 primarily due to higher sales volume for the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013.
- Net income of $6,008 in the first quarter of fiscal 2014 compared to $13,651 in the first quarter of fiscal 2013.
- Adjusted net income of $1,211 in the first quarter of fiscal 2014 compared to $4,341 in the first quarter of fiscal 2013, primarily due to lower metal prices. (2)

- Cash flows provided by operating activities of $3,754 in the first quarter of fiscal 2014 compared to $51 in the first quarter of fiscal 2013 and cash flows provided by operating activities before changes in non-cash working capital of $8,502 in the first quarter of fiscal 2014 compared to $8,189 in the first quarter of fiscal 2013. (2)
- Continued decrease in outstanding debt balances with debt net of cash, cash equivalents and restricted cash for debt repayment of $39,475 at December 31, 2013.
- Working capital increased to $16,351 at December 31, 2013 compared to $10,337 at September 30, 2013.
- Capital expenditures of $3,120 for the first quarter of fiscal 2014 consisting mostly of primary development at EVBC, EVBC hoist repair and upgrade costs, and tailings dam raises at both the EVBC and the UMZ Mines compared to $3,892 for the fourth quarter of fiscal 2013.
- Significant progress towards completion of the hoist repairs and upgrades at the Boinás Mine with expected completion by the end of the second quarter of fiscal 2014.
- All-in sustaining costs (by-product) of $1,116 per ounce of gold at EVBC compared to $1,363 in the first quarter of fiscal 2013. All-in sustaining costs (co-product) of $874 per ounce of gold, $16.39 per ounce of silver and $2.46 per pound of copper at the UMZ Mine compared to $1,153 per ounce of gold, $22.87 per ounce of silver and $2.23 per pound of copper in the first quarter of fiscal 2013. (3)

(1) For a description of the EVBC Mines and the UMZ Mine, please see “Overall Performance - EVBC Mines” and “Overall Performance - UMZ Mine”.

(2) Adjusted net income (loss), cash flows from operating activities before changes in non-cash working capital and all-in sustaining costs are non-IFRS performance measures with no standard definition under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company’s performance including the Company’s ability to generate cash flows from its mining operations. Accordingly, it is intended to provide additional information and should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. For further information and a detailed reconciliation, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(3) The Company, in conjunction with initiatives undertaken within the gold mining industry, adopted all-in sustaining costs (“AISC”) and all-in costs (“AIC”) non-IFRS performance measures as set out in the guidance note released by the World Gold Council in June 2013. The Company believes these performance measures more fully define the total costs associated with its metal production, however, these performance measures have no standardized meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company reports these measures on a metals volumes sold basis. The Company began reporting these performance measures in the MD&A for the fiscal year ended September 30, 2013 and comparative periods have been restated accordingly. For further information and a detailed reconciliation of these performance measures, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

OVERALL PERFORMANCE

The key factors affecting Orvana’s operating and financial performance are tonnages mined and treated, metal grade and recoveries, quantities of metals produced and sold, realized metals prices, cost of supplies including labour and energy, mine development and other capital expenditures, foreign exchange rates, derivative instruments and tax rates.

The following table includes consolidated operating and financial performance data for the Company for the periods set out below:

	Q4 2013	Q1 2014	Q1 2013	FY2013
Operating Performance [(1)]				
Gold				
Production (oz)	22,250	**18,855**	17,759	80,541
Sales (oz)	21,462	**19,613**	12,895	74,087
Average realized price / oz [(2)]	$1,329	**$1,288**	$1,684	$1,504
Copper				
Production (‘000 lbs)	4,509	**4,719**	4,384	17,304
Sales (‘000 lbs)	4,427	**4,398**	3,974	16,312
Average realized price / lb [(2)]	$3.20	**$3.23**	$3.17	$3.33
Silver				
Production (oz)	289,335	**252,830**	233,452	1,017,811
Sales (oz)	314,011	**218,016**	244,516	1,073,394
Average realized price / oz [(2)]	$21.05	**$20.69**	$29.20	$25.01
Financial Performance				
Revenue [(3)]	$43,975	**$35,220**	$35,651	$162,199
Mining costs [(4)]	$25,643	**$23,776**	$20,246	$101,063
Impairment charge	($150)	**-**	-	$6,273
Gross margin	$12,303	**$4,508**	$11,386	$30,998
Derivative instruments gain (loss)	($9,853)	**$8,484**	$11,748	$42,140
Net income	$1,174	**$6,008**	$13,651	$32,623
Net income per share (basic/diluted)	$0.01	**$0.04**	$0.10	$0.24
Adjusted net income [(5)]	$7,814	**$1,211**	$4,341	$12,420
Adjusted net income per share (basic/ diluted) [(5)]	$0.06	**$0.01**	$0.03	$0.09
Operating cash flows	$7,659	**$3,754**	$51	$32,569
Operating cash flows before non-cash working capital changes [(5)]	$15,265	**$8,502**	$8,189	$38,685
Ending cash and cash equivalents	$13,039	**$9,368**	$11,988	$13,039
Restricted cash (including long-term)	$17,839	**$19,063**	$15,954	$17,839
Capital expenditures [(6)]	$3,892	**$3,120**	$4,229	$21,157

(1) Metals production and sales are from the EVBC Mines and the UMZ Mine. The EVBC Mines and the UMZ Mine reached commercial production in August 2011 and January 2012, respectively.

(2) Sales volumes represented in the table above and in the tables below with respect to the EVBC Mines and the UMZ Mine include volume adjustments relating to final liquidations from prior period sales. Average realized metal prices are calculated by dividing gross revenue recorded for the period from metals sales, before deduction of treatment and refinement charges and deductions for payable metals, by ounces of gold or silver or pounds of copper actually sold during the period. Sales volumes used to calculate average realized metal prices and unitary cash costs do not include volume adjustments relating to final liquidations from prior period sales.

(3) Revenue represents (i) gross revenue derived from the sales of metals in the applicable period less treatment, refining, penalties and payable metals deductions associated with such sales, (ii) plus or minus realized final liquidation amounts relating to metals sold in prior periods, (iii) plus or minus mark-to-market adjustments based on unrealized price fluctuations at period end relating to metals sold in the current or prior reporting periods prior to completion of final liquidations relating to such sales.

(4) Mining costs represents all costs associated with the production of the metals sold in the period including personnel costs; energy cost (principally diesel fuel and electricity); maintenance and repair costs; operating supplies; external services; costs associated with delivery of the concentrate and doré to the point of sale; an allocation of site general and administrative costs; royalties and, in respect of the UMZ Mine, mining royalty taxes payable to the Bolivian government.

(5) Adjusted net income (loss), adjusted net income (loss) per share and operating cash flows before non-cash working capital changes are non-IFRS performance measures with no standard definition under IFRS. For further information and a detailed reconciliation, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(6) These amounts are presented in the consolidated cash flows in the Q1 Financials on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. See “Cash Flows, Commitments and Liquidity - Capital Expenditures”.

Three Months Ended December 31, 2013 Compared to Three Months Ended September 30, 2013

The Company recorded net income for the first quarter of fiscal 2014 of $6,008 or $0.04 per share, an increase of $4,834 or 412%, compared to $1,174 or $0.01 per share for the fourth quarter of fiscal 2013. The Company's net income for the first quarter of fiscal 2014 was impacted significantly by the following factors:

- Revenue for the first quarter of fiscal 2014 decreased by $8,755 or 20% to $35,220 on sales of 19,613 ounces of gold, 4.4 million pounds of copper and 218,016 ounces of silver from the EVBC Mines and the UMZ Mine compared to revenue of $43,975 on sales of 21,462 ounces of gold, 4.4 million pounds of copper and 314,011 ounces of silver in the fourth quarter of fiscal 2013. The decrease in revenue resulted primary from (i) lower average realized prices of gold and silver during the first quarter of fiscal 2014, and (ii) lower volumes of metals sold at the EVBC Mines.
- Total mining costs decreased by $1,867 or 7% from $25,643 in the fourth quarter of fiscal 2013 to $23,776 in the first quarter of fiscal 2014 primarily due lower sales volumes at the EVBC Mines and, therefore, lower costs.
- Gross margin decreased by $7,795 to $4,508 compared to $12,303 in the fourth quarter of fiscal 2013 primarily due to lower sales and lower average realized prices of gold and silver due to declining commodity prices. In addition, higher depreciation costs were recorded at the UMZ Mine in the first quarter of fiscal 2014 due to a reduced life of mine as a result of oxide resources no longer meeting the reserve criteria.
- The Company recorded an unrealized derivative instruments gain of $6,853 in the first quarter of fiscal 2014 compared to an unrealized derivative instruments loss of $10,854 in the fourth quarter of fiscal 2013 relating to the fair market revaluation of the Company's outstanding derivative instruments.
- The income tax expense in the first quarter of fiscal 2014 was $3,513 compared to an income tax recovery of $151 in the fourth quarter of fiscal 2013 primarily due to the deferred income tax expense of $2,056 relating to the unrealized gains on the mark-to-market revaluation of the Company's outstanding derivative instruments at the end of the period.

