ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – For the second quarter ended March 31, 2012

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, 2012 (the "Report Date") and describes the operating and financial results of the Company for the second quarter ended March 31, 2012. The MD&A should be read in conjunction with Orvana's unaudited consolidated interim financial statements and related notes for the quarter ended March 31, 2012 and the audited consolidated financial statements and related notes for the fiscal year ended September 30, 2011.

International Financial Reporting Standards ("IFRS") replaced current Canadian GAAP for publicly accountable enterprises, including Orvana, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the accompanying unaudited interim financial statements for the three months ended March 31, 2012 are presented in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with IFRS. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The transition to IFRS required a restatement of the Corporation's fiscal 2011 financial information from its original Canadian GAAP basis such that the fiscal 2011 comparative information presented in the financial statements and the MD&A reflect accounting policies consistent with IFRS. Financial information for periods prior to October 1, 2010 have not been restated for the changes in accounting policies resulting from the adoption of IFRS. For the purposes of this MD&A, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles for the Company before the adoption of IFRS. Readers of the MD&A should refer to "Changes in Accounting Policies" below, and to the explanation of the impact of the transition from Canadian GAAP to IFRS on the Company's consolidated financial statements in note 23 to the accompanying consolidated interim financial statements for the period ended March 31, 2012.

In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold and silver production, in fine troy ounces, is referred to as "ounces". Copper production is in pounds.

Throughout this MD&A, the Company has also used certain non-IFRS 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 defined by IFRS do not fully illustrate the ability of its operating mines to generate cash flow. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, should not be construed as an alternative to IFRS reporting of operating expenses, the measures are not necessarily indicative of cost of sales as determined under IFRS and may not be comparable to similar measures presented by other companies. Cash costs for gold are determined in accordance with the former Gold Institute's Production Cost Standard. Cash costs for copper are determined in accordance with methods used by Brook Hunt.

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 the El Valle-Boinás/Carlés ("EVBC") Mine in Spain, the commissioning and operation of the Upper Mineralized Zone ("UMZ") at the Don Mario Mine in Bolivia, and the development of the Copperwood Project in Michigan 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 time lines; 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.

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 EVBC Mine, the UMZ, 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 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 the UMZ, the Copperwood Project or EVBC Mine; 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 has transformed itself from a single-mine gold producer into a multi-mine gold and copper producer. Orvana's primary asset is the EVBC gold-copper-silver mine in northern Spain, which began commercial production in August 2011. Orvana also owns and operates the Don Mario UMZ Mine in Bolivia. Commissioning of the UMZ copper-gold-silver mine began in April 2011 and the UMZ commenced commercial production effective January 1, 2012. In addition, Orvana completed an NI 43-101-compliant feasibility study and received a mining permit from the Michigan Department of Environmental Quality for its Copperwood copper project in Michigan, USA. Additional information is available at Orvana's website www.orvana.com).

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

Business Strategy

Orvana's goal is to grow and diversify its precious and base-metal assets. Under its acquisition strategy, Orvana acquired two cornerstone mineral deposits: the EVBC gold-copper-silver deposit and the Copperwood copper deposit. Orvana's focus is currently on its operations; however, the Company will continue to consider other possible acquisition opportunities that may fit with its mine development and operating expertise as well as its asset portfolio objectives.

The El Valle-Boinás/Carlés Mine ("EVBC")

Through its wholly-owned subsidiary, Kinbauri España S.L.U. ("Kinbauri"), the Company owns and operates the EVBC Mine, which is located in the Rio Narcea Gold Belt in northern Spain and consists of 14 exploitation concessions comprising 4,298 hectares and two investigation permits comprising 754 hectares.

On February 21, 2012, the Company announced an update on resource estimates, reserve estimates, operations, and drill results for its EVBC Mine in the "Technical Report for the El Valle/Boinás-Carlés Gold Deposits: Updated Reserve Estimate and Mine Plan". This report was prepared by Ore Reserves Engineering of Denver, Colorado, under the supervision of A. Noble, P.E., and A. Wheeler, C.Eng., both of whom are independent qualified persons for the purposes of *National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators* ("NI 43-101"), and W.C. Williams, Ph.D., CPG, President and Chief Executive Officer of the Company, who is not an independent qualified person for the purposes of NI 43-101.

EVBC Resource Estimate

The updated resource estimate included an additional 72 drill holes for 8,770 metres drilled from September, 2010 through August, 2011. Based on a 2-gram per tonne gold cutoff, measured and indicated gold ounces are about 1,300,000, an increase of 95,000 ounces from the Company's previous resource estimate. The inferred gold resources are over 1,300,000 ounces. The table below summarizes the updated resource estimate:

EVBC Resource Estimated - August 2011 (2 g/t gold cutoff)												
	Measured				**Indicated**				**Inferred**			
Zone	Tonnes (000's)	Au g/t	Cu %	Ag g/t	Tonnes (000's)	Au g/t	Cu %	Ag g/t	Tonnes (000's)	Au g/t	Cu %	Ag g/t
Boinas Oxides	-				2,290	7.07	0.52	-	3,939	5.51	0.35	-
Boinas Skarns	1,976	3.85	0.81	-	2,246	4.08	0.76	-	2,894	4.40	0.48	-
Carles	731	4.35	0.59	-	1,079	3.87	0.42	-	1,562	4.20	0.35	-
Total EVBC	**2,707**	**3.99**	**0.75**	**-**	**5,615**	**5.26**	**0.60**	**-**	**8,395**	**4.88**	**0.39**	**-**
Measured & Indicated	**8,322**	**4.84**	**0.65**	**-**								

Note: Silver grades are not reported because silver resources were not estimated for all ore bodies within the three zones.

EVBC Reserve Estimate

An updated reserve estimate and mine plan was developed based on the updated resource estimate. This estimate shows an increase of 28,000 ounces of gold as compared to the Company's previous reserve estimate.

Zone	Proven Tonnes (000's)	Proven Au g/t	Proven Cu %	Proven Ag g/t	Probable Tonnes (000's)	Probable Au g/t	Probable Cu %	Probable Ag g/t	Proven & Probable Tonnes (000's)	Proven & Probable Au g/t	Proven & Probable Cu %	Proven & Probable Ag g/t
Boinas Oxides	-				2,586	4.37	0.35	-	2,586	4.37	0.35	-
Boinas Skarns	1,557	2.88	0.66	15.25	1,982	2.78	0.73	14.94	3,539	2.83	0.70	15.07
Carles	361	3.36	0.61	-	1,180	2.34	0.30	-	1,541	2.58	0.37	-
Total EVBC	**1,918**	**2.97**	**0.65**	**-**	**5,748**	**3.40**	**0.47**	**-**	**7,666**	**3.30**	**0.52**	**-**

Note: Silver grades are reported for the Boinás skarns because measured and indicated silver resources estimated for those ore bodies were converted to proven and probable reserves

The decrease in gold grade as compared to the previous estimate is the result of a mine-strategy review, more detailed engineering design, and the application of other mining factors, all of which were based on experience gained during fiscal 2011 operations. Given that the shaft is scheduled for commissioning in the third quarter of fiscal 2012, it was decided to bulk mine the El Valle/Boinás skarns by longhole stoping methods, followed by backfill, as opposed to the more selective cut-and-fill methods, in certain areas. The bulk mining of the skarns requires less development for stope preparation and results in greater productivity. In addition, drill-and-blast methods will be replaced by mechanized mining methods for exploitation of the subvertical, higher-grade gold, oxide mineralization; although dilution is expected to be less than that planned for conventional mining, dilution factors remain conservative. Finally, unplanned dilution and ore loss were factored into this reserve estimate.

