ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – For the second quarter ended March 31, 2010

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on May 14, 2010 (the "Report Date") and describes the operating and financial results of the Company for the second quarter ended March 31, 2010. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the period ended March 31, 2010 and the audited consolidated financial statements and related notes for the year ended September 30, 2009. In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold production, in fine troy ounces, is referred to as "ounces".

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

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

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

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

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

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

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

BUSINESS OVERVIEW AND STRATEGY

The Company

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

Business Strategy

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

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

The El Valle-Boinás/Carlés Project

Orvana acquired the El Valle-Boinás/Carlés ("EVBC") project through its acquisition of Kinbauri Gold Corp. ("Kinbauri") in the fall of 2009. EVBC is located in northern Spain's Rio Narcea Gold Belt and consists of 14 concessions comprising 4,298 hectares. Orvana's preliminary estimates for annual gold and copper production from EVBC are approximately 100,000 ounces of gold and 9 million pounds of copper. Production is expected to commence during the second quarter of fiscal 2011.

Orvana continued implementing its plan for recommencing production at EVBC as expeditiously as possible. During the second quarter of fiscal 2010, refurbishing of existing mill facilities continued according to the operational recommencement plans. Orvana also took delivery of underground mining equipment, crews were hired and development advanced on several El Valle-Boinás headings. Development will focus on shaft station accesses and the 100-m level, where shaft loading facilities will be installed. Equipment selection and detailed design for the shaft were advanced. Also plans are being finalized to develop access to planned mining areas (in particular the A107 zone). This is being done in order to obtain important information regarding grade control and ground conditions and also to support mining method selection and stope design. By the end of the second quarter of fiscal 2010, as activities continued to ramp up, employee count reached 92.

Since the acquisition of Kinbauri in the fall of 2009, considerable effort has been made to review permit status and complete any outstanding required compliance activities. The Central Institute of Explosives has certified Kinbauri as a "high user" of explosives; this will allow construction of explosives magazines at each mine site, and will reduce the number of monthly shipments as well as transportation costs. Also, the bi-annual flora and fauna survey completed in February 2010 showed improving conditions and no negative impacts at the site. While most key permits have been obtained, efforts in the third quarter will focus on re-activating the environmental permit required for operating the tailing facility.

Orvana retained Alan Noble, P.E. (an independent qualified person for the purposes of National Instrument 43-101 (“NI 43-101”)) of Ore Reserves Engineering, Denver, Colorado, to complete an updated resource estimate using results from its underground drilling program initiated and completed in the first quarter of fiscal 2010. As stated in Orvana’s March 5, 2010 press release, updated resource estimates are based on a 2 gram-per-tonne (“g/t”) gold cutoff, versus gold-equivalent cutoffs ranging from 2.6 to 3.5 g/t used in prior estimates. The NI 43-101-compliant resource estimates include 3-dimensional block models using inverse distance-power estimation, with 3-dimensional wireframes to define the geologic controls. The updated resource estimates increase measured and indicated gold ounces at the Carlés North underground and A107 zone by nearly 60% to 471,000 ounces. The drilling also defined a new vein zone, S107, where 26,000 ounces were added to the inferred category. The measured and indicated resources, at a 2 g/t cutoff, are 7.3 million tonnes of 5.10 g/t gold (1,201,000 ounces of gold) and 0.65% copper; the inferred resources are 9.5 million tonnes of 4.85 g/t gold (1,478,000 ounces of gold) and 0.40% copper. Results from the Technical Report for the El Valle, Carlés, La Brueva and Godán Gold Deposits prepared by Alan C. Noble, P.E. of Ore Reserves Engineering, are as follows:

	Cutoff	Tonnes, '000s	Au, g/t	Cu, %	Au, Ounces	Cu, tonnes
Measured	1.5	3,000	3.40	0.70	328,000	21,000
	2.0	2,100	4.10	0.80	280,000	16,500
	2.5	1,500	4.90	0.85	235,000	13,000
	3.0	1,100	5.70	0.95	199,000	10,500
	3.5	800	6.50	1.05	170,000	8,500
Indicated	1.5	7,000	4.55	0.55	1,020,000	39,000
	2.0	5,200	5.50	0.60	922,000	32,000
	2.5	4,000	6.50	0.65	834,000	27,000
	3.0	3,100	7.50	0.70	758,000	22,500
	3.5	2,500	8.60	0.75	693,000	19,000
Measured + Indicated	1.5	10,000	4.20	0.60	1,348,000	60,000
	2.0	7,300	5.10	0.65	1,201,000	49,000
	2.5	5,500	6.05	0.75	1,069,000	40,000
	3.0	4,200	7.05	0.80	957,000	33,000
	3.5	3,300	8.10	0.85	863,000	27,500
Inferred	1.5	13,100	4.00	0.35	1,678,000	45,500
	2.0	9,500	4.85	0.40	1,478,000	36,500
	2.5	7,200	5.70	0.40	1,314,000	30,000
	3.0	5,800	6.40	0.45	1,188,000	25,000
	3.5	4,700	7.10	0.45	1,081,000	21,500