The Company recorded adjusted net income of $1,211 or $0.01 per share in the first quarter of fiscal 2014 compared to $7,814 or $0.06 per share for the fourth quarter of fiscal 2013. For further information and a detailed reconciliation of adjusted net income (loss), please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Three Months Ended December 31, 2013 Compared to Three Months Ended December 31, 2012

The Company recorded net income for the first quarter of fiscal 2014 of $6,008 or $0.04 per share, a decrease of $7,653 or 56%, compared to $13,651 or $0.10 per share for the first quarter of fiscal 2013. The Company's net income for the first quarter of fiscal 2014 was impacted significantly by the following factors:

- Revenue for the first quarter of fiscal 2014 decreased by $431 or 1% to $35,220 on sales of 19,613 ounces of gold, 4.4 million pounds of copper and 218,016 ounces of silver from the EVBC Mines and the UMZ Mine compared to revenue of $35,651 on sales of 12,895 ounces of gold, 4.0 million pounds of copper and 244,516 ounces of silver in the first quarter of fiscal 2013. The increase in the volume sold during the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013 was offset by lower average realized prices of gold and silver of 21% and 28%, respectively.
- Total mining costs increased by $3,530 or 17% from $20,246 in the first quarter of fiscal 2013 to $23,776 in the first quarter of fiscal 2014 primarily due to higher volume of metals sold in the current period resulting in higher costs.
- Gross margin decreased by $6,878 to $4,508 compared to $11,386 in the first quarter of fiscal 2013 primarily due to lower average realized prices of gold and silver due to declining commodity

prices in the current period and an increase in depreciation expense of $2,917.

- The Company recorded an unrealized derivative instruments gain of $6,853 in the first quarter of fiscal 2014 compared to $13,300 in the first quarter of fiscal 2013 relating to the fair market revaluation of the Company's outstanding derivative instruments.
- The income tax expense in the first quarter of fiscal 2014 was $3,513 compared to $5,179 in the first quarter of fiscal 2013 primarily due to the deferred income tax relating to the unrealized gains on the mark-to-market revaluation of the Company's outstanding derivative instruments at the end both periods.

The Company recorded adjusted net income of $1,211 or $0.01 per share in the first quarter of fiscal 2014 compared to $4,341 or $0.03 per share for the first quarter of fiscal 2013. For further information and a detailed reconciliation of adjusted net income (loss), please see the "Other Information - Non-IFRS Measures" section of this MD&A.

EVBC Mines

Through its wholly-owned subsidiary, Kinbauri España S.L.U. ("Kinbauri"), the Company owns and operates the EVBC Mines located in the Rio Narcea Gold Belt in northern Spain. The EVBC Mines are comprised of the Boinás Mine, where skarns and oxides are being mined underground, and the Carlés Mine, where skarns are being mined underground. The EVBC Mines commenced commercial production in August 2011.

The following table includes consolidated operating and financial performance data for EVBC for the periods set out below.

	Q4 2013	Q1 2014	Q1 2013	FY2013
Operating Performance				
Ore mined (tonnes) (wmt)	204,859	**186,874**	163,051	752,572
Ore milled (tonnes) (dmt)	181,763	**180,713**	145,890	685,697
Gold				
Grade (g/t)	3.26	**2.62**	3.19	3.24
Recovery (%)	93.4	**92.0**	93.2	92.5
Production (oz)	17,823	**13,988**	13,949	65,992
Sales (oz)	17,411	**14,954**	8,759	59,802
Copper				
Grade (%)	0.54	**0.40**	0.51	0.52
Recovery (%)	86.2	**79.3**	82.5	84.4
Production ('000 lbs)	1,880	**1,258**	1,347	6,658
Sales ('000 lbs)	1,990	**1,412**	816	6,085
Silver				
Grade (g/t)	11.35	**7.23**	11.46	11.24
Recovery (%)	81.8	**80.5**	79.8	79.8
Production (oz)	54,241	**33,838**	42,877	197,768
Sales (oz)	62,447	**37,565**	33,279	190,843
Financial Performance				
Revenue	$27,904	**$21,844**	$17,278	$102,309
Mining costs	$18,017	**$16,445**	$9,731	$62,867
Derivative instruments gain (loss)	($9,853)	**$8,484**	$11,748	$42,140
Income (loss) before tax	$6,994	**$8,009**	$16,020	$55,270
Capital expenditures (2)	$3,748	**$3,727**	$3,355	$13,248
Cash operating costs (by-product) ($/oz) gold (1)	$759	**$884**	$847	$803
All-in sustaining costs (by-product) ($/oz) gold (1)	$977	**$1,116**	$1,363	$1,068
All-in costs (by-product) ($/oz) gold (1)	$1,035	**$1,214**	$1,363	$1,086

(1) The Company has adopted All-in sustaining costs ("AISC"). Costs are reported per ounce of gold sold in the period. For further information and a detailed reconciliation of AISC, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

(2) See "Cash Flows, Commitments and Liquidity - Capital Expenditures".

EVBC Operating Performance

During the first quarter of fiscal 2014, the EVBC Mines produced 13,988 ounces of gold, 1.3 million pounds of copper and 33,838 ounces of silver compared to 17,823 ounces of gold, 1.9 million pounds of copper and 54,241 ounces of silver in the fourth quarter of fiscal 2013. Although the tonnes milled were approximately the same, production was lower in the first quarter of fiscal 2014 compared to the fourth quarter of fiscal 2013 as a result of a decrease in gold, copper and silver head grades of 20%, 26% and 36% due to lower head grades in the current areas being mined, primarily in the Boinás Mine. In addition, during the quarter, the tonnes mined at the Carlés Mine were lower than the fourth quarter of fiscal 2013. The Company mined a greater volume of skarns at the Boinás Mine at lower average head grade than the average head grade achieved at the Carlés Mine.

During the first quarter of fiscal 2014, significant work was completed to recover a failed stope in the San Martin skarns area in the Boinás Mine which occurred in the third quarter of fiscal 2012. The completion of this work expected in the second quarter will ensure ground stability to access ore from other nearby stopes and provide access to higher grade ore. Mining costs of $415 associated with the recovery were expensed during the quarter.

As a result of a hoisting incident at Boinás Mine in June 2013, we continue to use an alternative production schedule which incorporates ramp haulage for Boinás skarns. Progress on the hoist recovery continues with steel shaft reconstruction and installation of the new hoisting controls underway. The Company expects completion of hoist repairs and upgrades late in the second quarter of fiscal 2014. The costs of the basic recovery of this project continue to be estimated at $2,244. The estimated costs of the upgrades to enhance the capabilities of the hoist with enhanced performance design and safety improvements remain at approximately $2,000. Modification to the underground materials handling system to enhance ore movement and provide the potential to hoist oxides is also being completed. The repair costs are being capitalized to property, plant and equipment when incurred and future insurance proceeds will be recorded in “other income” once received. The cost of hoist upgrades will also be capitalized to property, plant and equipment.

EVBC Financial Performance

Revenue from EVBC for the first quarter of fiscal 2014 decreased by 22% to $21,844 on sales of 14,954 ounces of gold, 1.4 million pounds of copper and 37,565 ounces of silver from $27,904 on sales of 17,411 ounces of gold, 2.0 million pounds of copper and 62,447 ounces of silver in the fourth quarter of fiscal 2013 primarily as a result of lower volumes of all three metals sold and lower average realized prices of gold and silver.

The cost of sales during the first quarter of fiscal 2014 was $21,480 including mining costs of $16,445 and depreciation and amortization expense of $5,035 compared to $23,505 in the fourth quarter of fiscal 2013. Cost of sales were lower than the prior quarter primarily due to lower sales of metals during the first quarter of fiscal 2014 offset by an increase in mining costs associated with the recovery of the San Martin stope of $415.

Income before tax for the first quarter of fiscal 2014 was $8,009 compared to income before tax for the fourth quarter of fiscal 2013 of $6,994 due mainly to the unrealized gain recorded on the revaluation of the Company’s outstanding derivative instruments during the first quarter due to a decline in the price of gold compared to an unrealized loss recorded in the fourth quarter of fiscal 2013. Of the total gold and copper sales during the first quarter of fiscal 2014 from EVBC, 48% and 64%, respectively, were hedged under outstanding derivative instruments as required under the EVBC Loan.

Total capital expenditures at EVBC during the first quarter of fiscal 2014 were $3,727. Total capital expenditures for the first quarter consisted primarily of $1,708 for primary mine development, $408 relating to the completion of the tailings dam lift and $1,466 relating to the hoist repair and upgrades. This includes $1,523 in accounts payable adjustments. Please see the “Financial Condition Review – Capital Expenditures” section of this MD&A.

Total cash operating costs of $884 per ounce of gold sold in the first quarter of fiscal 2014 were $125 or 16% higher than in the fourth quarter of 2014, total all-in sustaining costs of $1,116 per ounce of gold sold in the first quarter of fiscal 2014 were $139 or 12% higher than in the fourth quarter of 2013 and total all-in costs of $1,214 per ounce of gold sold in the first quarter of fiscal 2014 were $179 or 15% higher. Higher costs in the first quarter of fiscal 2014 compared to the fourth quarter of 2013 were due to lower by-product revenue and lower volume sold.

Growth Exploration – Increase of Reserves and Resources Estimates

In the fourth quarter, the Company completed a review of its opportunities to increase its reserves and resource estimates at its existing EVBC Mines through the potential to upgrade inferred resources to reserves, the potential to identify new resources at the EVBC Mines and outside of the EVBC Mines. In fiscal 2014, the Company plans to continue its initiatives to upgrade inferred resources, explore zones at the EVBC Mines that are possibly open at depth and strike and explore satellite properties by spending up to approximately $1,400 on delineated drilling to upgrade resources and up to approximately $1,900 on strategic exploration targeting to add approximately 500,000 ounces of gold in new resources.

UMZ Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the UMZ Mine located in south-eastern Bolivia. Fiscal 2009 marked the last year of production from the Company's Lower Mineralized Zone underground gold mine at Don Mario with some gold production from a lower-grade satellite deposit continuing into fiscal 2010 and 2011. The Company is now mining the UMZ Mine (Upper Mineralized Zone) as an open-pit mine. The UMZ Mine reached commercial production in January 2012.

The following table includes operating and financial performance data for the UMZ Mine for the periods set out below.