The projected production over the next ten years is summarized in the table below. Cash operating costs, including royalties, are estimated at $700 to $800 per ounce of gold net of by-product revenues using prices of $1,100 per ounce of gold, $2.75 per pound of copper, and $20 per ounce of silver. Input recoveries are 90% for gold, 67% for copper, and 60% for silver, all of which are lower than the current actual recoveries.

EVBC 2011 Mine Plan – Production Projections

Fiscal Year	Gold ounces	Copper tonnes	Silver ounces
2012	60,000	2,000	150,000
2013	65,000	2,300	139,000
2014	86,000	3,000	183,000
2015	76,000	2,600	161,000
2016	59,000	1,600	99,000
2017	78,000	2,200	137,000
2018	95,000	3,000	172,000
2019	86,000	3,500	203,000
2020	69,000	2,700	134,000
2021	58,000	2,800	121,000

Note: Fiscal year is October 1-September 30

In a press release dated April 17, 2012, the Company reduced its fiscal year 2012 guidance for gold production to 52,000 ounces.

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

Production commenced on August 1, 2011. Production for the fourth quarter of fiscal 2011 (August and September only) and the first and second quarters of fiscal 2012 are summarized in the table below.

El Valle-Boinas-Carles Production				
	Fourth quarter of fiscal 2011	**First quarter of fiscal 2012**	**Second quarter of fiscal 2012**	**Year-to-date fiscal 2012**
Tonnes milled dmt	94,658	123,566	126,978	250,544
Head grade				
Au, g/t	2.04	2.17	2.83	2.50
Cu, %	0.33	0.34	0.40	0.37
Ag, g/t	7.06	7.23	10.27	8.77
Concentrate				
Tonnes dmt	774	1,686	1,646	3,332
Au, g/t	97	83.0	122.1	102.7
Cu, %	27.5	19.6	26.4	23.0
Ag, g/t	415	330	536	433
Cu Recovery, %	67.9	80.0	85.1	82.3
Au Recovery, %	38.8	54.7	55.9	54.4
Ag Recovery, %	48.1	63.2	67.6	65.4
Au, ounces	2,419	4,499	6,461	10,960
Cu, tonnes	213	330	434	764
Ag, ounces	10,318	17,880	28,343	46,223
Bullion				
Au Recovery, %	48.6	37.5	37.3	37.0
Ag Recovery, %	6.4	6.6	11.2	9.3
Au, ounces	3,020	3,058	4,300	7,358
Ag, ounces	1,373	1,742	4,705	6,447
Total Production				
Au Recovery, %	87.4	92.2	93.2	82.3
Cu Recovery, %	67.9	80.0	85.1	91.4
Ag Recovery, %	54.5	69.9	78.8	74.7
Au, ounces	5,439	7,655	10,761	18,416
Cu, 1000lbs	469	727	956	1,683
Ag, ounces	11,691	19,725	33,049	52,774

During the second quarter of fiscal 2012, cash operating costs, including royalties, were $745 per ounce of gold, net of by-product revenues.

To date, the Company has made shipments of concentrate in the aggregate amount of 5,350 tonnes.

On June 27, 2011 the Company received the final authorization from the Ministry of Environment to begin using the new tailings dam and to begin operating the processing plant. As a condition of this authorization, the Company was required to post a €5 million cash bond which was deposited in September 2011. An additional €5 million bond is required to be deposited in June 2012.

Since September 2010, the Company has been drilling from underground locations with three drill rigs. This drilling has been for stope definition and dewatering purposes as well as to upgrade and delineate resources defined by previous drilling. Results to date have upgraded indicated and inferred resources as well as encountered mineralization where resources had not been defined. Updated NI 43-101-compliant resource and reserve estimates are summarized above.

EVBC is subject to a 3.0% net smelter return royalty. The royalty rate decreases to 2.5% for any quarter year in which the average price of gold is below $1,100 per ounce. This royalty is payable quarterly.

The Don Mario Mine – Upper Mineralized Zone

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. (“EMIPA”), the Company owns and operates the Don Mario Mine in eastern Bolivia. Fiscal 2009 marked the last year of production from the Company’s low-cost underground Lower Mineralized Zone (“LMZ”) gold mine at Don Mario, but gold production from the lower-grade satellite deposit, Las Tojas, continued into fiscal 2010 and 2011. After some metallurgical test work and considerations of the economics, the Company developed the UMZ copper-gold-silver deposit that lies above the LMZ as an open-pit. A Leaching-Precipitation-Flotation (“LPF”) circuit, which included conventional flotation circuits, was installed to process this ore.

Start-up of the LPF mill and a sulphuric acid plant, which began in April 2011, continued through their commissioning stage, which was slower than planned due to initial operating issues with the sulphuric acid plant, issues related to the delivery of supplies, and lower than planned copper recovery. As a result of the low copper recovery, gold-silver doré cannot be produced.

The Don Mario UMZ Mine reached the commercial production stage effective January 1, 2012, and thus sales of copper concentrate were recorded as revenue for the full second quarter ended March 31, 2012.

The LPF Plant performance during the first and second quarters of fiscal 2012 is summarized in the table below:

	First quarter of fiscal 2012	Second quarter of fiscal 2012		
	Total Q1 2012	LPF Oxide ore	Flotation-Transition Ore	Total Q2 2012
Throughput (tonnes)	117,933	62,701	41,774	104,475
Head Grade				
Cu,%	1.75%	1.97%	1.72%	1.87%
Au,g/t	1.71	1.75	2.01	1.85
Ag,g/t	76.4	81.6	93.5	86.4
Recovery (%)				
Cu	54.9	53.1	40.0	47.9
Au	35.1	28.2	35.4	31.1
Ag	21.7	22.6	36.4	28.1
Production (concentrate)				
Tonnes	2,618	1,223	867	2,090
Cu,%	43.4%	53.3%	32.9%	44.8%
Au,g/t	27.1	25.4	35.7	29.7
Ag,g/t	748	944	1,618	1,223
Production (fines)				
Cu,tonnes	1,135	652	286	938
Cu,pounds	2,504,185	1,437,917	629,593	2,067,510
Au,ounces	2,282	997	997	1,994
Ag,ounces	62,929	37,136	45,097	82,233

Cash operating costs in the second quarter of fiscal 2012 were approximately $1.66 per pound of copper net of by-product revenues, a revision from the $0.73 per pound of copper net of by-product revenues reported in the April 10, 2012 press release, after reconciliation of all production costs and product sold.

On April 10, 2012, the Company announced that fiscal 2012 Don Mario UMZ production guidance for gold increased from 11,000 ounces to 12,500 ounces, silver increased from 425,000 ounces to 500,000 ounces, and copper decreased from 6,000 tonnes to 5,500 tonnes.