No silver results are reported since silver estimates are not available for all of the mineralized zones. For reference, the A107 vein has a Ag:Au ratio of 1.5:1 and the Black Skarn North has a Ag:Au ratio of 4.5:1.

The complete updated resource report is available on SEDAR (www.sedar.com). Not all resources can be converted into reserves.

Orvana has also retained mining engineers Robert Dowdell, Ph.D. and Adam Wheeler,C.Eng., (independent qualified persons for the purposes of NI 43-101), to use Noble's resource estimates in preparing the mine designs, stope layouts, and production schedule for the project. They will also be preparing an independent economic evaluation and reserve estimate. The Company anticipates this work will be completed in the third quarter of fiscal 2010.

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

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

During the past two years, Orvana engaged consulting firms to develop a project that would allow the economic exploitation of the Upper Mineralized Zone ("UMZ"). Last year, Kappes Cassiday & Associates of Reno, Nevada prepared a detailed operational study that demonstrated the viability of using flotation methods to extract metals, with the exception of the copper contained in the oxides. Subsequent studies undertaken by Mountain States Research Inc. ("MSRDI") of Tucson, Arizona, indicated that the oxide mineralization could be treated using the Leach-Precipitation-Flotation Process ("LPF"). Based on the metallurgical information presented by MSRDI, Orvana made the decision to construct a flotation mill and install a sulphuric acid plant for the treatment of the UMZ mineralization. An NI 43-101-compliant Technical Report is expected to be issued during the third quarter and will provide detail of the mining and processing of the UMZ deposit.

The existing mine equipment currently being used in the exploitation of the Las Tojas deposit will be used to mine 2,000 tonnes per day at the UMZ. Also, existing crushing and grinding equipment will be used. The construction of the flotation mill has progressed during the last two quarters and it is expected that the facility will be completed during the third quarter of fiscal 2010. The sulphuric acid plant is ready for shipment from the supplier and it is expected to be in place to begin production in the first quarter of fiscal 2011. The total spending and commitments on this project to the end of March 31, 2010 were $7,850 of the estimated total cost of $20,000.

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

The Copperwood Project

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

In a press release dated March 22, 2010, the Company announced an NI 43-101-compliant mineral resource estimate from the Copperwood stratiform copper deposit located on the leased areas. Measured and indicated resources are 19.5 million tones of 1.86% copper for 798 million pounds of copper. AMEC E & C Services, Inc., Phoenix, Arizona, under the supervision of Greg Kulla and Dr. Harry Parker, qualified persons who are independent of Orvana for the purposes of NI 43-101, prepared the resource estimate and the information related to it. The Technical Report is available on SEDAR (www.SEDAR.com).

Copperwood Mineral Resources, Effective Date March 11, 2010 (Greg Kulla and Dr. Harry Parker, P. Geo.,)

Domino

Category	Tonnage million tonnes	Thickness meters	Copper (%)	Copper (million lbs)
Measured	7.79	1.66	2.56	439
Indicated	2.48	1.22	2.39	131
Measured and Indicated	10.27	1.53	2.52	570
Inferred	1.30	0.95	2.29	65

Upper Layer

Category	Tonnage million tonnes	Thickness meters	Copper (%)	Copper (million lbs)
Measured	6.35	1.35	1.15	161
Indicated	2.85	1.39	1.07	67
Measured and Indicated	9.20	1.36	1.13	228
Inferred	1.97	1.43	0.96	42

Combined Domino and Upper

Category	Tonnage million tonnes	Thickness meters	Copper (%)	Copper (million lbs)
Measured	14.15	3.01	1.93	600
Indicated	5.33	2.60	1.69	198
Measured and Indicated	19.47	2.89	1.86	798
Inferred	3.27	2.38	1.49	107

Note: Assumptions used in assessing prospects of economic extraction are noted below

The data from this report will be used to evaluate trade-off studies and refine the conceptual mine plan, and will be incorporated into a Preliminary Economic Assessment which is expected to be released by the end of June 2010.