	Q4 2013	Q1 2014	Q1 2013	FY2013
Operating Performance				
Ore mined (tonnes)	245,975	**247,257**	288,645	**1,013,645**
Ore milled (tonnes)	206,431	**206,416**	201,312	**788,149**
Gold				
Grade (g/t)	1.44	**1.48**	1.18	**1.26**
Recovery (%)	46.5	**49.7**	49.8	**45.6**
Production (oz)	4,427	**4,867**	3,810	**14,549**
Sales (oz)	4,051	**4,659**	4,136	**14,285**
Copper				
Grade (%)	1.43	**1.38**	1.45	**1.39**
Recovery (%)	40.3	**55.3**	47.4	**44.2**
Production ('000 lbs)	2,630	**3,461**	3,037	**10,646**
Sales ('000 lbs)	2,437	**2,986**	3,158	**10,228**
Silver				
Grade (g/t)	54.57	**53.57**	51.99	**52.67**
Recovery (%)	64.9	**61.6**	56.6	**61.5**
Production (oz)	235,094	**218,992**	190,575	**820,043**
Sales (oz)	251,564	**180,451**	208,492	**882,551**
Financial Performance				
Revenue	$16,072	**$13,376**	$18,191	**$59,890**
Mining costs	$7,627	**$7,331**	$10,333	**$38,196**
Income before tax	$8,463	**$3,036**	$6,063	**$4,545**
Capital expenditures	$581	**$789**	$1,382	**$2,691**
Cash operating costs (co-product) ($/oz) gold (1)	$740	**$761**	$1,010	**$951**
Cash operating costs (co-product) ($/lb) copper (1) (3)	$1.97	**$2.18**	$2.05	**$2.16**
Cash operating costs (co-product) ($/oz) silver (1)	$13.17	**$14.56**	$20.35	**$17.64**
All-in sustaining costs (co-product) ($/oz) gold (1)	$823	**$874**	$1,153	**$1,051**
All-in sustaining costs (co-product) ($/lb) copper (1)	$2.17	**$2.46**	$2.33	**$2.38**
All-in sustaining costs (co-product) ($/oz) silver (1)	$14.49	**$16.39**	$22.87	**$19.30**
All-in costs (co-product) ($/oz) gold	$823	**$874**	$1,153	**$1,051**
All-in costs (co-product) ($/lb) copper	$2.17	**$2.46**	$2.33	**$2.38**
All-in costs (co-product) ($/oz) silver	$14.49	**$16.39**	$22.87	**$19.30**

(1) The Company adopted AISC at September 30, 2013. Costs are reported per ounce of gold or silver or per pound of copper sold in the period. For further information and a detailed reconciliation of AISC, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

(2) Cash operating costs per pound of copper sold represent C1 costs plus royalties.

UMZ Operating Performance

During the first quarter of fiscal 2014, the UMZ Mine produced 4,867 ounces of gold, 3.5 million pounds of copper and 218,992 ounces of silver compared to 4,427 ounces of gold, 2.6 million pounds of copper and 235,094 ounces of silver in the fourth quarter of fiscal 2013.

In the first quarter of fiscal 2014, the Company produced a lower grade copper concentrate resulting in an increase in copper recoveries and the mining of more sulphides resulted in an increase in head grade. Production in the first quarter of fiscal 2014 compared to the fourth quarter of fiscal 2013 of (i) gold increased by 10% primarily as a result of a 7% increase in recoveries and 3% higher head grades, (ii) copper increased by 32% as a result of 37% higher recoveries, and (iii) silver decreased by 7% as a result of a 5% decrease in recoveries.

During the third quarter of fiscal 2013, the Company suspended the processing of oxides through the leach-precipitation-flotation ("LPF") process. It was no longer economical to process oxides through this process as costs were significantly higher than flotation-only processing costs and throughput of the LPF circuit was approximately half that of the flotation-only circuit. The Company is continuing to evaluate reagents which may allow it to process oxide ores through its flotation-only process. Overall production was negatively impacted by testing of the reagents through the processing plant which took place during the first quarter of fiscal 2014. Testing of oxides processing continues in the second quarter of fiscal 2014.

As a result of the additional testing which continues to be undertaken by the Company relating to the processing of oxide ores, costs to mine and stockpile oxide ores continue to be capitalized. The oxides ore stockpile had a carrying value of $2,016 at December 31, 2013.

In the fourth quarter, the Company commenced the implementation of the addition of gold gravity concentrators. This implementation, scheduled to be completed in the second quarter of fiscal 2014, is expected to increase gold recoveries to between 60% to 65% from between 40% to 45% and, therefore, result in increased gold production from the UMZ Mine in the second half of fiscal 2014 and thereafter.

The Company continues to implement a number of costs savings initiatives at the UMZ Mine. During the first quarter of fiscal 2014, personnel were reduced by 12% which will result in future savings and efficiencies at the UMZ Mine.

UMZ Financial Performance

Revenue for the first quarter of fiscal 2014 was lower by $2,696 or 17% at $13,376 compared to $16,072 for the fourth quarter of fiscal 2013 primarily as a result of lower average realized prices of gold and silver and negative mark-to-market adjustments based on unrealized price fluctuations at period end relating to metals sold in the current or prior reporting periods prior to completion of final liquidations relating to such sales.

Mining costs decreased by $296 or 4% from $7,627 to $7,331 during the first quarter of 2014 compared to the fourth quarter of fiscal 2013 primarily due to lower general and administrative and freight costs.

Income before tax for the first quarter of fiscal 2014 was $3,306 compared to income before tax of $8,463 for the fourth quarter of fiscal 2013 primarily as a result of (i) higher depreciation costs recorded in the first quarter of fiscal 2014 due to a reduced life of mine from a reduction in reserve estimates as a result of oxides no longer meeting the reserve criteria and (ii) higher treatment and refining charges in the first quarter of fiscal 2014 due to lower grade copper concentrate being sold.

Total capital expenditures at the UMZ Mine during the first quarter of fiscal 2014 were $789 primarily related to capitalized expenditures of $748 for the tailings dam raise which is expected to be completed in the second quarter of fiscal 2014.

For the first quarter of fiscal 2014, cash operating costs (co-product) were $761 per ounce of gold or 3% higher, $2.18 per pound of copper or 11% higher and $14.56 per ounce of silver or 11% higher compared to $740 per ounce of gold, $1.97 per pound of copper and $13.17 per ounce of silver in the fourth quarter of fiscal 2013. Total all-in costs (co-product) were $874 per ounce of gold or 6% higher, $2.46 per pound of copper or 13% higher and $16.30 per ounce of silver or 12% higher compared to $823 per ounce of gold, $2.17 per pound of copper and $14.49 per ounce of silver for the fourth quarter of fiscal 2013. These increases are primarily due to higher treatment and refining charges, lower lead by-product credits, higher community relations spending on road maintenance during the quarter and higher capital expenditures.

Growth Exploration – Increase of Resources Estimates

In the fourth quarter, the Company completed a review of its opportunities to increase its resource estimates at its existing UMZ Mine through the potential to identify new resources in the surrounding area to the UMZ Mine that previously had some geochemical, trenching and drilling results indicating gold mineralization. In fiscal 2014, the Company is planning to spend up to approximately $1,000 to target 680,000 ounces of gold in two schist belts near the UMZ Mine with mining history. During the first quarter of fiscal 2014, exploration and drilling targets were reviewed and an exploration drilling plan was prepared and is expected to be executed in fiscal 2014.

Copperwood Project

Through its wholly-owned subsidiary, Orvana Resources US Corp., Orvana entered into long-term mineral lease agreements covering 936 hectares within the “Western Syncline”, which is located in the Upper Peninsula of the State of Michigan, USA comprising the “Copperwood Project”. The Company also completed option agreements on three other mineralized areas, which are referred to collectively as the “Copperwood Satellites”. In addition, the Company purchased the surface rights on about 700 hectares that secured access to the Copperwood Project and additional space for infrastructure.

In February 2012, the Company announced results of an NI 43-101-compliant feasibility study completed under the supervision of Joseph Keane, P.E., Steve Milne, P.E., and David List, P.E., each of whom is an independent qualified person for the purposes of NI 43-101, “Feasibility Study of the Copperwood Project, Upper Peninsula, Michigan, USA” (the “Copperwood Technical Report”). The mine plan calls for the development of a ramp and box cut to access the ore horizon. All development is expected to be within the ore and very little waste rock will be handled. Production for the 13-year mine life will be about 1.5 million short tons of copper concentrate averaging about 28,000 short tons of copper per year at the 7,500 short tons of ore per day capacity. Copper is expected to be extracted by conventional flotation. Life-of-mine cash costs (C1) are $1.26 per pound net of the silver by-product credit. Base-case operational parameters assumed for the drill-and-blast case with 12.5% pillar recovery are as follows:

Base-Case Operational and Financial Parameters		
Minable Reserve:	30,228,000	short tons
Copper grade:	1.41%	
Silver grade:	3.63	g/t
Throughput (reached after 3 years):	2,625,000	short tons per year
Average annual copper production (LOM):	28,000	short tons per year
Average annual silver production (LOM):	150,000	ounces per year
Copper recovery:	86%	
Copper concentrate grade:	24%	
Silver grade in concentrate:	40.4	g/t (average)
Key financial input parameters are:		
Pre-production capital: ($000’s)	$213,520	
Working and sustaining capital (LOM): ($000’s)	$167,104	
Mine operating cost (LOM):	$14.91	per short ton ore
Processing cost (at 7,500 short tons per day)	$13.27	per short ton ore
General and administrative:	$1.25	per short ton ore

The Company has achieved all major permitting milestones in respect of the Copperwood Project. In April 2012, it received its mining permit from the Michigan Department of Environmental Quality (“MDEQ”), as prescribed by Part 632 of the Non-Ferrous Metallic Mining regulation of the State of Michigan. In July

2012, it received the Permit to Install, or Air Quality Permit, from the MDEQ, Air Quality Division. In November 2012, it received the National Pollutant Discharge Elimination System permits for treated sanitary and process wastewaters from the MDEQ. In February 2013, the Company received the Wetland Permit from the MDEQ, which is the last major permit necessary and in June 2013 it received the Safe Dams Permit Draft.