On January 18, 2012, the Company announced an updated reserve estimate discussed in the "Update Reserve Estimates for the Don Mario Upper Mineralized Zone project, Eastern Bolivia" prepared by G. Zandonai, who is an independent qualified person for the purposes of National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"), and W.C. Williams, Ph.D., CPG, President and Chief Executive Officer of the Company, who is not an independent qualified person for the purposes of NI 43-101.The estimate is summarized in the table below:

UMZ Reserves (October 31, 2011)					
		Tonnes	Au, g/t	Ag,g/t	Cu,%
Sulphide	Proven	577,976	1.01	36.33	1.19
	Probable	862,014	0.99	37.22	1.14
	Inferred into pit	6,426	0.70	27.28	0.78
Transitional	Proven	969,586	1.50	52.45	1.38
	Probable	950,007	1.32	47.81	1.22
	Inferred into pit	80,472	0.87	47.37	1.01
Oxide	Proven	856,738	1.67	47.35	1.82
	Probable	628,224	1.47	51.89	1.78
	Inferred into pit	126,670	1.36	51.00	1.74
Porous	Proven	298,570	1.72	28.89	1.92
	Probable	83,089	1.14	46.60	1.94
	Inferred into pit	9,413	1.38	53.10	3.36
TOTAL	Proven	2,702,870	1.47	44.78	1.54
	Probable	2,523,334	1.24	45.17	1.36
Total Proven & Probable (P&P)		**5,226,204**	**1.36**	**44.97**	**1.45**
Plant Stockpile included in P&P		88,270	1.92	64.71	1.82
	Inferred into pit	222,981	1.16	49.09	1.52
Processed through October		146,645	1.78	60.31	1.79

This estimate includes a stockpile comprised mostly of porous and oxide ore of 567,116 tonnes of 1.98% of copper, 1.94 grams per tonne of gold, and 21.88 grams per tonne of silver as well as a plant stockpile of 88,270 tonnes of 1.81% of copper, 1.92 grams per tonne of gold, and 64.7 grams per tonne of silver ready for processing. This revised estimate represents a less than 6.5% decrease in contained metals (refer to the press release dated August 20, 2010).

Given the higher than expected acid consumption during the first two months of the quarter, it was realized that the LPF process could not be run at more than 2,000 tonnes per day on a continuous basis. Consulting metallurgists made improvements to the LPF process as well as increased the mill throughput to as much as 2,000 tonnes per day. However, acid consumption increased considerably and the sulphuric acid plant could not supply the necessary quantities to operate the mill at a high availability. Thus, the Company began processing the transition ore, which includes both copper in oxide minerals and copper in sulphide minerals, by flotation only. Although the copper in oxide minerals will not be recovered, the recovery of precious metals was higher than achieved by the LPF process. A high-lead copper concentrate was made using this process. The sale of this product is under contract through March 2013. Currently, the Company is marketing a talc concentrate, which is a product of the LPF process; if sale of this product is successful, precious-metal recoveries will be higher and the unit cost of production will be lower than that reported herein.

In April, oxide ore was processed by the LPF circuit at about 1,900 tonnes per day for about 15 days in order to comply with a concentrate sales contract, after which repairs, maintenance, and certain upgrades to both the sulphuric acid plant and the leach-precipitation circuit was completed; otherwise, transition ore was processed by flotation-only at a throughput of over 2,500 tonnes per day. From May through September, transition ore is planned to be processed through the flotation circuit at a throughput of 2,700 tonnes per day with an availability of 90%; two 15-day campaigns of LPF processing of oxide ore at 1,900 tonnes per day are also planned in that period. Flotation testing of oxide ores will proceed and results from those tests will determine the future treatment of oxide ores.

To date, over 6,000 dry metric tonnes of concentrate with grades over 40% copper, over 25 grams per tonne gold, and over 800 grams per tonne silver have been produced, most of which has been transported to the ocean port in Arica, Chile. Shipments of most of this concentrate have been made to customers.

Production from the Don Mario Mine is subject to a 3% net smelter return royalty. In addition, the Bolivian government collects a mining royalty tax on the revenues generated from copper, gold and silver sales at rates of 5%, 7%, and 6%, respectively.

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. During the first quarter of fiscal 2012, two drill holes were completed in the La Aventura concessions, neither of which encountered mineralization of economic interest. Also, two drill holes tested geophysical anomalies located near the UMZ deposit. One of these holes, collared on the UMZ deposit and drilled nearly perpendicular to the dip of the Lower Mineralized Zone shear thus being a representation of true width, returned 23.7 metres of 1.22% copper, 2.75 grams per tonne of gold, and 16.5 grams per tonne of silver, including two metres of 2.49% copper, 18.86 grams per tonne of gold, and 73.5 grams per tonne of silver. The hole intercepted the shear zone about 60 metres above the highest level of mining. This mineralization was not included in the UMZ reserve estimate, but will be evaluated for possible inclusion in any future mine plan.

The Copperwood Project

Through its wholly-owned subsidiary, Orvana Resources US Corp. (“Orvana Resources”), the Company 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. These leased areas are referred to as 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.

On February 7, 2012 the Company announced Feasibility Study results and fully-diluted mineable proven reserves of 23.14 million short tons of 1.46% copper and 3.98 g/t of silver and fully-diluted probable reserves of 7.09 million short tons of 1.21% copper and 2.44 g/t of silver, for a total of 30.23 million short tons of 1.41% copper (852 million pounds) and 3.63 g/t of silver (1.44 million ounces). The Feasibility Study contemplates a room-and-pillar underground mine using drill-and-blast methods as the base case. This reserve was estimated under the supervision of Joseph Keane, P.E. with Steve Milne, P.E., and David List, P.E., each of whom is an independent qualified person for the purposes of NI 43-101, in an NI 43-101-compliant technical report, "Feasibility Study of the Copperwood Project, Upper Peninsula, Michigan, USA". The results are summarized in the table below:

	Million Short tons(1)	Cu %	Cu Million lbs.	Ag g/t	Ag Million oz.
Proven	23.14	1.46	679	3.98	2.96
Probable	7.09	1.21	173	2.44	0.57
Total Proven & Probable	30.23	1.41	852	3.63	3.53

(1) 1 short ton is equal to 0.907 metric tonnes

The mine plan calls for the development of a ramp and box cut to access the ore bed. All development will be focused on the ore bed and virtually no 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 will be extracted by conventional flotation. Life-of-mine cash costs (C1) are $1.26 per pound net of the silver credit.

The table below summarizes the economic parameters for the Drill-and-Blast Case:

Summary of Key Financial Parameters (Drill-and-Blast Case)					
Copper prices per pound	$ 2.50	$ 2.75	$ 3.00	$ 3.25	$ 3.50
Silver prices per ounce	$ 17.50	$ 20.00	$ 22.50	$ 25.00	$ 27.50
Net present value @ 8%, (US $000's)	30,799	104,365	177,587	246,905	313,079
IRR (After Corporate Taxes)	11.0%	17.2%	22.8%	27.9%	32.6%
Payback in years	6.2	5.2	4.6	4.2	3.8

Note: Property tax liabilities are not included since no assessment has been completed

Base-case operational parameters assumed for the drill-and-blast case with 12.5% pillar recovery are as follows:

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 Copperwood Project is subject to a net smelter return royalty, which will be determined quarterly, that ranges from 2% to 4% on a sliding scale based on inflation-adjusted copper prices.

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

On September 23, 2011, Orvana Resources, filed a mine permit application to the Michigan Department of Environmental Quality ("MDEQ"), as prescribed by Part 632 of the Non-Ferrous Metallic Mining regulation of the State of Michigan and on April 30, 2012, Orvana Resources reported the receipt of the mining permit. This permit is the key stage gate for bringing the Copperwood Mine into operation, and indicates that the State of Michigan considers the project to have met all the necessary criteria to operate a mine in a responsible manner.

The Wetlands Permit (Clean Water Act Section 404 Permit) was submitted on October 21, 2011. The waste-water discharge permit, or National Pollutant Discharge Elimination Systems permit, was submitted on November 14, 2011. On December 2, 2011, the Permit to Install, or Air Quality permit, was submitted.

During fiscal 2012, Orvana will continue to investigate a variety of financing options, including the sale of an equity interest, debt financing, off-take agreements and equity financing for the estimated $213,000 pre-production capital expenditures to bring the Copperwood Project into production as well as an estimated $37,000 for working capital during the commissioning stage.