In assessing prospects of economic extraction AMEC has made a conceptual economic analysis to determine an economic cut-off grade using the following economic assumptions:

- Mining Cost of $22/t mined
- Processing Cost of $9.00/t milled
- G&A Cost of $4.00/t milled
- Smelting, Refining, Freight Cost of $5.63/t milled
- Copper Price of $2.30/lb
- Mill Recovery of 87%
- Smelter Payable of 95%
- Mining Dilution of 7.5%

In addition AMEC assumed:

- A production rate of 4,000 to 5,000 tonnes per day
- Underground mining using a room and pillar method with no backfill
- Mining recovery from 65% to 70% (base case)
- Average mining heights of approximately 3 m (9 ft)
- Minimum mining height of 1.5 m (5 ft)

These assumptions have been used to assess whether there are reasonable prospects for economic extraction using analogies to similar deposits. However, economic viability of the Copperwood mineral resource can only be demonstrated by Pre-Feasibility and Feasibility Studies, and there is no assurance that the stated resources can be upgraded in confidence and converted to reserves.

The Company has conducted various trade-off studies over the last 12 months. These studies included the evaluation of mine and tailings impoundment designs as well as the assessment of a water source, waste management, and transportation alternatives. Currently, the conceptual plan uses room-and-pillar methods and a variation of a continuous miner; pillars are planned to be removed at an opportune time, which will likely result in a higher recovery than contemplated in the base case cited above.

KD Engineering, Tucson, Arizona, under the supervision of Joseph Keane, P.E., an independent qualified person for the purposes of NI 43-101, has been contracted to complete the Preliminary Economic Assessment, which is expected to be released during the third quarter of fiscal 2010.

Exploration Properties

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

Through the acquisition of Kinbauri, the Company acquired three exploration prospects: (1) Aztec, Nevada (gold); (2) Morrisette, Ontario (gold); and (3) Laniel, Quebec (diamonds). The Aztec prospect, located a few kilometres from the Goldfield district, was drill tested during the second quarter of fiscal 2010. Thirteen holes for 1,862 metres were drilled. No significant gold mineralization was encountered and the option agreement will be terminated. The Company expects to option the Morrisette and Laniel prospects.

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

Social and Environmental Policies

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

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

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

In support of the social and economic well-being of the surrounding communities of the Copperwood project in Michigan, Orvana annually awards four scholarships to high school students to further their education at the university level, and the Company has also provided funding towards the construction of a microwave internet tower to Wakefield Township to provide wireless internet services to four neighbouring communities. In addition, Orvana has made contributions to the local fire departments for the purchase of equipment.

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

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the three and six months ended March 31, 2010 and 2009 are summarized in the table below:

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Revenues	$5,978	$16,311	$17,854	$30,476
Net income/(loss)	(1,658)	4,694	(458)	8,608
Earnings/(loss) per share – basic and diluted	($0.01)	$0.04	($0.00)	$0.07

Results for the second quarter and first half of fiscal 2010 are in line with management's expectation during this transitional year as Orvana works towards starting up new mines now in development. Tonnes treated in the second quarter of fiscal 2010 were 144,587 compared to 58,700 in the second fiscal quarter of fiscal 2009. Gold production as expected was 64% lower at 6,565 ounces for the second quarter of fiscal 2010, compared to 18,091 ounces for the same period of the prior year, due to the lower grades of ore from the Las Tojas deposit and the stockpile. The prior year results included the production from the now depleted higher grade ore of the Don Mario underground mine.

Revenue for the second quarter of fiscal 2010 decreased by 63% to $5,978 on 5,406 ounces sold compared to $16,311 on 18,244 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue, somewhat offset by higher average gold prices realized. The quantity of gold sold in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Direct mine operating costs were $4,389 to produce 6,565 ounces in the second quarter of fiscal 2010 compared to $3,209 to produce 18,091 ounces in the second quarter of fiscal 2009. Total direct mine operating costs increased to $668.61 per ounce for the second quarter of fiscal 2010 compared to $177.41 for the second quarter of fiscal 2009, reflecting the unfavourable impact of the processing of higher tonnages processed of the lower grade Las Tojas deposit.