Certain additional studies are being conducted in accordance with the Wetland Permit conditions to include base line studies of the designated preservation areas. Certain optimization work continues with a focus on additional metallurgical testing and mine design. Total capital expenditures in respect of the Copperwood Project for the first quarter of fiscal 2014 were $127 compared to $546 for the fourth quarter of fiscal 2013.

Orvana is continuing to investigate a variety of possible options and financing alternatives to enhance the value of the Copperwood Project to Orvana's shareholders. Holding costs of the Copperwood Project are being be minimized in fiscal 2014 while the Company pursues various alternatives to advance the project.

Market Review and Trends

Metal Prices

The market prices of gold and copper are one of the primary drivers of Orvana's earnings and ability to generate free cash flows. During the first quarter of fiscal 2014, the gold price continued to decline and remain volatile, with the price ranging from $1,193 to $1,351 per ounce and an average quarterly market price of $1,273 per ounce. Orvana's average gold realized price for the first quarter of fiscal 2014 was $1,288 per ounce. The Company derived approximately 56% of its revenue from sales of gold in the first quarter of fiscal 2014. Of the Company's total gold sales in the first quarter of fiscal 2014, 36% were hedged under the outstanding gold derivative instruments as required under the EVBC Loan. See "Financial Condition Review - Derivative Instruments".

During the first quarter of fiscal 2014, the U.S. Federal Reserve's announcement to begin a pullback in quantitative easing in the United States due to improvements in the prospects for the U.S. economy was the biggest factor in the decline in the gold price in the quarter. While there are risks that investor interest in gold will decrease, especially with improved data regarding the U.S economy, the Company believes that the continuing uncertain macroeconomic environment in certain jurisdictions such as China, potential negative news from the U.S and loose monetary policies in emerging markets, together with the limited choice of alternative safe haven investments, is supportive of continued demand for gold although at prices closer to the current ranges. In the short-term, the Company expects gold spot prices to continue to remain volatile.

Copper prices traded in a range of $3.15 to $3.35 per pound during the first quarter of fiscal 2014 with an average quarterly market price of $3.24 per pound. Orvana's average copper realized price for the first quarter of fiscal 2014 was $3.23 per pound. Copper's strength lies mainly in strong physical demand from emerging markets, especially China. In the near term, the Company believes copper prices will be influenced by the outlook for global economic growth such as Euro zone manufacturing growth and reports of growth in new house sales in the United States, the world's second biggest consumer after China. The Company derived approximately 33% of its revenue from sales of copper in the first quarter of fiscal 2014. Of the Company's total copper sales in the first quarter of fiscal 2014, 21% were hedged under the outstanding copper derivative instruments as required under the EVBC Loan. See "Financial Condition Review – Derivative Instruments".

In the fourth quarter of fiscal 2013, silver prices traded in a range from $19.05 per ounce to $20.49 per ounce with an average quarterly market price of $20.82 per ounce. Orvana's average realized silver price for the first quarter of fiscal 2014 was $20.69 per ounce. The Company derived approximately 10% of its revenue from sales of silver in the first quarter of fiscal 2014.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the US dollar/Euro exchange rate which impacts operating and administration costs at EVBC incurred in Euros while revenue is earned in US dollars. While Orvana's cost of sales and expenses were positively impacted by historical lows reached by the Euro against the US dollar of $1.22, continuing appreciation of the Euro since the end of fiscal 2012, which reached a higher of $1.38 in the quarter, has negatively impacted Orvana's costs at EVBC.

At December 31, 2013, Orvana had outstanding currency contracts on $40,000 at a contract price of USD/EUR of $1.38 until December 2015 required under the EVBC Loan. See "Financial Condition Review – Derivative Instruments". Orvana paid $25 during the first quarter of fiscal 2014 and $74 during the fourth quarter of fiscal 2013 to settle currency forward contracts that matured during the period.

Orvana also has a minor exposure to the Canadian dollar through corporate administration costs. Orvana's exposure to the USD/Bolivianos exchange rate is limited as this exchange rate has not fluctuated significantly during previous reporting periods.

Outlook

Orvana's short-term focus is operational optimization at the EVBC Mines and the UMZ Mine to generate increasing operating cash flows in order to pay down debt and pursue growth alternatives. Operational and corporate reviews have been initiated to seek means to reduce operating and capital costs to improve liquidity and cash flows given the recent declines and continued volatility in the metals markets. Orvana will continue to de-risk the Copperwood Project and look for means to realize value. In fiscal 2014, Orvana has allocated certain amounts towards internal growth exploration initiatives at both the EVBC Mines and the UMZ Mine and the regions thereof.

The following table sets out Orvana's first quarter of fiscal 2014 guidance and production as well as its fiscal 2014 guidance:

	Q1 2014 Production	FY2014 Guidance
EVBC Mines		
Gold (oz)	13,988	65,000 - 75,000
Copper (million lbs)	1.3	6.0 - 6.5
Silver (oz)	33,838	175,000 - 200,000
UMZ Mine		
Gold (oz)	4,867	15,000 - 18,000
Copper (million lbs)	3.5	12.0 - 14.0
Silver (oz)	218,992	700,000 - 750,000
Total		
Gold (oz)	18,855	80,000 - 93,000
Copper (million lbs)	4.4	18.0 - 20.5
Silver (oz)	252,830	875,000 - 950,000

At EVBC, while production and sales were lower in the first quarter of fiscal 2014 as a result of lower head grades in the areas being mined, the Company's focus at EVBC continues to be on improving head grades, increasing gold production and reducing total all-in costs per ounce of gold. The Company will continue to focus on these initiatives in fiscal 2014. Over the next few months the Company will focus on the completion of the hoist repair and upgrade and the recovery of the San Martin stope.

The Company's focus at the UMZ Mine continues to be on improving metal production and reducing operating costs. The suspension of the LPF process in the fourth quarter of fiscal 2013 has already contributed materially to these goals, particularly in unit cost reduction. Over the next quarter, the Company will continue to focus on implementation of the gold gravity concentrators, further testing of oxides processing and exploration activities.

The process for obtaining major permitting in respect of the Copperwood Project was completed in fiscal 2013. Orvana is continuing to optimize the Copperwood Project and investigate a variety of possible options to enhance the value of the Copperwood Project to Orvana's shareholders.

Orvana's long-term focus is to utilize future cash flow and mining capabilities to build long-term value for its shareholders. Growth opportunities, particularly near the Spanish operations, are being investigated.

Environment, Health, Safety and Sustainability

The Board of Directors of the Company has a Technical, Safety, Health, Environment and Sustainability Committee. The purpose of this Committee is to provide support for the Company's safety, health, environmental and sustainability programs, and to assist in reviewing the technical, safety, health, environmental and sustainability performance of the Company.

Orvana maintains various industry metrics to track its environment, health and safety performance over time such as lost-time injury frequency rates and lost-time injury severity rates. Safety performance has improved significantly at EVBC Mines and the UMZ Mine operations in fiscal 2013 compared to fiscal 2012.

Orvana is committed to developing and operating its mines and projects, including reclamation efforts, in full compliance with local environmental regulations and recognized international environmental standards. In furtherance of this commitment, Orvana regularly implements programs to protect and enhance natural habitats and sensitive species, including reclamation and reforestation efforts and the establishment of water sources for wildlife. The Company monitors the water and air quality on a frequent basis at EVBC Mines and the UMZ Mine and these operations are also periodically inspected by environmental regulatory authorities. Third parties sample and analyze both surface and ground water following protocols established by the applicable regulatory authorities in order to provide the necessary information. Any regulated elements whose values are not in compliance in the subject jurisdictions, when detected, are quickly located and evaluated. To date, although certain parameters have not always been in compliance at the Company's operations, evaluations have been provided to the respective regulatory authorities and remedial actions have or are being executed. The Company is currently working through one such matter in Spain with a local regulatory authority in respect of which it has received and may receive certain monetary sanctions and in respect of which the Company has been implementing remedial actions. In addition, the Company has filed applications for certain amendments to certain of its permits as a result thereof.

The Company maintains health and workplace safety programs at each of its operations. 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 operations inspections are performed by representatives from the mine operations, planning and safety departments as well as by regulatory authorities and independent third party experts. These inspections review current conditions and action on potential safety issues that arise as mine development progresses. The Company has also hired service providers to support the Company's safety department in risk assessment, training and work environment monitoring.

At EVBC there were four lost-time accidents reported in the first quarter of fiscal 2014 compared to two lost-time accidents in the fourth quarter of fiscal 2013. At EMIPA, there was one lost-time accident reported in the first quarter of fiscal 2014 consistent with the fourth quarter of fiscal 2013. There were no lost-time accidents reported for the Copperwood Project.

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 endeavors associated with these objectives. In fiscal 2013, Orvana corporate leaders were active in visiting and participating in sustainability initiatives in Spain and Bolivia, as well as in the Upper Peninsula of Michigan and plan to continue these initiatives in fiscal 2014. The Company has supported the communities surrounding EVBC by donating funds to the local municipality of Belmonte to re-open the historic exhibition of gold mining in the area and supports other cultural and sporting activities in the communities of Belmonte and Salas. In addition, the Company has funded the re-stocking of fish species into the local rivers surrounding EVBC. Recently EVBC sponsored the Rio Narcea Salmon fair, and provided mining educational materials and donations to the elementary school in Salas.