Other Exploration Properties

Apart from the exploration potential in the concessions adjacent and proximal to the EVBC and UMZ mines, the Company was awarded an Investigation Permit on the Lidia prospect; the area encompasses 2,560 hectares in the Navelgas Gold Belt of northern Spain, 30 kilometres from EVBC. The Lidia prospect, formerly known as the Linares prospect, is considered prospective for not only skarn-hosted mineralization, but intrusive-related gold mineralization as well. The Company has retained an experienced consultant to review data and assess the exploration potential proximal to both mines as well as the Lidia prospect.

Social and Environmental Practices

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.

The Company has supported the surrounding communities of the EVBC Mine 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 the mines.

In the Chiquitos Province of Bolivia in which the Don Mario 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. Last year, EMIPA renewed its support of $1,785 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, 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 provides four scholarships each year to Gogebic County high school students to further their education at the university level. In addition, Orvana has made contributions to the local fire departments for the purchase of equipment and, in the past two years, has sponsored the SISU Cross Country Ski Marathon in Ironwood, Michigan.

Health and Safety

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

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

Additionally, in 2011, Orvana's Board of Directors established a Technical, Safety, Health and Environmental Committee. The purpose of this Committee is to: review technical, safety, health and environmental policies and programs; oversee Orvana's safety, health and environmental performance; monitor current and future regulatory issues and, where appropriate, make recommendations to the Board on significant safety, health and environmental matters.

On November 22, 2011, the Company reported that an employee of Kinbauri was fatally injured when he was caught between two pieces of equipment at Kinbauri's Carles Mine. Immediately following the accident, Kinbauri implemented its emergency response plan. Accordingly, all activities at Kinbauri were voluntarily suspended on November 22 and 23 and the Company is cooperating fully with the authorities in their investigation of the accident.

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the second quarter ended March 31, 2012 and 2011 under IFRS are summarized in the table below:

	Three months ended March 31		Six months ended March 31	
	2012	**2011**	**2012**	**2011**
Revenues	31,245	$6,330	46,618	$12,757
Net earnings (loss) before derivatives mark-to-market adjustment, net-of-tax(1)	4,128	1,720	992	(1,055)
Derivatives mark-to-market adjustment & settlements, net-of-tax(1)	(12,087)	(3,360)	(13,456)	(21,984)
Net loss	(7,959)	(1,640)	(12,464)	(23,039)
Loss per share – basic and diluted	$(0.06)	$(0.01)	$(0.09)	$(0.20)
Net earnings (loss) per share before derivatives mark-to-market adjustments, net-of-tax – basic and diluted(1)	$0.03	$0.01	$0.01	$(0.01)
Metal production(2)				
Gold (ounces)	12,754	4,974	22,692	9,894
Silver (ounces)	115,282	-	197,936	-
Copper ('000 pounds)	3,024	-	6,255	-
Metal sales(3)				
Gold (ounces)	11,331	4,628	19,606	9,362
Silver (ounces)	86,636	-	95,919	-
Copper ('000 pounds)	3,326	-	4,016	-

(1) These amounts are non-IFRS measures and are derived from the following amounts in the income statement: net derivative losses for the three and six months of 2012 at $17,267 and $19,223 respectively, less the three and six month deferred income tax recoveries of $5,180 and $5,767 respectively.

(2) Metal production during second quarter of fiscal2012 includes production at EVBC and Don Mario UMZ.

(3) Metal sales during second quarter of fiscal 2012 includes sales at EVBC and Don Mario UMZ.

Revenue for the second quarter ended March 31, 2012 of $31,245 resulted from metal sales at both the EVBC Mine and the Don Mario UMZ mine. The Don Mario UMZ Mine reached the commercial production stage effective January 1, 2012, and thus sales of copper concentrate were recorded as revenue for the full second quarter ended March 31, 2012.

In the three months ended March 31, 2012, a total of 231,453 tonnes were treated to produce 12,754 ounces of gold, 115,282 ounces of silver and 3,023,949 pounds of copper compared to a total of 131,525 tonnes treated to produce 4,974 ounces of gold doré from the Las Tojas open pit mine for the same period of the prior year.

Revenue for the second quarter of fiscal 2012 increased by 390% to $31,245 on 11,331 ounces of gold, 86,636 ounces of silver and 3,325,814 pounds of copper sold, compared to $6,330 on 4,628 ounces of gold sold from the Don Mario Mine Las Tojas open pit mine during the same period of the prior year.

The net loss for the second quarter ended March 31, 2012 was $7,959 (March 31, 2011 – net loss of $1,640), due primarily to the after-tax derivative loss of $12,087 related to the mark-to-market revaluation and settlement of forward contracts, finance costs of $792 related to the development of the EVBC mine, partially offset by a net profit from metal sales at EVBC. This quarter net loss at $7,959 was higher than the prior year quarter primarily due to the higher derivative mark-to-market valuation of unrealized forward gold collar contracts.

Gross margin for the second quarter was $9,029 compared to $1,352 for the same period of the prior year due to increased metals produced and sold in the current quarter.

General and administrative expenses for the second quarter ended March 31, 2012 were $1,930 compared to $967 for the same period a year ago. General and administrative costs increased primarily due to higher long-term compensation expenses and higher corporate legal fees. Long-term compensation expense was $40 for the second quarter ended March 31, 2012, compared to a recovery of $467 for the second quarter of the prior year, resulting from the mark-to-market adjustment of outstanding restricted share units and deferred share units due to the decline in the Company's share price last year.

Exploration and development expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. The Company periodically assesses its capitalized exploration and development expenditures for impairment and where there are circumstances indicating that such impairment exists, the carrying value of the impaired asset is written down to fair value.

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 related to property, plant and equipment and underground mine development or reserve development.

The unrealized derivative after-tax loss of $10,750 (net of future tax recovery of $4,607) and realized after-tax derivative loss of $1,337 (net of future tax recovery of $573) on the Company's forward and gold collar contracts (derivatives instruments) increased the Company's net loss for the second quarter of fiscal 2012 by $17,267 before tax ($12,087 net-of-tax). This loss resulted from the mark-to-market revaluation of these contracts at March 31, 2012 and cash settlements for contracts that matured during the second quarter of fiscal 2012.

The net loss for the second quarter ended March 31, 2012 was $7,959 ($0.06 per share) compared to a net loss of $1,640 ($0.01 per share) for the second quarter ended March 31, 2011. The higher net loss was mainly due to the higher derivative loss on the revaluation of derivative contracts at March 31, 2012 versus the prior year.

Financial Instruments

During the first quarter of fiscal 2011, pursuant to the terms of the $ 50,000 credit agreement, the Company entered into forward contracts on gold, copper and Euro/US dollar foreign exchange.

In November 2011, Orvana executed a second gold collar hedge agreement with the same financial institution for a total of 63,000 ounces or 1,400 ounces per month from January 2012 to September 2015.

In February 2012, in connection with the First Amending Agreement which increased the credit facility by $13,844, Orvana executed two additional gold collar hedge agreements, increasing the existing November 2011 gold collar hedge by 200 ounces per month from July 2012 to September 2015 and an additional gold collar hedge of a total of 19,200 ounces from October 2015 to September 2016.