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

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Direct mine operating costs	$4,389	$3,209	$8,948	$6,746
Direct mine operating cost per treated tonne	30.36	54.68	29.75	54.87
Direct mine operating cost per ounce produced	$668.61	$177.41	$556.04	$186.79

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

General and administrative expenses for the three and six-month periods ended March 31, 2010 were $1,622 (2009 - $983) and $2,743 (2009 - $1,756), respectively. The general and administrative costs were higher than in the same periods last year primarily due to the impact of the higher Canadian dollar on the Canadian head office expenses; the addition of a new CEO and Vice President of Mining; increased travel expenses in support of development of the recently acquired EVBC project in Spain; higher investor relations spending; and increased professional fees in support of corporate governance activities, including IFRS.

The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is expected to be economically feasible and the decision is taken to proceed with further investment. During the second quarter exploration costs were $363 compared to $111 for the same period a year ago. The increase in the costs this year was primarily from exploration activities at the Aztec prospect which was acquired through the Kinbauri acquisition.

Stock based compensation expense was $80 for the three months ended March 31, 2010 compared to $42 for the same period last year.

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

Interest and other income for the three months ended March 31, 2010 was a net income of $38 compared to net interest and other income of $104 for the same period a year ago. The current quarter net interest and other income was lower than amounts earned in the same quarter a year ago due to the significant decline in interest rates on investment grade deposit certificates and the lower cash balances available for investment when compared to the same period a year ago.

The net loss for the second quarter ended March 31, 2010 was $1,658 (a loss of $0.01 per share) compared to net income of $4,694 ($0.04 earnings per share) for the same period of the prior year, primarily due to lower revenues and higher costs from processing higher volumes of the lower grade ore from the Las Tojas deposit.

Cash Flows

The following table summarizes the principal sources and uses of cash for the three and six months ended March 31, 2010 and 2009:

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Cash provided/(used) by operating activities	($4,352)	$1,279	($4,903)	$9,085
Capital expenditures*	(6,853)	(1,264)	(11,890)	(3,025)
Long-term debt net of repayments	3,879	3,459	3,879	3,459

*Including nets assets under capital leases

Cash Provided by Operating Activities

Cash used by operating activities for the second quarter ended March 31, 2010 declined by $5,631 to a use of cash of $4,352 when compared to the second quarter ended March 31, 2009. Cash flow from operations before working capital changes declined by $7,194 to a use of $758 resulting primarily from lower revenues.

Changes from non-cash working capital in the quarter declined by $3,594 resulting from a reduction in income taxes payable of $6,077 and increases in value-added taxes and other receivables of $1,563 partially offset by the collection of gold sales receivable of $1,440 and increases in accounts payable and accrued liabilities of $2,807 in the quarter.

Capital Expenditures

Capital expenditures for the second quarter of fiscal 2010 were $6,853 (2009 - $1,264), consisting of: $1,392 for the Don Mario UMZ project development, $4,595 for the development of the EVBC project in Spain, $816 for the development of the Copperwood project in Michigan; and $50 for the upgrade of computer equipment in the Corporate office in Canada.

Financial Condition – March 31, 2010 compared to September 30, 2009

The following table provides a comparison of key elements of the Company's balance sheet at March 31, 2010 and September 30, 2009:

	March 31, 2010	September 30, 2009
Cash and cash equivalents	$41,295	$58,036
Non-cash working capital (deficit)**	4,398	(2,833)
Total assets	137,243	140,607
Long-term debt	3,879	4,144
Shareholders' equity	110,554	110,367

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

Cash and cash equivalents decreased by $16,741 to $41,295 for the six months ended March 31, 2010. Non-cash working capital increased by $7,231 to a surplus of $4,398 at March 31, 2010 from a deficit of $2,833 at the end of September 30, 2009, mainly resulting from the payment of income taxes and increases in value added taxes receivables and prepaids of $2,622.

Shareholders' equity increased $187 to $110,554 at March 31, 2010, primarily due to the issuance and the exercise of stock options.

Outlook

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

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

In the short term, Orvana is focused on recommencing production at its recently acquired EVBC gold/copper project in northern Spain, revising and expanding its Don Mario copper/gold operation in eastern Bolivia, and assessing its Copperwood copper project in Michigan.

In Spain, the Company is continuing its production restart plan for the EVBC gold-copper operation, with work well underway. Site activities will continue to ramp up during the third quarter. An updated resource estimate was released during the second quarter and an economic evaluation and reserve estimates are expected to be completed in the third quarter of fiscal 2010.

In Bolivia, at the Don Mario Mine, construction of the LPF plant is nearing completion and preparations are underway to mine the UMZ. The Las Tojas deposit is expected to extend gold production into the last quarter of fiscal 2010, with the development of the UMZ project expected to commence in the fall of 2010, which will extend the expected life of the Don Mario Mine operation to approximately 2019.