In the Chiquitos Province of Bolivia where the UMZ Mine is located, 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 the improvement of their standard of living. In 2011, Orvana renewed its support of $1,820 to the local communities for a five year period. 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, agricultural projects, contribution towards the completion of a sporting complex, and maintenance of community roads. In the first quarter of fiscal 2014, the Company funded $81 (fiscal 2013 – $348) of such commitment for a total of $1,206 funded since 2011. Outside of Orvana's committed support, the Company funded $166 (fiscal 2013 - $168) for a total of $615 in additional community support since 2011.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at December 31, 2013 and September 30, 2013:

	December 31, 2013	September 30, 2013
Cash and cash equivalents	**$9,368**	$13,039
Restricted cash (short term)	**$17,319**	$16,095
Non-cash working capital (1)	**$19,054**	$9,933
Total assets	**$293,448**	$288,339
Long-term debt (net of financing fees) (2)	**$43,384**	$46,055
Obligations under finance leases	**$353**	$627
Total liabilities	**$128,641**	$129,571
Shareholders' equity	**$164,807**	$158,768

(1) Working capital represents current assets of $75,132 less cash and cash equivalents and short-term restricted cash totaling $26,687 and less $29,391 in current liabilities comprised of accounts payable and accrued liabilities and income taxes payable (not including bank debt, short-term debt, current portion of long-term debt, obligations under finance leases and derivative instruments).

(2) The amount of Orvana's outstanding long-term debt at December 31, 2013 and September 30, 2013 is comprised of the EVBC Loan of $45,562 and $48,433, respectively, less financing fees of $2,178 and $2,378, respectively. Information relating to Orvana's outstanding credit facilities is set out below.

Total assets increased by $5,109 or 2% from $288,339 to $293,448 primarily as a result of (i) the increase to the derivative assets associated with the revaluation of the Company's outstanding derivative instruments of $5,895, and (ii) the increase in inventory relating to unsold product inventory and materials and supplies of $3,480, offset by a decrease in cash and cash equivalents of $3,671.

Total liabilities remained fairly consistent with the fourth quarter of fiscal 2013 with an overall decrease of $930 or 1% to $128,641 at December 31, 2013 from $129,571 at September 30, 2013.

Orvana's outstanding credit facilities are set out below:

At December 31, 2013 (1)	**Limit**	**Balance Outstanding**
EVBC Loan	$43,384	**$43,384**
EMIPA short-term credit facilities (2)	$10,000	**$9,856**
Fabulosa Loan (3)	$11,500	**$2,731**

(1) The balance outstanding as at the date of the MD&A under each of the EVBC Loan, the EMIPA short-term credit facilities and the Fabulosa Loan was $38,835, $9,856 and $2,731, respectively. The Company expects to maintain a level of short-term debt of approximately $10,000 in Bolivia. The Company's recorded long-term debt under the EVBC Loan at December 31, 2013 in the Interim Financials was $31,413 and the current portion thereof was $11,971 for a total of $43,384 representing the balance outstanding of $45,562 net of financing fees of $2,178.

(2) EMIPA short term credit facilities are with two Bolivian banks and are payable in 120 to 180 days with annual interest ranging from 7.0% to 7.5% with certain of EMIPA's assets pledged as security against these loans (December 31, 2013 - $19,480). The credit facilities are not guaranteed by Orvana. The proceeds are used to finance EMIPA's working capital needs. The foregoing, excludes bank guarantees of $604 (September 30, 2013 - $465) related to refunded value-added taxes and chemical and natural gas purchases.

EVBC Loan

In October 2010, Kinbauri, a subsidiary of the Company, entered into a $50,000 five-year term corporate credit facility (the "EVBC Loan"). The funds were primarily used to complete the construction of EVBC. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844 including approximately $6,500 (€5,000) to fund an environmental bond that may be required to be posted with governmental authorities in Spain. To the extent that the required environmental bond is less than €5,000, the remaining funds may be used for general corporate purposes. During the first quarter of fiscal 2014, the Company obtained a waiver in respect of one of its financial covenants. The Company expects to be in non-compliance with the same financial covenant in the next quarter and expects to obtain a waiver in connection therewith. The Company is currently negotiating certain amendments to the EVBC Loan.

The EVBC Loan contains covenants that, among other things, (i) require the deposit of certain cash flows from operating activities into restricted cash for upcoming EVBC Loan repayments, (ii) restrict Orvana's ability to incur additional indebtedness, (iii) restrict Kinbauri's ability to make cash distributions to Orvana in certain circumstances subject to meeting certain covenants, (iv) require additional repayments under the EVBC Loan in certain circumstances from excess cash flows from operating activities, and (v) restrict Orvana's ability to sell material assets or to carry on business other than one related to the mining business.

The EVBC Loan required gold, copper and US dollars/EUR derivative instruments that have already been put in place. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are guaranteed by Orvana. See "Financial Condition Review – Derivative Instruments" below. Orvana is required to maintain certain financial ratios which calculations exclude the fair value adjustments of the outstanding derivative instruments required under the terms of the EVBC Loan.

The EVBC Loan details set out below:

EVBC Loan	
Costs (interest and fees excluding cash settlements of maturing derivative instruments)	5-6% per annum
Interest rate	4% plus LIBOR
Commencement of quarterly principal repayments	July 2, 2012
Maturity date	September 30, 2016
Principal repayment held as restricted cash as at the date of this MD&A	$3,990
Interest repayment held as restricted cash as at the date of this MD&A	$507
Principal balance outstanding as at the date of this MD&A	$41,571
Annual principal repayment remaining as at the date of this MD&A (in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan)	2014 - $11,917 2015 - $17,637 2016 - $15,954

Fabulosa Loan - Related Party Transactions

The Company has a secured loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 52% shareholder, in the amount of $11,500 originally entered into in 2011. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12%, is payable monthly and the Company pays withholding taxes imposed by applicable taxing authorities. The Company is currently paying interest and stand-by fees. The Company has repaid $3,359 of the principal amount outstanding and, as of the date of the MD&A, a principal amount of $2,731 is outstanding. The Fabulosa Loan contains covenants that, among other things, require principal repayment in the event of, among other things, the sale of certain of the Company's assets. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding Kinbauri.

The availability period and the maturity period of the Fabulosa Loan expires September 30, 2014. Principal amounts outstanding under the Fabulosa Loan are required to be repaid in the minimum amount of $500 per month commencing on April 1, 2014 and the entire principal and interest is required to be repaid by the maturity date. In connection with a loan extension and amendment in the third quarter of fiscal 2013, the Company issued warrants to purchase 500,000 Common Shares exercisable until August 9, 2018 at an exercise price of $0.49.

Concurrent with the Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding Common Shares, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest is of the Common Shares.

Shareholders' Equity

Shareholders' equity at December 31, 2013 was $164,807 representing an increase of $6,039 or 4% from $158,768 at September 30, 2013 primarily as a result of the unrealized gain recorded on the revaluation of the Company's outstanding derivative instruments net of tax of $4,798. The table below sets out the number of each class of securities of the Company outstanding at December 31, 2013 and as at the date hereof:

	At December 31, 2013
Common Shares	136,623,171
Warrants (1)	2,271,667
Stock options (2)	2,805,002

(1) All of the outstanding warrants are held by Fabulosa. Warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90. Warrants to purchase up to 1,425,000 Common Shares were issued on March 5, 2012 with an exercise price of C$0.97. In connection with the Fabulosa Loan Amendment, warrants to purchase up to 500,000 Common Shares were issued on August 22, 2013 with an exercise price of C$0.49. The expiry dates of these warrants range from 2016 and 2018. As a result of the forfeiture or expiration of certain options, warrants to purchase up to 2,271,667 Common Shares were outstanding as of the date of the MD&A of which 950,000 were exercisable.

(2) The options have a weighted average exercise price of $1.70 and expiry dates ranging from 2014 to 2018.

Derivative Instruments

The Company had the following outstanding derivative instruments at December 31, 2013 as required under the EVBC Loan with one counterparty:

	Contract Prices	Cash Settlement	Contract Amounts
Currency			
USD/EUR forwards (Jan 2014-Dec 2015)	$1.38	Quarterly	$40,000 (1)
Copper			
Copper forwards (Jan 2014-Dec 2015)	$7,260 / tonne	Monthly	5,418 (1)
Gold			
Gold forwards (Jan 2014-Dec 2015)	$1,334 / troy oz	Monthly	18,750 (1)
Gold collars (Jan 2014-Sep 2015)	Puts - $1,550 / troy oz Calls - $1,855 / troy oz	Monthly	33,600 (2)
Gold collars (Jan 2014-Sep 2016)	Puts - $1,250 / troy oz Calls - $2,270 / troy oz	Monthly	19,200 (2)
Total gold collars (troy oz)			52,800

(1) Entered into in the first quarter of fiscal 2011 in connection with the EVBC Loan.

(2) Entered into in November 2011 and February 2012 in connection with the increase in the EVBC Loan.

During the first quarter of fiscal 2014, 36% of the Company's total gold sales and 21% of the Company's total copper sales were hedged under the gold and copper derivative instruments. The Company received net cash of $1,631 in settlement of the derivative instruments that matured in the period.