The amounts outstanding under these hedge contracts are summarized in the table below:

	Hedge contractual prices	Frequency of cash settlment of hedges	Contractual amounts (3)	
Foreign exchange contracts				
US$/Euro forward contracts				
April 2012 to December 2015	US$1.38	Quarterly	$ 75,000	(1)
COPPER - Tonnes				
Copper hedges				
April 2012 to December 2015	$7,260.00/tonne	Monthly	11,407	(1)
GOLD - Troy ozs.				
Gold forwards				
April 2012 to December 2015	$1,333.70/troy oz.	Monthly	35,156	(1)
Gold collars				
April 2012 to September 2015	Puts - $1,550.00/troy oz. Calls - $1,855.00/troy oz.	Monthly	58,800	(2)
Gold collars				
July 2012 to September 2015	Puts - $1,550.00/troy oz. Calls - $1,855.00/troy oz.	Monthly	7,800	(4)
Gold collars				
October 2015 to September 2016	Puts - $1,250.00/troy oz. Calls - $2,270.00/troy oz.	Monthly	19,200	(4)
Total gold hedges			120,956	

Notes:

(1) Entered into in the first quarter of fiscal 2011 in connection with the original $50,000 loan.
(2) Entered into by the Company in November 2011.
(3) were outstanding at March 31, 2012.
(4) Entered into in February 2012 in connection with the upsizing of the original $50,000 loan to $63,844.

Changes in the fair value of derivatives are recognized through earnings. The mark-to-market fair value of all forward contracts is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk.

A cumulative before tax derivative loss from forward contract settlements and mark-to-market of the forwards book totaling $17,267 was recorded for the second quarter of fiscal 2012. The spot prices and foreign exchange rates at March 31, 2012 were:

- Gold spot price was $1,663 per ounce;
- Copper spot price was $8,480 per tonne ($3.85 per pound);
- Euro/US dollar spot exchange rate was 1.33.

Forward contracts included in the balance sheet are comprised of the following:

As at March 31, 2012	
Fair value of derivatives, end of period	$(29,480)
Less: current portion	7,541
Total non-current derivative liabilities	$(21,939)

Changes in the fair value of the outstanding forward contracts are recognized as non-cash derivative gains and losses. At maturity of each contract, a cash settlement takes place and there is a corresponding reduction in the carrying value of the forwards book. During the second quarter of fiscal 2012, derivative expenses of $1,910 were recorded for contracts which had matured during the period.

At March 31, 2012, the cumulative weighted-average forward market rate was $8,392 per tonne of copper compared to the copper contract price of the copper forward book of $7,260 per tonne, resulting in the copper forward book being out-of-the-money with a mark-to-market liability or potential opportunity cost of $12,984.

At March 31, 2012, the cumulative weighted-average forward market rate was $1,699 per ounce of gold compared to the contract price of the gold forward book of $1,334 per ounce, resulting in the gold forward book being out-of-the-money with a mark-to-market liability or potential opportunity cost of $12,841.

At March 31, 2012, the average forward market rate was $1.34 Euro to US dollar compared to the average foreign exchange rate contract price of the forward book of $1.38 Euro to US dollar, resulting in the foreign exchange forward book being out-of -the-money with a potential mark-to-market liability of $2,384.

At March 31, 2012, the net mark-to-market value of the gold collars (puts purchased and calls sold) resulted in the gold collar book being out-of-the-money with a mark-to-market liability or potential opportunity cost of $1,271.

Sensitivities

At March 31, 2012, the Company had outstanding copper forward contracts totaling 11,407 tonnes for the period April 2012 through December 2015 and outstanding gold forward (and collar) contracts totaling 121,000 ounces for the remainder of fiscal 2012 and the fiscal years 2013 through 2016.

Gold / Copper Forwards - Sensitivity

At March 31, 2012, if the forward market prices of gold had been 10% higher or lower than those used in the derivative loss calculation while all other variables remained constant, the after-tax loss for the year to date would have increased or decreased by $4.2 million as a result of changes in the fair value of the derivative instruments.

At March 31, 2012, if the forward market prices of copper had been 10% higher or lower than those used in the derivative loss calculation while all other variables remained constant, the after-tax loss for the year to date would have increased or decreased by $6.7 million as a result of changes in the fair value of the copper forward contracts.

Euro/US Dollar Forwards - Sensitivity

At March 31, 2012, if the forward rates of US dollar against the Euro weakened or strengthened by 10%, than those used in the derivative loss calculation while all other variables remained constant, the Company's after-tax loss for the year to date would have been $5.1 million higher or lower as a result of changes in the fair value of the Euro/US dollar forward contracts.

Gold Collars - Sensitivity

At March 31, 2012, if the market price of gold had been 10% higher than the prices used in the gold collar derivative loss calculation while all other variables remained constant, the year to date after-tax loss would have increased by $6.2 million to an after-tax loss of $7.1 million as a result of changes in the fair value of the derivative instruments. At March 31, 2012, if the spot market price of gold had been 10% lower than the prices used in the gold collar derivative loss calculation while all other variables remained constant, the year to date after-tax loss would have decreased by $6.1 million to an after-tax gain of $5.2 million as a result of changes in the fair value of the derivative instruments.

Cash Flows

The following table summarizes the principal sources and uses of cash for the six months ended March 31, 2012 and 2011:

Six months ended March 31,	**2012**	**2011**
Cash provided by (used in) operating activities	$(278)	($8,218)
Capital expenditures*	(13,343)	(24,585)
Restricted cash and reclamation bonds	(10,635)	(1,420)
Bank debt and long-term debt, net of repayments and financing fees	$19,216	$44,983

*Including net assets under finance leases and adjustment for unpaid expenditures.

Cash Provided by Operating Activities

Cash used by operating activities was $278 for the six months ended March 31, 2012, compared to cash used by operating activities of $8,218 in the six months ended March 31, 2011. The lower cash used by operating activities in the first half of fiscal 2012 compared to the same period in the prior year, resulted primarily from cash generated from operations and higher accounts payable balances somewhat offset by higher concentrate and dore sales receivables and inventory balances.

Capital Expenditures

Capital expenditures for the second quarter of fiscal 2012 were $5,169 (second quarter of fiscal 2011 - $15,602), consisting of: $7,252 for development of the EVBC Mine in Spain, $1,719 for development of the Copperwood Project in Michigan, and a reversal of $3,812 for the Don Mario Mine UMZ development in Bolivia. The Don Mario UMZ net credit to capital expenditures is the result of the reconciliation of the commissioning account on transition to commercial production effective January 1, 2012. Material-in-transit totaling $1,736 and copper concentrate finished goods inventory of $2,603 were reclassified from the commissioning account and shown separately in inventory and cost of sales.

Financial Condition – March 31, 2012 compared to September 30, 2011

The following table provides a comparison of key elements of the Company's balance sheet at March 31, 2012 and September 30, 2011:

	March 31, 2012	September 30, 2011
Cash and cash equivalents	$7,431	$12,244
Non-cash working capital *	$5,923	3,227
Total assets	266,558	239,957
Long-term debt, net of financing fees	66,973	47,817
Obligations under finance leases	3,165	4,179
Shareholders' equity	116,293	128,262

* Non-cash working capital excludes bank debt, current portions of long-term debt, obligations under finance leases and derivative instruments.

Non-cash working capital at March 31, 2012 of $5,923 increased over the six months by $2,696 mainly due to the increases in concentrate and dore sales receivable of $3,178, inventory of $10,103, partially offset by an increase in accounts payable of $7,290 and a decrease in value added taxes receivable and prepaid expenses of $3,316.

Total assets increased year to date by $26,601 to $266,558 primarily due to the increases in property, plant and equipment of $8,224, inventory of $10,103, and restricted cash of $10,629, partially offset by a reduction in cash and cash equivalents of $4,813.

Bank and Long-term Debt

On October 8, 2010, the Company, through its indirect subsidiary, Kinbauri, entered into a $50,000 five-year term corporate credit facility. The funds were used to complete construction of the EVBC Mine in Spain and for general corporate purposes.

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

Interest on the outstanding principal of $50,000 was calculated at a rate per annum equal to LIBOR plus 3.85%. As permitted under the terms of the credit agreement, the Company opted to defer payment of interest amounts otherwise payable until April 8, 2011, such that the credit limit and outstanding loan were increased by $844 for the deferred interest amount.