In Michigan, at Copperwood, after the completion of the NI 43-101 resource estimate, work is continuing on completion of a Preliminary Economic Assessment under the supervision of Joseph Keane, P.E. of KD Engineering in Tucson, Arizona. This report is expected to be completed by the end of June 2010.

With the start up of operations at EVBC and the UMZ, Orvana expects annualized gold production to increase from about 25,000 ounces to over 120,000 ounces. Additionally, annualized copper production is expected to increase substantially to over 10,000 tonnes and annualized silver production is expected to increase to over 750,000 ounces.

Over the longer term, Orvana will continue to seek gold and/or copper advanced stage properties in geographically secure regions, utilizing its mining expertise to increase long-term value for shareholders.

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

LIQUIDITY AND COMMITMENTS

Total cash and cash equivalents at March 31, 2010 were $41,295. Long-term debt of $3,879 is repayable over the next three years from March 31, 2010. During the second quarter, the Company entered into capital leases for the purchase of underground mining equipment in Spain. Under each capital lease agreement, 30% of the purchase price of the equipment is paid in cash at the time of delivery with the balance financed over a three-year term. Capital lease payments are payable quarterly with interest at 4.6% per annum. Obligations under capital leases amounted to $1,041 at March 31, 2010.

In the past, the Company’s primary source of liquidity has been from operating cash flow. Over the current fiscal year and the next fiscal year, Orvana expects to spend approximately $50,000 on pre-production capital on the EVBC project, $20,000 on the development of the UMZ project of the Don Mario Mine and $4,000 largely on engineering studies related to the Copperwood project. Cumulative spending on these projects to the end of March 31, 2010 was approximately $4,400 on the UMZ, $6,100 on EVBC and $1,300 on Copperwood. These projects will be financed from existing cash reserves, operating cash flows and new financing as required.

Management is considering the following forms of financing for the EVBC project in northern Spain:

- Bank financing

  A number of banks have visited the EVBC mine site and either have or are expected to soon submit draft term sheets on financing proposals.

- Government loans

  Management has approached the Instituto de Credito Oficial (“ICO”), a financing arm of the Spanish government, for possible loan assistance for the EVBC project.

- Government subsidies

  In Spain, there are two main types of subsidies: (i) regional incentives and (ii) mining, exploration, investigation & development subsidies. These subsidies are provided under programs supported by the European Union and the Spanish government. Subsidies may be available for a wide range of purposes, including for new equipment/assets, environmental studies, drilling and exploration, engineering studies and other services. Subsidies may be awarded in amounts ranging from 5% to 25% of a project’s or item’s cost. The Company has already been awarded $767 for several projects underway. This amount is included in cash and cash equivalents and is on deposit in favour of the Spanish government pending audit by the government of compliance with the terms of these subsidies.

- Other forms of financing

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

In Bolivia, the Company is also in discussions with a view to obtaining non-recourse financing for the UMZ project.

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

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	3,879	2,629	1,250		
Capital leases	1,041	419	622		
Operating leases	47	47			
Purchase obligations	3,231	3,231			
Provision for future labour obligations	1,544			1,544	
Asset retirement obligation*	4,001				4,001
Total Contractual Obligations	13,743	6,326	1,872	1,544	4,001

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

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

The Company has recorded asset retirement obligations at a discounted amount of $2,395 relating to the LMZ of the Company's Don Mario Mine and the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

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

An asset retirement obligation at a discounted amount of $496 at March 31, 2010 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and certain remediation measures were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834,000 was deposited (held in a Spanish financial institution, amounting to $1,128 at March 31, 2010), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the EVBC sites is $1,201. It is expected that this amount will be incurred in 2022 and beyond. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

Management expects the production at EVBC to commence in the first half of fiscal 2011. The Company will prepare new estimates of the asset retirement obligations relating to EVBC sites and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

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

The Company is subject to a 3% net smelter return royalty (a "NSR") on its production from the Don Mario property. This royalty is payable quarterly and amounted to $498 for the six months ended March 31, 2010, compared to $848 for the same period of the prior year.

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

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

During the second quarter of fiscal 2010, the net decrease in cash and cash equivalents, after capital expenditures, foreign exchange gains and losses and including the proceeds and repayments of long-term debt incurred, was $11,456, resulting in total cash and cash equivalents of $41,295 at March 31, 2010.

CAPITAL RESOURCES

At March 31, 2010, the Company had capital resources of $114,433 represented by long-term debt of $3,879 and shareholders' equity amounting to $110,554.