At December 31, 2013, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

At December 31, 2013	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Derivative Instruments Assets				
Gold forwards	$1,203/oz	$1,334/oz	$1,206/oz	$2,396
Gold collars	$1,203/oz	-	-	$15,152
Total fair value of derivative instruments assets at December 31, 2013				$17,548

At December 31, 2013	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Derivative Instruments Assets				
Less: current portion				$7,909
Total non-current derivative instruments assets				$9,639

At December 31, 2013	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Derivative Instruments Liabilities				
Currency contracts (EUR/USD)	$1.37	$1.38	$1.38	$478
Copper forwards	$7,395/tonne	$7,260/tonne	$7,305/tonne	$249
Total fair value of derivative instruments liabilities at December 31, 2013				$727
Less: current portion				$489
Total non-current derivative instruments liabilities				$238

Changes in the fair value of the Company's outstanding derivative instruments are recognized through the Company's income statement as non-cash derivative instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the derivative instruments. The mark-to-market fair value of the Company's outstanding derivative instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk. The asset associated with the Company's outstanding derivative instruments at December 31, 2013 was $17,548 compared to an asset of $11,653 at September 30, 2013. The liability associated with the Company's outstanding derivative instruments at December 31, 2013 was $728 compared to $1,687 at September 30, 2013. The Company recorded an unrealized derivative instruments gain of $6,853 in first quarter of fiscal 2014 compared to an unrealized derivative instrument loss of $10,854 in the fourth quarter of fiscal 2013 and an unrealized derivative gain of $43,295 for fiscal 2013. The Company recorded fair value adjustments on its outstanding derivative instruments for the three months ended December 31, 2013 and during the 2013 fiscal year calculated as follows:

	Q1 2014	Q4 2013	FY2013
Change in unrealized fair value (gain) loss	**($6,853)**	$10,854	($43,295)
Realized (gain) loss on cash settlements of derivative instruments closed	**(1,631)**	(1,026)	1,155
Recorded derivative instruments (gain) loss	**($8,484)**	9,828	($42,140)

Sensitivities

The following table sets forth the after-tax impact on the Company's net income for the first quarter of fiscal 2014 of increases or decreases in the fair value of the derivative instruments assuming changes in the average forward EUR/US dollar rate and the average forward prices of copper and gold compared to the rates/prices used in the derivative instruments gain calculation set out above with all other variables remaining constant:

At December 31, 2013	Rate/Price Used in Derivative instruments Gain Calculation	Change in Rate/Price	After-Tax Change
EUR/USD (currency contracts)	$1.38	+/- 10% ($1.51/$1.24)	+/- $2,800
Copper forwards	$7,305/tonne	+/- 10% ($8,035/$6,574)	+/- $2,800
Gold forwards	$1,206/oz	+/- 10% ($1,327/$1,085)	+/- $1,600
Gold collars	-	+ 10%	- $3,200
Gold collars	-	- 10%	+ $14,200

Capital Resources

At December 31, 2013, the Company had cash and cash equivalents of $9,368, restricted cash of $17,319 including $9,306 set aside for debt repayment and total debt of $58,149. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

	December 31, 2013	September 30, 2013
Shareholders' equity	**$164,807**	$158,768
Bank debt (1)	**$9,856**	$9,856
Short-term debt (1)	**$2,731**	$2,731
Long-term debt (1)	**$45,562**	48,433
Obligations under finance leases	**$353**	627
	$223,309	$220,415
Less: Cash and cash equivalents (2)	**(9,368)**	(13,039)
Capital employed	**$213,941**	$207,376

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. The Company's recorded long-term debt under the EVBC Loan at December 31, 2013 in the Interim Financials was $27,423 and the current portion thereof was $15,961 for a total of $43,384. This represents the balance outstanding under the EVBC Loan at December 31, 2013 net of financing fees.

(2) In addition to cash and cash equivalents, at December 31, 2013, the Company had $9,306 set aside under restricted cash for the next two quarterly debt payments under the EVBC Loan.

The Company's financial objective when managing capital is to make sure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or sell assets to reduce debt.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and current outlook of the business and industry in general. The Company's alternatives to fund future capital needs include cash flows from operating activities, debt or equity financing, adjustments to capital spending, or sale of assets. The capital structure and these alternatives are reviewed by management and the board of directors of the Company on a regular basis to ensure the best mix of capital resources to meet the Company's needs.

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of its EVBC Mines, the UMZ Mine and the Copperwood Project. Information is regularly provided to the board of directors of the Company.

Cash Flows, Commitments and Liquidity

Cash Flows

Total cash and cash equivalents as at December 31, 2013 were $9,368 primarily denominated in US dollars representing a decrease of $3,671 from $13,039 at September 30, 2013. Short-term restricted cash was $17,319 (September 30, 2013 - $16,095) and includes $9,306 for the next two quarters principal and interest payments under the EVBC Loan and $6,899 in respect of a potential future reclamation bond payment. The Company's total debt was $58,149 (debt net of cash, cash equivalents and restricted cash for debt repayment was $39,475) at December 31, 2013. This compares to debt as at September 30, 2013 of $61,020 (debt net of cash, cash equivalents and restricted cash of $39,756).

Orvana's primary source of liquidity has been from operating cash flows in the last twelve months. Cash flows from operating activities before changes in non-cash working capital were $8,502 in the first quarter of fiscal 2014 compared to $15,265 in the fourth quarter of fiscal 2013. Orvana generated cash flows from operating activities of $3,754 in the first quarter of fiscal 2014 compared to $7,659 in the fourth quarter of fiscal 2013.

Cash flows provided by operating activities in the first quarter of fiscal 2014 were $3,754. Adjusted operating cash flows for the first quarter of fiscal 2014 excluding the cash settlements for maturing derivative instruments was $2,115. The most significant driver of the change in operating cash flow is production and sales and market gold and copper prices. Future changes in these market prices, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity.

The principal uses of operating cash flows are the repayment of debt and the funding of the Company's capital expenditures. Cash used in financing activities in the first quarter of fiscal 2014 was $3,147 compared to $763 in the fourth quarter of fiscal 2013.

The following table summarizes the principal sources and uses of cash for the periods specified below:

	Q4 2013	**Q1 2014**	Q1 2013	FY2013
Cash provided by (used in) operating activities	$7,659	**$3,754**	$167	$32,569
Cash from (used in) financing activities	($763)	**($3,147)**	893	($12,425)
Cash used by investing activities (1)	($5,352)	**($4,201)**	($2,302)	($20,307)
Change in cash	$1,544	**($3,594)**	($1,242)	($163)

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period. See "Cash Flows, Commitments and Liquidity – Capital Expenditures".

Capital Expenditures

The following table sets forth Orvana's capital expenditures for the periods specified below for EVBC, the UMZ Mine and the Copperwood Project:

Capital Expenditures (1)	**Q4 2013**	**Q1, 2014**	**Q1 2013**	**FY2013**
UMZ Mine	$581	**$789**	$1,382	$2,691
EVBC Mines (1)	3,748	**3,727**	3,355	13,248
Copperwood Project	546	**127**	1,070	3,193
Corporate	-	**-**	-	3
Subtotal capital expenditures	$4,875	**$4,643**	$5,807	$19,135
EVBC – finance lease payments	-	**-**	518	-
EVBC – accounts payable adjustments (1)	(983)	**(1,523)**	(1,578)	2,022
Total capital expenditures (2)	$3,892	**3,120**	$4,747	$21,157

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period. See "Cash Flows, Commitments and Liquidity – Capital Expenditures".

(2) For further discussion relating to capital expenditures, see "Cash Flows, Commitments and Liquidity – Liquidity".

Other Commitments

At December 31, 2013, the Company's contractual obligations included: bank debt; term credit facilities; obligations under finance leases; operating leases; decommissioning liabilities; purchase obligations related to certain operating activities at the EVBC Mines and the UMZ Mine; provision for statutory labour obligations; and long-term compensation. Contractual obligations are summarized in the following table below:

		Payment Due by Period			
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Bank debt - UMZ Mine (1)	**$9,856**	$9,856	-	-	-
Short-term debt - Fabulosa Loan (1)	**$2,731**	$2,731	-	-	-
Long-term debt - EVBC Loan (1)	**$45,562**	$15,961	$29,601	-	-
Obligations under finance leases (2)	**$353**	$353	-	-	-
Operating leases	**$598**	$440	$158	-	-

		Payment Due by Period			
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Decommissioning liabilities (3)	**$21,494**	$18	$2,958	$2,748	$15,770
Reclamation bond (4)	**$6,899**	$6,899	-	-	-
Purchase obligations	**$7,824**	$5,862	$1,962	-	-
Provision for statutory labour obligations (5)	**$2,376**	-	$2,376	-	-
Long-term compensation	**$517**	$83	$314	-	$120
Total contractual obligations (6) (7)	**$98,210**	**$42,203**	**$37,369**	**$2,748**	**$15,890**

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. See “Financial Condition Review - Balance Sheet Review”.

(2) During fiscal 2010 and 2011, finance leases were entered into for the purchase of underground mining equipment for the EVBC Mines. Under each finance lease agreement, 15% to 40% of the purchase price of the equipment was paid in cash at the time of delivery with the balance financed over a three-year lease term. Lease payments are payable quarterly with interest at rates of 5.5% to 6.6% per annum.

(3) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for reclamation bonds amounted to approximately $10,375 at December 31, 2013 (September 30, 2013 - $10,160). Decommissioning liabilities are discussed below under “Other Information - Critical Accounting Estimates - Decommissioning Liabilities”.

(4) A cash-backed reclamation bond of up to €5,000 may have to be deposited by the Company under Spanish mining regulations in respect of the EVBC Mines. The Company is currently challenging this based on technical considerations. Should the Company have to deposit this reclamation bond, the Company has such funds under restricted cash. Should the Company have to deposit a lower amount, it will take the difference into working capital.

(5) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month’s wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. This obligation was actuarially valued at December 31, 2013 using the projected unit credit method to determine the present value of the future payments related to this obligation.

(6) Production from the EVBC Mines and the UMZ Mine is subject to certain royalties which amounts have not been included in total contractual obligations at December 31, 2013. For a description of such royalties and amounts payable, see “Royalties” below.