On February 15, 2012, Kinbauri increased its $50,000 credit facility by $13,844 million and extended the term by one year to September 30, 2016. Under the First Amending Agreement providing the additional $13,844, an amount of $6,500 (€5,000,000) must be used to fund an environmental bond required to be posted with the Government of the Principality of Asturias, Spain and $3,000 must be deposited in a debt service reserve account to cover one quarter-year's debt service charges. The balance may be used by Kinbauri for general corporate purposes, including fees in connection with the loan increase and related Spanish stamp taxes. To the extent that the environmental bond required by the Principality of Asturias is less than $6,500, Kinbauri may use these funds for general corporate purposes. Under the terms of the loan agreement, amounts owing by Kinbauri to the Company and to other subsidiaries of the Company are subordinated.

Both the original $50,000 Credit Agreement entered into in October 2010 and the First Amending Agreement entered into in February 2012 contain provisions requiring that gold, copper and Euro/US dollar forward contracts be put in place. Details of the hedge contracts required by these credit agreements and an additional gold hedge entered into by Kinbauri in November 2011 are contained in the table in a previous section entitled "Financial Instruments".

The cost of the full $63,844 credit facility, including fees, is expected to average approximately 5% to 6% per annum, based on the current interest rates. Quarterly principal repayments on the upsized $63,844 credit facility are required commencing July 2, 2012. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the full principal amount of the credit outstanding, are: 2012 – 5.3%; 2013 – 18.7%; 2014 – 23.3%; 2015 – 27.6%; 2016 – 25.1%.

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

To improve liquidity and smooth out cash flows, in November 2011, Kinbauri entered into a working capital facility of up to US$7 million with a metals trader. This facility provides Kinbauri with the option of selling and receiving a periodic advance, as frequently as weekly at commodity prices prevailing on the date of the advance, in the amount of 90% of the value of metals in concentrate delivered into a warehouse in Aviles or Gijon, Spain at the time of the sale. Currently, Kinbauri receives about US$6,000 for concentrate every six to seven weeks under this agreement.

EMIPA has short term credit facilities with two Bolivian banks for up to approximately $7,000 payable in 60 to 150 days with annual interest ranging from 7.0% to 7.5% with certain of EMIPA's assets pledged as security against these loans. As at March 31, 2012 there was approximately $6,960 (September 30, 2011 - $6,417) drawn against these credit facilities. The credit facilities are not guaranteed by Orvana. The proceeds were used to finance EMIPA's working capital needs.

EMIPA also has a term credit facility agreement with a Bolivian bank. This facility bears interest at 7.8% and is payable in equal quarterly instalments over a three-year term maturing in September 2012. There are no specific covenants related to this credit facility. This loan is secured by certain machinery and equipment of EMIPA. The proceeds were used to finance equipment purchases for the UMZ.

In addition, at March 31, 2012, EMIPA had bank guarantees with the same Bolivian bank amounting to approximately $985 (September 30, 2011 - $1,897), related to refunded value-added taxes and chemical and natural gas purchases.

Due primarily to the failure to sell the concentrate from the UMZ in a timely fashion, on January 3, 2012, the Company entered into a $5,000 secured demand loan facility with Fabulosa Mines Limited, the Company's majority shareholder. On March 12, 2012, the terms of the loan agreement were amended to increase the principal amount of the loan to $6,500 and convert the loan to a term loan with a maturity date of July 1, 2013. The funds advanced under the loan have been used for the repayment by EMIPA of a third party loan in the principal amount of $3,000 and for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12% and is payable at maturity on July 1, 2013. The loan agreement contains covenants that, among other things, require repayment of the loan in the event of the sale of EMIPA or all or substantially all of its assets, repayment of a portion of the loan from excess cash flows and that funds borrowed by EMIPA from third parties be retained for use by EMIPA. In addition, in the event that, prior to March 1, 2013, Fabulosa requests that Orvana add an additional director nominated by Fabulosa to the Company's board of directors and Orvana does not do so within ten business days, the loan will convert back to a demand loan. The loan is secured by a pledge of all of the shares of Orvana Resources US Corp. and a general security assignment over present and future assets of Orvana excluding all accounts owing by Kinbauri and the present and future shares of Orvana Minerals Asturias Corp. and all proceeds therefrom. Concurrently, the Corporation entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the Company's outstanding common shares (calculated on a fully-diluted basis), Fabulosa shall have the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election to the Company's board of directors that is the same proportion as its ownership interest is of the Company's outstanding common shares (calculated on a fully-diluted basis).

Shareholders' Equity

Shareholders' equity decreased year to date by $11,969 to $116,293 at March 31, 2012, due to the year to date net loss of $12,464, partially offset by the increase in share capital and contributed surplus of $495.

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 utilize future cash flow and mining capability to build long-term value for its shareholders both through organic growth and through strategic acquisitions, primarily focused on advanced-stage gold and/or copper properties.

In the short term, Orvana is focused on its operations at the EVBC gold-copper-silver mine in northern Spain and its Don Mario Mine copper-gold-silver mine in eastern Bolivia as well as advancing the development of its Copperwood copper project in Michigan. Fiscal 2012 guidance was recently revised to 64,500 ounces of gold, 7,500 tonnes of copper, and 625,000 ounces of silver.

During fiscal 2012, the Company expects gold production from EVBC to be 52,000 ounces per annum, copper production to be about 2,000 tonnes per annum, and silver production to be about 125,000 ounces per annum. As head grades improve, cash cost per ounce of gold produced is expected to decrease. Mine life is now projected at 10 years. Beyond 2012, Orvana will continue to work on improving head grade, increasing gold production and reducing cost per ounce of gold produced. Completing the shaft, which is anticipated to take place during the third quarter of fiscal 2012, will allow for more efficient ore extraction, resulting in improved flexibility, increased mine production, and reduced costs. Orvana will also investigate alternatives to maximize the mill output and enhance recoveries, including a possible expansion of the mill in the future.

During fiscal 2012, the Company's focus at the Don Mario Mine is on improving recoveries for both the LPF and flotation-only processing. Production in fiscal 2012 is expected to be about 5,500 tonnes copper, 12,500 ounces of gold, and 500,000 ounces of silver, respectively.

The Copperwood permit-review process will continue during the third quarter of fiscal 2012. The Company will continue to investigate means of financing the estimated $213,000 pre-production capital expenditure as well as the $37,000 required for working capital during the commissioning stage. Options include a joint venture partnership, debt financing, off-take agreements, and equity financing, among others.

LIQUIDITY AND COMMITMENTS

In the past, the Company's primary source of liquidity has been from operating cash flow. In fiscal 2012, Orvana expects to spend approximately $26.9 million on capital for the EVBC Mine, $2.8 million on the development of the Don Mario UMZ (excluding the commissioning account reclassification mentioned earlier) and $8.4 million on the Copperwood Project. Certain of these expenditures will be delayed until sufficient cash flow is generated from operations or external funding is secured.

As described above under the heading "Bank and Long-Term Debt", on February 15, 2012, Kinbauri increased its $50,000 credit facility by $13,844 million and extended the term by one year to September 30, 2016. Under the First Amending Agreement providing the additional $13,844, an amount of $6,500 (€5,000,000) must be used to fund an environmental bond required to be posted with the Government of the Principality of Asturias, Spain and $3,000 must be deposited in a debt service reserve account to cover one quarter-year's debt service charges. The balance may be used by Kinbauri for general corporate purposes, including fees in connection with the loan increase and related Spanish stamp taxes. To the extent that the environmental bond required by the Principality of Asturias is less than $6,500, Kinbauri may use these funds for general corporate purposes. Under the terms of the loan agreement, amounts owing by Kinbauri to the Company and to other subsidiaries of the Company are subordinated.