Shareholders' equity increased by $187 to $110,554 ($0.96 per share) as at March 31, 2010, compared to $110,367 ($0.96 per share) at September 30, 2009.

RESULTS OF OPERATIONS

The following table and analysis compare operating results for the three and six-month periods ended March 31, 2010 and 2009:

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Revenues	$5,978	$16,311	$17,854	$30,476
Costs and expenses of mining operations	5,198	6,645	12,410	13,201
Expenses and other income	2,326	1,161	4,069	1,757
Net income/(loss)	(1,658)	4,694	(458)	8,608
Earnings/(loss) per share – basic and diluted	$(0.01)	$0.04	($0.00)	$0.07

Revenues

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

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Revenues	$5,978	$16,311	$17,854	$30,476
Ounces sold	5,406	18,244	16,286	35,922
Average prices per ounce	$1,106	$894	$1,096	$848

Revenue for the second quarter of fiscal 2010 decreased 63% to $5,978 on 5,406 ounces sold compared to $16,311 on 18,244 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue, which was somewhat offset by higher average gold prices. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

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

Don Mario Mine and Las Tojas

Ore from the LMZ was exhausted in the last quarter of fiscal 2009. The production in the current period was from the lower grade Las Tojas deposit and the stockpile. The following table shows the tonnages treated and the head grade in g/t gold at the Don Mario underground mine and Las Tojas for the three and six-month periods ended March 31, 2010 compared to same periods of fiscal 2009:

		Three months ended March 31		Six months ended March 31	
		2010	2009	2010	2009
Underground mine	Tonnes	--	38,555	--	91,681
	g/t	--	14.32	--	12.24
Las Tojas, minipit & stockpile	Tonnes	144,587	20,145	300,763	31,257
	g/t	1.70	1.93	1.92	2.01
Total	Tonnes	144,587	58,700	300,763	122,938
	g/t	1.70	10.07	1.92	9.64
Recovery rate		83.3%	95.2%	86.6%	94.8%
Gold produced – ounces		6,565	18,091	16,092	36,116

Don Mario Mine and Las Tojas – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 6,565 ounces in the second quarter of fiscal 2010 compared to 18,091 ounces in the second quarter of fiscal 2009.

	Three months ended March 31			
	2010		2009	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$4,389	$668.61	$3,209	$177.41
Third-party smelting, refining and transportation costs	31	4.66	63	3.52
Cash operating costs	4,420	673.27	3,272	180.93
Royalties and mining rights	218	33.26	502	27.69
Mining royalty tax	423	64.50	1,138	62.92
Total cash costs	5,061	771.03	4,912	271.54
Depreciation, amortization and accretion	686	104.44	1,770	97.87
Total production costs	$5,747	$875.47	$6,682	$369.41
Gold production	6,565 ozs.		18,091 ozs.	

Cash operating costs per ounce were $673.27 per ounce on 6,565 ounces produced for the three months ended March 31, 2010 compared to $180.93 per ounce on 18,091 ounces produced for the same period last year. The increase in costs was largely due to the processing of the higher volumes of lower grade ore from the Las Tojas deposit and the stockpile.

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 16,092 ounces in the six months ended March 31, 2010 compared to 36,116 ounces in the six months ended March 31, 2009.

	Six months ended March 31			
	2010		2009	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$8,948	$556.04	$6,746	$186.79
Third-party smelting, refining and transportation costs	80	4.96	175	4.83
Cash operating costs	9,028	561.00	6,921	191.62
Royalties and mining rights	599	37.25	931	25.79
Mining royalty tax	1,252	77.81	2,126	58.87
Total cash costs	10,879	676.06	9,978	276.28
Depreciation, amortization and accretion	1,782	110.77	3,475	96.23
Total production costs	$12,661	$786.83	$13,453	$372.51
Gold production	16,092 ozs.		36,116 ozs.	

The difference between direct mine operating costs of $4,389 and cost of sales of $3,897 reported in the consolidated financial statements for the second quarter of fiscal 2010 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	Three months ended March 31		Six months ended March 31	
	2010	2009	2010	2009
Cost of Sales	$3,897	$3,229	$8,733	$6,629
Changes in gold inventories and gold in circuit	492	(20)	215	117
Direct mine operating costs (non-GAAP measure)	$4,389	$3,209	$8,948	$6,746