(7) The Company has outstanding derivative instruments required under the EVBC Loan that mature monthly or quarterly until 2016. Using forward gold, copper and currency prices for the applicable period, at December 31, 2013 the Company estimated payments of $489 in less than one year and $238 for the period greater than one year and less than three years. The Company realized $1,631 in gains to settle derivative instruments that matured in the first quarter of fiscal 2014.

Royalties

Production from EVBC is subject to a 3% net smelter return royalty (“NSR”), referred to herein as the EVBC Royalty, payable quarterly. The EVBC Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce.

The royalty holder exercised a pre-payment right under the EVBC Royalty as the aggregate amount of payments paid as at December 31, 2012 under the EVBC Royalty was less than C$7,500,000. The Company is financing this pre-payment right of $4,023 until July 1, 2014 at a rate of 12%, with all royalty payments made from January 1, 2013 serving to reduce such amount. The Company has paid $3,170 of this pre-payment amount to December 31, 2013. The EVBC Royalty expense totaled $639 for the first quarter of fiscal 2014.

Production from the UMZ Mine is subject to a 3% NSR payable quarterly. This expense totaled $349 for the first quarter of fiscal 2014. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the UMZ Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $1,198 for the first quarter of fiscal 2014. The NSR and the mining royalty tax are referred to herein as the “UMZ Royalties”.

The Copperwood Project is subject to a 2% to 4% NSR payable on copper production determined on a quarterly basis on a sliding scale based on prevailing inflation-adjusted copper prices and becomes payable when production commences.

Liquidity

Orvana’s primary source of liquidity in fiscal 2013 was operating cash flows, draw-downs under the Fabulosa Loan and an increase in the EMIPA short-term facilities.

Bank loans with certain Bolivian banks have averaged a balance of approximately $10,000 and are short term ranging from 120 to 180 days. Although in the past, EMIPA’s lenders have agreed to renew these loans in the ordinary course, new loans replacing those maturing may not be obtained. In the event that certain of these loans are not renewed, cash flows from operating activities from the UMZ Mine will be used for working capital purposes and less cash flows therefrom will be available for distribution to Orvana. The Company intends to maintain this outstanding short-term loans balance in the near term.

The EVBC Loan requires the deposit of certain cash generated from operating activities into restricted cash to be used for future EVBC Loan repayments and restricts the distribution of cash in certain circumstances from Kinbauri to Orvana unless certain covenants are met. Therefore, Orvana may report positive cash balances, but may be restricted in its ability to make use of certain of this cash. EVBC experienced certain operational challenges during the first quarter of fiscal 2014 which management is currently working to address. Should these challenges continue or should further challenges be identified, additional working capital financing may be required.

Orvana is making principal and interest payments under the EVBC Loan and, interest and stand-by fees payments under the Fabulosa Loan. At the date of the MD&A, $2,731 was outstanding under the Fabulosa Loan and the Company had the ability to draw approximately $8,769 thereunder until September 30, 2014. The Company expects to be in non-compliance with certain financial covenants with respect to the EVBC Loan in the next quarter. If a waiver cannot be obtained, the EVBC Loan would have to be reclassified to short-term and could be called by the lender.

As at December 31, 2013, the Company had cash of $9,368 and restricted cash of $17,319 designated to cover a portion of the Company's commitments due in less than one year of $42,203 including two quarters of principal and interest payments under the EVBC Loan and the reclamation bond which may have to be deposited but which the Company is challenging. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flows from operating activities.

At current market gold and copper prices, the Company generated positive operating cash flows in the first quarter of fiscal 2014. During the quarter, financial and investing activities including the repayment of debt and capital expenditures resulted in negative free cash flow. Following the repayment of, among other things, amounts under the EVBC Loan due in fiscal 2014, the Fabulosa Loan and the Company's planned capital expenditures, at current metal market prices, the Company expects to generate positive free cash flows for the remainder of fiscal 2014.

If unanticipated events occur that may impact the operations of EVBC Mines and the UMZ Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. 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.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended December 31, 2013:

	Quarters ended			
	Q1 2014	**Q4 2013**	**Q3 2013**	**Q2 2013**
Revenue	**$35,220**	$43,975	$36,997	$45,576
Net income (loss)	**$6,008**	$1,174	$11,315	$6,483
Earnings (loss) per share (basic and diluted)	**$0.04**	$0.01	$0.08	$0.05
Total assets	**$293,448**	$288,339	$281,101	$281,418
Total long-term financial liabilities (1)	**$45,915**	$48,980	$52,111	$54,179

	Quarters ended			
	Q1 2013	**Q4 2012**	**Q3 2012**	**Q2 2012**
Revenue	**$35,651**	$52,110	$45,872	$32,155

	Quarters ended			
	Q1 2014	**Q4 2013**	**Q3 2013**	**Q2 2013**
Net income (loss)	**$13,651**	($2,007)	$12,118	($7,959)
Earnings (loss) per share (basic and diluted)	**$0.10**	($0.01)	$0.09	($0.06)
Total assets	**$290,277**	$286,134	$274,254	$266,558
Total long-term financial liabilities (1)	**$59,239**	$62,482	$66,652	$74,171

(1) Long-term financial liabilities include the current and long-term and portions of obligations under finances leases and long-term debt, before deducting financing fees.

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

The Company's activities expose it to a variety of financial risks: market risks (including commodity price risks, currency risk and interest rate risk), credit risk and liquidity and financing risk. Enterprise risk management is carried out by management of the Company under policies approved by the board of directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The board of directors of the Company reviews the risk management programs and provides oversight on specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance. For additional information relating to these financial risks, please see the Management's Discussions and Analysis for the fiscal year ended December 31, 2013 ("2013 MD&A").

Other Risks

The Company identified a variety of additional risks and uncertainties in the 2013 MD&A and annual information form relating to fiscal 2013 filed on SEDAR including, but not limited to, (i) development and operations of mines, (ii) mineral resources and reserves, (iii) production estimates, costs and metals prices, (iv) labour arrangements, (v) regulatory requirements, and (vi) political and related risks. There have been no other significant changes to the Company's exposure to risks and other uncertainties including risks relating to the Company's foreign operations.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS 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, forward metals prices, decommissioning liabilities, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

Net Realizable Amounts of Property, Plant and Equipment

At December 31, 2013, the net book value of the property, plant and equipment in respect of the UMZ Mine and EVBC Mines amounted to $23,297 and $142,725, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

The reserve and resource estimates for each operation are the prime determinants of the life of a mine. In general, an ore body where a mineralization is reasonably well defined is amortized over its proven and probable mineral reserves. Non reserve material may be included in the depreciation calculations in limited circumstances where there is a high degree of confidence in economic extraction. The expected economic life of these mines is dependent upon the estimated remaining ore; gold, copper and silver prices; and cash operating costs.

Exploration and development expenditures are capitalized once management of the Company has determined that there is a reasonable expectation of economic extraction of minerals from the property. At December 31, 2013, the capitalized costs for the Copperwood Project amounted to $21,840. The Company continues to optimize the Copperwood Project as discussed under "Overall Performance - Copperwood Project".

The Company assesses each mine development project to determine when a mine is substantially complete and ready for its intended use and has advanced to the production stage. In its assessment, the Company considers relevant criteria based on the nature of each project, including the completion of a reasonable period of testing of mine plant and equipment, the ability to produce materials in saleable form (within specifications) and the ability to sustain ongoing production of minerals. When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs and underground mine or reserve development which are capitalized to property, plant and equipment.

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines 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 following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of EVBC Mines and the UMZ Mine at December 31, 2013. These estimates were prepared by management with the use of independent third party experts.

At December 31, 2013	Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mines (1)(2)	$15,938	4.2%	**$10,673**
UMZ Mine (1)(2)	$5,556	2.0%	**$5,103**
Total	$21,494		**$15,776**

(1) Accretion expense is recorded using the discount interest rate set out above. It is expected that these amounts will be incurred in 2016 through 2026 in respect of the UMZ Mine and the EVBC Mines, respectively. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

(2) For the EVBC Mines, the revision in estimated cash flows includes the impact of the change in discount rate, the additional expected remediation costs related to the tailings dam, the inclusion of certain costs for remediation activities in respect of which the EVC Mines have provided a reclamation bond to Spanish authorities fully cash-backed, and the impact of the foreign exchange rate of the Euro versus the US dollar. For the UMZ Mine, the revision in estimated cash flows includes the impact of the change in discount rate as well as the impact of the shorter expected mine life.

Stock-based compensation

The Company recorded stock-based compensation expense of $31 in the first quarter of fiscal 2014 compared to $276 for fourth quarter of fiscal 2013. 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

The Company has established a Deferred Share Unit ("DSU") plan for its directors, with each DSU having the same value as a Common Share. Under the DSU plan, 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 is expensed in the period.

The Company has established a Restricted Share Unit ("RSU") plan for designated executives, with each RSU having the same value as a Common Share. Under the RSU plan, certain executives may be awarded a portion of their bonus compensation in RSUs. The RSUs are redeemable in cash upon vesting. The fair value of amounts granted each period together with changes in fair value are expensed in the period.

Impairment

The Company assesses the carrying values of each cash-generating unit ("CGU") at each reporting period end date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell ("FVLCS") or value-in-use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, the resale market for certain property, plant and equipment of the Company and operating performance. Fair value under FVLCS is determined as the amount that would be obtained from the sale, less costs, of the asset in an arm's length transaction between knowledgeable and willing parties. When observable market prices are not available for the asset, value-in-use for mineral properties is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that are specific to the Company's circumstances with respect to each CGU. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management of the Company has assessed its CGUs to be each country that it operates in (EVBC Mines, UMZ Mine and the Copperwood Project), which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of EVBC Mines and the UMZ Mine using forecasted production and costs per the life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at December 31, 2013 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company declined to below the carrying amount of Orvana's net assets at December 31, 2013 of $164,807, following the completion of an impairment test in respect of each CGU, the Company estimates that the net recoverable amounts are greater than the carrying values of such assets and, as such, there has been no impairment of such carrying values.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. Based on a review of internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at December 31, 2013.