Both the original $50,000 credit agreement entered into in October 2010 and the First Amending Agreement entered into in February 2012 contain provisions requiring that gold, copper and Euro/US dollar forward contracts be put in place. Details of the hedge contracts required by these credit agreements and an additional gold hedge entered into by Kinbauri in November 2011 are contained in the table in a previous section entitled “Financial Instruments”.

As a result of the initial start-up difficulties and delays in the production of saleable concentrates from the Don Mario Mine, the Company’s Bolivian subsidiary required additional financing for working capital purposes. The difficulties in producing saleable product have been resolved but have created a significant short term strain on EMIPA’s cash flow. The Company anticipates its UMZ operations will be self-financing in the second half of fiscal 2012. However, bank loans with certain Bolivian banks are short term ranging from 60 to 150 days and new loans replacing those maturing may not be obtained.

As a result of EMIPA’s immediate liquidity requirements, on January 3, 2012, the Company entered into a $5,000 secured demand loan facility with Fabulosa. On March 12, 2012, the terms of the loan agreement were amended to increase the principal amount of the loan to $6,500 and convert the loan to a term loan with a maturity date of July 1, 2013. The funds advanced under the loan have been used for the repayment by EMIPA of a third party loan in the principal amount of $3,000 and for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12% and is payable at maturity on July 1, 2013. The loan agreement contains covenants that, among other things, require repayment of the loan in the event of the sale of EMIPA or all or substantially all of its assets, repayment of a portion of the loan from excess cash flows and that funds borrowed by EMIPA from third parties be retained for use by EMIPA. In addition, in the event that, prior to March 1, 2013, Fabulosa requests that Orvana add an additional director nominated by Fabulosa to the Company’s board of directors and Orvana does not do so within ten business days, the loan will convert back to a demand loan. The loan is secured by a pledge of all of the shares of Orvana Resources US Corp. and a general security assignment over present and future assets of Orvana excluding all accounts owing by Kinbauri and the present and future shares of Orvana Minerals Asturias Corp. and all proceeds therefrom. Concurrently, the Corporation entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the Company’s outstanding common shares (calculated on a fully-diluted basis), Fabulosa shall have the right to designate, at any shareholders’ meeting at which directors are to be elected, that number of management’s nominees for election to the Company’s board of directors that is the same proportion as its ownership interest is of the Company’s outstanding common shares (calculated on a fully-diluted basis).

For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana’s results of operations or financial condition. At Copperwood, Orvana is investigating a variety of means to finance the estimated $213,000 capital expenditure required to bring this project into production.

In the event that the Company does not find a satisfactory external means of financing the development of the Copperwood Project, the UMZ Project is not self-financing in fiscal 2012 or in the event of the occurrence of other unanticipated events; the Company may not have adequate resources to 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 seeking additional debt or equity financing, strategically disposing of assets, or pursuing joint venture partnerships, equipment financings or off-take agreements.

For the second quarter ended March 31, 2012, capital expenditures were $7,252 at the EVBC Mine, $1,719 at the Copperwood Project, and a reclassification of ($3,812) at the Don Mario UMZ, as mentioned previously.

The net decrease in cash and cash equivalents during the first half of fiscal 2012 was $4,813 (including effects of exchange rate changes on cash balances), resulting in total cash and cash equivalents of $7,431 as at March 31, 2012.

Spending on the Company's capital projects and operating requirements has been and is expected to be incurred according to management's plans. However, while the EVBC Mine is in commercial production, cash flows will be at a reduced rate during the initial production ramp-up period. As well, delays in advancing the UMZ to the production stage resulted in lower cash flows than anticipated and reduced the Company's cash reserves to less than desirable levels. The Company has taken a number of actions to address its concerns with respect to available cash reserves as described above.

Other Commitments

At March 31, 2012, the Company's other contractual obligations included: bank debt; bank guarantees; term credit facilities; obligations under finance leases; operating leases; decommissioning liabilities; purchase obligations related to construction at the UMZ and EVBC Mines; provision for statutory labour obligations; and long-term compensation. Contractual obligations are summarized in the following table below:

Contractual Obligations	**Payment Due by Period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Bank debt	$6,960	$6,960	-	-	-
Bank guarantees	985	985	-	-	-
Long-term debt	71,006	11,308	34,560	25,138	
Obligations under finance leases	3,165	1,969	1,196	-	-
Operating leases	758	222	444	92	-
Decommissioning liabilities*	11,208				11,208
Purchase obligations	16,817	13,697	3,120	-	-
Provision for statutory labour obligations	1,593	-	-	-	1,593
Long term compensation	585	298	-	-	287
Total contractual obligations	$113,077	$35,439	$39,320	$25,230	$13,088

*Decommissioning liabilities are undiscounted.

Bank and long-term debt amounts shown in the above table are described above under the headings "Bank Debt" and "Long-term Debt".

During fiscal 2010 and 2011, Kinbauri entered into finance leases for the purchase of underground mining equipment in Spain. Under each finance lease agreement, 15% to 40% of the purchase price of the equipment is paid in cash at the time of delivery with the balance financed over a three-year lease term. Lease payments are payable quarterly with interest at rates of 5.5% to 6.6% per annum. Obligations under finance leases amounted to $3,165 at March 31, 2012.

At March 31, 2012, decommissioning liabilities on a discounted basis amounted to $8,058 for the Company's Don Mario Mine in eastern Bolivia and the EVBC Mine in Northern Spain. These 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.

Management estimates that the total undiscounted amount of the cash flows required to settle the Company's decommissioning liabilities with respect to the operation of the Don Mario Mine is $4,760. The interest rate used to discount estimated cash flows for these liabilities is 4%. Accretion expense is recorded using this interest rate. The discounted amount of this obligation as at March 31, 2012 is estimated at $3,220 and the related costs are expected to be incurred in 2021 through 2024.

Management estimates the total undiscounted amount of the cash flows required to settle the Company's decommissioning liabilities with respect to the operation of the EVBC Mine in Spain is $6,448. The interest rate used to discount estimated cash flows is 5%. Accretion expense is recorded using this interest rate. The discounted amount of the estimated cash flows as at March 31, 2012 required to settle the Company's current obligations with respect to the EVBC sites is $4,838. It is expected that these amounts will be incurred in 2018 and beyond.

Prior to the Company's acquisition of Kinbauri, the EVBC Mine had been shut down by its then owner and remediation measures required were completed and a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010, an additional reclamation bond in the amount of €1,521,960 was deposited by Orvana relating to the Company's new tailings facility.

On June 28, 2011, the Company announced that final approval has been received from the Spanish Ministry of the Environment for commercial production at the EVBC Mine. A $6,581 (€5 million) cash bond was paid in August 2011, and an additional €5 million (approximately $6,500) cash bond is payable in June 2012. Funds for this second tranche will be provided from the increase of $13,844 in Kinbauri's credit facility specifically for this environmental bond requirement, among other purposes, as a result of the recently concluded First Amending Agreement (refer to the section - Bank and Long-Term Debt). Total funds deposited with a Spanish financial institution for reclamation bonds amounted to $9,964 at March 31, 2012 (Sept 30, 2011 - $10,074).

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 Company is subject to a 3% net smelter return royalty (a "NSR") on its production from the Don Mario Mine. This royalty is payable quarterly and amounted to $308 for the second quarter of fiscal 2012, compared to $177 for the same period in fiscal 2011.