SUMMARY OF QUARTERLY RESULTS

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

	Quarters ended			
	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009
Revenues	$5,978	$11,876	$13,660	$11,869
Net /(loss) income	($1,658)	$1,200	$1,574	$3,218
Earnings /(loss) per share – basic and diluted	($0.01)	$0.01	$0.01	$0.03
Total assets	$137,243	$141,236	$140,607	$127,208
Total long-term financial liabilities	$3,879	$4,515	$4,144	$3,056
Gold production - ozs.	6,565	9,527	13,768	12,760
Gold sales – ozs.	5,406	10,880	14,383	12,925
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$771.03	$610.62	$402.63	$450.81
- Average gold price realized	$1,105.75	$1,091.59	$949.76	$918.30
Operating statistics -				
- Gold ore grade – g/t	1.70	2.13	3.51	5.98
- Gold recovery rate - %	83.3%	89.0%	89.1%	92.6%

	Quarters ended			
	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Revenues	$16,311	$14,165	$15.681	$18,244
Net income	$4,694	$3,914	$4,605	$7,135
Earnings per share – basic and diluted	$0.04	$0.03	$0.04	$0.06
Total assets	$123,766	$124,985	$120,685	$112,538
Total long-term financial liabilities	$3,459	$3,856	$4,245	$4,626
Gold production - ozs.	18,091	18,025	17,656	20,877
Gold sales – ozs.	18,244	17,678	18,109	20,453
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$271.54	$281.04	$304.85	$249.38
- Average gold price realized	$894.07	$801.28	$865.96	$891.97
Operating statistics -				
- Gold ore grade – g/t	10.07	9.24	9.18	11.12
- Gold recovery rate - %	95.2%	94.8%	93.6%	95.6%

Comments on the tables of quarterly results

Average gold prices realized during each of the eight quarters ended March 31, 2010 ranged from $ 801 to $1,106 per ounce. Higher average gold prices in the last four quarters did not translate into higher quarterly net income when compared to the previous four quarters mostly due to higher production costs associated with processing the higher volumes of lower head grade ore from the Las Tojas deposit and overall lower quantities of gold produced.

RISKS AND UNCERTAINTIES

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

In Bolivia, in view of the new constitution approved in the national referendum held on January 25, 2009, the new mining policy and mining tax changes that have been implemented and that are being proposed, and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions that adversely affect the Company. The new constitution could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government would have under the constitution to control the commercialization of minerals. There could also be shifts in the political stability of the country and labour or civil unrest. In May 2006, the Bolivian government moved to increase its share of the country's oil and gas sector by imposing a profit-sharing arrangement in which the government receives a 50% share in operating profits of companies operating in the sector. On May 1, 2008, the Bolivian government announced additional measures to increase its control over the oil and gas and telecommunications sectors. Similar actions on the part of the government with respect to the mining sector, in addition to the recent increase in income and other taxes, could materially adversely affect the Company's results of operations or financial condition.

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

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

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

Orvana's subsidiaries, Orvana Minerals Asturias Corp. (formerly Kinbauri) and Kinbauri Espana S.L. (the subsidiary that owns the EVBC project) are parties to an arbitration proceeding commenced by Glen Eagle Resources Inc. ("Glen Eagle"). Glen Eagle claims in the proceeding that in June 2009, Kinbauri and Kinbauri Espana S.L. improperly terminated a subscription agreement that had been entered into among Kinbauri, Kinbauri Espana and Glen Eagle pursuant to which Glen Eagle had agreed to purchase shares of Kinbauri Espana. In the proceeding, Glen Eagle is claiming damages of approximately C$75 million. Orvana Minerals Asturias Corp. and Kinbauri Espana S.L. have served a response denying any liability based on Glen Eagle's anticipatory repudiation of the agreement in issue. The arbitration is expected to be heard in December 2010. Orvana Minerals Asturias Corp. and Kinbauri Espana S.L. intend to vigorously defend against the claim by Glen Eagle; however the results of litigation such as the arbitration cannot be predicted with certainty, and if they are unable to resolve such litigation favourably, it may have a material adverse effect on Orvana's results of operations or financial condition.

Beyond 2010 and in the absence of new operations or reserves being added, the Company's revenue stream will depend on production from the UMZ project of the Don Mario Mine, the Copperwood project and the EVBC project. For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

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

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves

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

Net realizable amounts of property, plant and equipment

At March 31, 2010, the net book value of the Don Mario property, plant and equipment amounted to $13,712 (excluding UMZ feasibility study costs capitalized of $2,976 and the Copperwood project costs of $5,182). Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining ore; gold, copper and silver prices; and cash operating costs. Based upon current estimates of reserves, with copper prices in excess of $2.00 per pound and gold prices in excess of $650 per ounce, net realizable amounts are in excess of related net book value of property, plant and equipment. During fiscal 2010 an evaluation will be completed to assess the fair market value of the assets of the EVBC project acquired with Kinbauri.