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 material corrective actions.

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, have been detected and that all of the objectives of the internal controls over financial reporting have been achieved.

Non-IFRS Measures

All-in sustaining costs per gold ounce

The Company, in conjunction with an initiative undertaken within the gold mining industry, began reporting an all-in sustaining cost non-IFRS performance measure as set out in the guidance note released by the World Gold Council in June 2013 for the period ended September 30, 2013 and restated the comparative periods. The Company believes this performance measure more fully defines the total costs associated with producing gold; however, this performance measure has no standardized meaning. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cash operating costs include total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's cash costs. All-in sustaining costs includes cash operating costs plus sustaining capital expenditures, corporate administrative expense, exploration and evaluation costs, and reclamation cost accretion. The Company believes that this measure represents the total costs of producing gold from current operations, and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in AISC. All-in costs represents AISC plus non-sustaining capital expenditures and non-sustaining exploration. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included. The Company reports this measure on a gold ounces sold basis.

The following table provides a reconciliation of all-in sustaining costs and all-in costs (by-product) per ounce of gold sold for the EVBC Mines for the periods set out below:

EVBC Mines	Q1 2014	Q4 2013	Q1 2013	FY2013
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1)				
Total mine costs (sales based)	**$15,615**	**$16,835**	**$9,194**	**$58,678**
Deductions, refining, treatment, penalties, freight & other costs	2,341	3,488	1,622	11,218
Accrued/paid royalties - based on sales	640	756	537	3,060
Sub-total - other operating costs	**$2,980**	**$4,244**	**$2,159**	**$14,279**
Copper sales - gross revenue value	(4,591)	(6,474)	(2,924)	(20,208)
Silver sales - gross revenue value	(781)	(1,393)	(1,014)	(4,719)
Sub-total by-product revenue	**(5,372)**	**($7,868)**	**($3,938)**	**($24,927)**
Cash operating costs	**$13,224**	**$13,211**	**$7,415**	**$48,029**
Corporate general & administrative costs	800	954	1,066	3,255
Reclamation, accretion & amortization	308	110	99	428
Exploration and study costs (sustaining)	101	-	-	-
Primary development (sustaining)	1,701	1,920	2,558	9,810
Other sustaining capital expenditures (2)(3)	560	7,412	798	2,323
All-in sustaining costs	**$16,693**	**$17,008**	**$11,935**	**$63,846**
Capital expenditures (hoist) (3)	1,466	1,015	-	1,116
All-in costs	**$18,159**	**$18,023**	**$11,935**	**$64,962**
Au/oz sold	14,954	17,411	8,759	59,802
Cash operating costs ($/oz) gold	$884	$759	$847	$803
All-in sustaining costs ($/oz) gold	$1,116	$977	$1,363	$1,068
All-in costs ($/oz) gold	$1,214	$1,035	$1,363	$1,086

(1) Costs are reported per ounce of gold sold in the period.

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures includes unpaid capital expenditures incurred in the period.

As a result of revenue from the sale of gold and silver representing more than 40% of total gross revenue from the UMZ Mine in a reporting period and for better costs comparisons to other mines, the Company is reporting all-in sustaining costs (co-product) per pound of copper and per ounce of gold and silver sold.

The following table provides a reconciliation of all-in sustaining costs per ounce of the UMZ Mine for the periods set out below:

UMZ Mine (1)	Q1 2014	Q4 2013	Q1 2013	FY2013
Cash operating costs, all-in sustaining costs and all-in costs (co-product) (2)				
Total mine costs (sales based)	**$4,357**	**$4,474**	**$6,733**	**$25,650**
Deductions, refining, treatment, penalties, freight & other costs	7,200	6,531	6,649	24,322
Accrued/paid royalties - based on sales	1,604	1,642	2,186	7,259
Sub-total - other operating costs	**$13,161**	**$8,173**	**$8,835**	**$31,581**
Gross by-product credit	($46)	($1,028)	($260)	($2,649)
Cash Operating Costs	**$13,219**	**$11,619**	**$15,308**	**$54,583**
Corporate general & administrative costs	446	497	504	1,951
Community costs related to current operations	247	81	119	517
Reclamation, accretion & amortization	289	52	68	248
Capital expenditures (sustaining) (3)	789	581	1,370	2,691
All-in sustaining costs	**$14,886**	**$12,830**	**$17,369**	**$59,990**
Union payments	-	-	-	1,348
Exploration and study costs (non-sustaining)	5	3	7	83
All-in costs	**$14,891**	**$12,833**	**$17,376**	**$61,421**
Cash operating costs (co-product) ($/oz) gold	$761	$740	$1,010	$951
Cash operating costs (co-product) ($/lb) copper	$2.18	$1.97	$2.05	$2.16
Cash operating costs (co-product) ($/oz) silver	$14.56	$13.17	$20.35	$17.64
All-in sustaining costs (co-product) ($/oz) gold	$874	$823	$1,153	$1,051
All-in sustaining costs (co-product) ($/lb) copper	$2.46	$2.17	$2.33	$2.38
All-in sustaining costs (co-product) ($/oz) silver	$16.39	$14.49	$22.87	$19.30
All-in costs (co-product) ($/oz) gold	$874	$823	$1,153	$1,076
All-in costs (co-product) ($/lb) copper	$2.46	$2.17	$2.33	$2.44
All-in costs (co-product) ($/oz) silver	$16.39	$14.49	$22.87	$19.72

(1) Costs are reported per ounce of gold or silver or per pound of copper sold in the period.

(2) Total mine costs for each metal are based on the percentage of gross revenue that each quantity of metal sold in the period represents of total gross revenue for the period. Refining charges, metallurgical deductions and the UMZ Royalties allocated to each metal based on actual costs related to each quantity of metal sold in the period.

(4) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature. Capital expenditures includes unpaid capital expenditures incurred in the period.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share

The Company has included adjusted net income (loss) and adjusted net income (loss) per share as non-IFRS performance measures in this MD&A. Adjusted net income (loss) excludes unrealized gains/losses recognized as a result of the revaluation of Orvana's outstanding derivative instruments at the end of the period and the deferred income tax impact relating thereto. The Company excludes these items from net income or net loss to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following table provides a reconciliation of adjusted net income (loss) and adjusted net income (loss) per share to the Company's consolidated financial statements for the respective period:

Adjusted Net Income	Q1 2014	Q4 2013	Q1 2013	FY2013
Net income (loss)	**$6,008**	$1,174	$13,651	$32,623
Unrealized (gains) losses on derivatives	**(6,853)**	10,854	(13,300)	(43,295)
De-recognition of assets - EVBC hoist	**-**	(1,256)	-	2,244
EMIPA union payments	**-**	-	-	1,384
EMIPA VAT provision	**-**	-	-	1,387
EMIPA Write-Down	**-**	(150)	-	6,273
Sub-total	**($844)**	$10,622	351	616
Total tax adjustment	**2,056**	(2,808)	3,990	11,804
Adjusted net income (loss)	**$1,211**	$7,814	$4,341	$12,420
Weighted average shares outstanding (000s)	**136,623**	136,748	136,618	136,652
Adjusted net income (loss) per share (basic and diluted)	**$0.01**	$0.06	$0.03	$0.09

Fabulosa Related Party Transactions

The Company has a secured loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 52% shareholder, in the amount of $11,500. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12%, is payable monthly and the Company pays withholding taxes imposed by applicable taxing authorities. The Company is currently paying interest and stand-by fees. The Company has repaid $3,000 of the principal amount outstanding in fiscal 2013 and, as of the date of the MD&A, a principal amount of $2,731 is outstanding. The Fabulosa Loan contains covenants that, among other things, require principal repayment in the event of, among other things, the sale of certain of the Company's assets. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding Kinbauri. The Fabulosa Loan was amended during the fourth quarter of fiscal 2013 in accordance with the Fabulosa Loan Amendment. In connection with such extension and amendment, the Company issued warrants to purchase 500,000 Common Shares exercisable at an exercise price of $0.49 until August 9, 2018.

Concurrent with the Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding Common Shares, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest is of the Common Shares.

Other Information

Other operating and financial information with respect to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

Cautionary Statements - Forward-Looking Information

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, potential 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 operation of EVBC Mines, the UMZ Mine and the development of the Copperwood Project and their potential 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 and reserve estimates; estimates of permitting timelines; statements and information regarding future feasibility studies and their results; production sales 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 or reduce losses; future financing requirements; and mine development plans including mine life estimates.

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 EVBC Mines, the UMZ Mine or the Copperwood Project 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; sales being realized as contemplated; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs remaining or 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 prices 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 and operate EVBC Mines, the UMZ Mine or the Copperwood 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 the Company's Annual Information Form 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.

The forward-looking statements made in this MD&A 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.

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.

The forward-looking statements made in this MD&A 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.

Mineral Reserves and Resources

All mineral reserves and resources referenced in this MD&A are determined in accordance with NI 43-101. Whereas terms associated with various categories of “reserve” or “resource” are recognized and required by Canadian regulations, they may not have equivalent meanings in other jurisdictions outside Canada and no comparison should be made or inferred. Actual recoveries of mineral products may differ from mineral reserves and resources due to inherent uncertainties in acceptable estimating techniques. In particular, “indicated” and “inferred” mineral resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an “indicated” or “inferred” mineral resource will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.