Asset retirement obligations

Asset retirement obligations amounting to $2,395 relate to the LMZ of the Company's Don Mario Mine and include the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

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

An asset retirement obligation of $496 at March 31, 2010 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and certain remediation measures were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834,000 was deposited (restricted cash, held in a Spanish financial institution, amounting to $1,128 at March 31, 2010), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the EVBC sites is $1,201. It is expected that this amount will be incurred in 2022. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

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

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

Stock-based compensation

The Company recorded stock-based compensation expense of $80 for the second quarter ended March 31, 2010 compared to $42 for the same period of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the options issued during the period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term compensation

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

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

Financial and Other Instruments

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

Off-Balance-Sheet Arrangements

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

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at March 31, 2010, there were 115,558,173 common shares outstanding with a stated value of $75,248 and there were also 3,975,000 stock options outstanding at the same date with a weighted average exercise price of Canadian $0.91.

As at the Report date there were 115,633,173 common shares outstanding as the result of 75,000 stock options being exercised on April 1, 2010. Also, as of the Report date there were

3,275,000 stock options outstanding, resulting from the exercise of the stock options mentioned previously and the expiration of 625,000 stock options on April 1, 2010. Stock options outstanding have expiry dates ranging from 2010 to 2015.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

The management of Orvana, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of March 31, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

Orvana acquired Kinbauri in September of 2009, and management has excluded the results of this acquisition from its assessment of the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as of March 31, 2010. Kinbauri's net assets acquired at September 30, 2010 were $45,068.

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

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

Changes in Accounting Policies and New Accounting Standards

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

This amended standard applies to annual financial statements with fiscal years ending after September 30, 2009. The Company will include these disclosures in its annual consolidated financial statements for the year ending September 30, 2010.

New accounting policies not yet adopted

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests. The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-

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

International Financial Reporting Standards ("IFRS")

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

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

IFRS Transition Plan

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS.

To date, the Company has completed the identification of the key areas where changes to current accounting policies may be required, and is currently performing detailed analyses of IFRS requirements for these key areas. The analyses include a detailed assessment of the alternatives or any changes required to Orvana's current accounting policies.

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

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	In progress, completion expected during Q1 fiscal 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	Completion expected Q2 – Q3 fiscal 2011
Resolution of the accounting policy change implications on information technology, internal controls, business processes and contractual arrangements.	Completion expected Q2 – Q4 fiscal 2011
Quantification of the Financial Statement impact of changes in accounting policies.	Completion expected Q3 – Q4 fiscal 2011
Management and employee education and training.	Throughout the transition process

Impact of Adopting IFRS on the Company

As part of its analysis of potential changes to significant accounting policies, the Company will be assessing what changes may be required to its accounting systems, internal controls over financial reporting and business processes. The Company will also identify any contractual arrangements that may be affected by potential changes to significant accounting policies.

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

The Board of Directors and Audit Committee will be regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation of the key aspects of IFRS affecting the Company.

The Company will also assess the impact of any changes from IFRS on internal controls over financial reporting and disclosure controls and procedures throughout this transition to IFRS.

First-time adoption of IFRS

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

As the analysis of its accounting policies under IFRS continues, the Company will determine which relevant option exemptions it will choose to apply in the preparation of its opening IFRS statement of financial position as at October 1, 2010 (the Company's transition date).

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS may result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The key areas that the Company has identified with the most potential for changes to accounting policies include the following:

- First-time adoption of IFRS,
- Exploration expenditures,
- Deferred development costs,
- Property, plant and equipment (measurement and valuation),
- Impairment of (non-financial) assets,
- Provisions, including asset retirement obligations,
- Accounting for the changes in foreign currency,
- Share-based payments, and
- Accounting for income taxes.

This is not intended to be complete list of all areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as that may have the most potential for a significant change.

Subsequent Disclosures

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

- The Company's Management Discussion and Analysis for the third quarter of fiscal 2010 and the year ended September 30, 2010 will include an update on the progress of the transition plan. As the detailed evaluation of accounting policies progresses, the Company will also include information regarding the potential impact of adopting IFRS on its significant accounting policies and key elements of the financial statements.
- The Company's Management Discussion and Analysis for the fiscal 2011 interim periods and the year ended September 30, 2011 will include updates on the progress of the transition plan, and, to the extent known, information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending December 31, 2011 will also include fiscal 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position.

Other Information

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