Prior to its acquisition by Orvana, in exchange for an advance payment of C$7,500,000, Kinbauri entered into an agreement by which its Spanish subsidiary granted a 2.5% NSR. The royalty rate increases to 3% for any quarter in which the average price of gold reaches or exceeds $1,100 per ounce. This royalty is payable quarterly and amounted to $577 for the second quarter of fiscal 2012 (March 31, 2011 – nil).

The royalty holder's advance payment is evidenced by a convertible debenture of Kinbauri in the principal amount of C$7,500,000 settled through royalty payments made as sales are made. During the period commencing on December 31, 2012 and ending on January 31, 2013, if the aggregate amount of royalty payments paid as at December 31, 2012 is less than C$7,500,000, the royalty holder may require that the remaining outstanding balance of the debenture be paid to it as a prepayment of future royalty payments.

In addition, in the event that the rate of production from the El Valle Mill does not reach or exceed 90,000 ounces of gold within the 2012 calendar year, the royalty holder may exercise its conversion right under the debenture in respect of the outstanding principal amount, if any, of the debenture at December 31, 2012. Between January 1, 2013 and May 12, 2013, exercise of this conversion right would entitle the royalty holder to a cash payment equal to the then outstanding principal amount, if any, of the debenture multiplied by 0.783. In the event the conversion right in respect of any outstanding principal amount of the debenture is exercised after May 12, 2013, the amount of the payment to which the royalty holder would be entitled, would be determined by the parties, acting reasonably and in good faith. Any exercise of the conversion right would not reduce the obligation of Kinbauri's Spanish subsidiary to make subsequent royalty payments.

The leases relating to the Copperwood Project are also subject to a NSR payable 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 production commences.

CAPITAL RESOURCES

At March 31, 2012, the Company had capital resources of $186,431 represented by long-term debt of $66,973 and obligations under finance leases of $3,165 and shareholders' equity of $116,293.

Shareholders' equity decreased year to date by $11,969 to $116,293 ($0.85 per share) as at March 31, 2012, compared to $128,262 ($1.07 per share) at September 30, 2011.

RESULTS OF OPERATIONS

The following table and analysis compare operating results for the quarters ended March 31, 2012 and 2011:

	Three months ended March 31,		Six months ended March 31,	
	2012	2011	2012	2011
Revenues	$31,245	$6,330	$46,618	$12,757
Cost of sales	22,216	4,978	37,235	10,387
Expenses	2,059	1,405	4,274	4,223
Finance costs	1,163	161	2,202	337
Net earnings (loss) before derivatives mark-to market adjustment, net-of-tax (1)	4,128	1,720	992	(1,055)
Derivative mark-to-market adjustment, net-of-tax(1)	(12,087)	(3,360)	(13,456)	(21,984)
Net loss	(7,959)	(1,640)	(12,464)	(23,039)
Loss per share – basic and diluted	($0.06)	($0.01)	($0.09)	($0.20)

(1) These amounts are non-IFRS measures and are derived from the following amounts in the income statement: net derivative losses for the three and six months of 2012 at $17,267 and $19,223 respectively, less the three and six month deferred income tax recoveries of $5,180 and $5,767 respectively.

Revenues

Orvana's sales are determined according to spot gold, copper and silver prices. The following table summarizes gold, silver and copper revenues and average prices realized:

	Three months ended March 31		Six months ended March 31	
	2012	2011	2012	2011
Revenues	$31,245	$6,330	$46,618	$12,757
Gold ounces sold	11,331	4,628	19,606	9,362
Average gold prices /oz.	1,763	$1,368	1,690	$1,363
Copper ('000 pounds) sold	3,326	-	4,016	-
Average copper prices /lb.	3.81	-	3.81	-
Silver ounces sold	86,636	-	95,919	-
Average silver prices /oz.	33.42	-	31.47	-

Revenue for the second quarter of fiscal 2012 increased by 390% to $31,245 on 11,331 ounces of gold, 86,636 ounces of silver and 3,325,814 pounds of copper sold, compared to $6,330 on

4,628 ounces of gold sold from the Don Mario Mine Las Tojas open pit mine during the same period of the prior year. The Don Mario UMZ Mine reached commercial production stage effective January 1, 2012, and thus EMIPA's Don Mario UMZ sales of copper concentrate were recorded as revenue for the full fiscal quarter ended March 31, 2012.

Further information on production, operations and costs is presented below under "Don Mario Mine - UMZ – Mine Performance" and "El Valle-Boinás/Carlés – Mine Performance",

Don Mario UMZ – Mine Performance

The Don Mario UMZ copper-gold-silver mine began operating in April 2011 and reached the commercial production stage effective January 1, 2012, and thus Don Mario UMZ revenues from copper concentrate were recorded as revenue for the full fiscal quarter ended March 31, 2012.

Start-up of the LPF mill and a sulphuric acid plant, which began in April 2011, continued through their commissioning stage, which has been slower than planned due to initial operating issues with the sulphuric acid plant, issues related to the delivery of supplies, and lower than planned copper recovery. As a result of the low copper recovery, gold-silver doré is not yet being produced.

The Don Mario UMZ Mine reached the commercial production stage effective January 1, 2012, and thus sales of copper concentrate were recorded as revenue for the full second quarter ended March 31, 2012.

The LPF Plant performance during the first and second quarters of fiscal 2012 is summarized in the table on page 8 of the Don Mario Mine – Upper Mineralized Zone section.

Cash operating costs in the second quarter of fiscal 2012 were approximately $1.66 per pound of copper net of by-product revenues, a revision from the $0.73 per pound of copper net of by-product revenues reported in the April 10, 2012 press release after reconciliation of all production costs and product sold.

El Valle-Boinás/Carlés – Mine Performance

The EVBC mine commenced production start-up and commissioning in May 2011 and advanced to commercial production stage on August 1, 2011. To date, the Company has made shipments of concentrate in the aggregate amount of 5,350 tonnes.

The following table includes the production and sales data from the EVBC Mine for the second quarter ended March 31, 2012:

	Three months ended March 31		Six months ended March 31	
	2012	**2011**	**2012**	**2011**
Operating Data				
Ore mined (tonnes)	144,595	-	268,453	-
Ore milled (tonnes)	126,978	-	250,544	-
Gold				
Grade (g/t)	2.83	-	2.50	-
Recovery (%)	93.2	-	91.4	-
Production (oz.)	10,761	-	18,416	-
Sales (oz.)	9,747	-	18,022	-
Copper				
Grade (%)	.40	-	.37	-
Recovery (%)	85.1	-	82.3	-
Production ('000 lbs.)	956	-	1,683	-
Sales ('000 lbs.)	1,086	-	1,776	-
Silver				
Grade (g/t)	10.27	-	8.77	-
Recovery (%)	78.8	-	74.7	-
Production (oz.)	33,049	-	52,774	-
Sales (oz.)	31,354	-	40,637	-

The developments in both the Carles and Boinás mines are progressing well and the new lower production area in the Carles Mine (-100) was taken into production during the second quarter of the 2012 fiscal year. In the Boinás Mine, the development and production from the higher grade San Martin area has been initiated. Stoping from this area was initiated during the second quarter of fiscal 2012. The head grades from both mines are improving.

The work with the new shaft in the Boinás Mine is progressing well and the lower part of the shaft is completely reamed. The surface construction of the head frame, winch house (including installations) and the belt conveyor system are progressing well and installations of all infrastructure related to the shaft was initiated during second quarter of the 2012 fiscal year. The Company plans to initiate ore extraction from the shaft during third quarter of fiscal 2012.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended March 31, 2012:

	Quarters ended			
	March 31, 2012 IFRS(1)	**Dec 31, 2011 IFRS(1)**	**Sept 30, 2011 IFRS(1)**	**June 30, 2011 IFRS(1)**
Revenues	$31,245	$15,373	$10,576	$1,752
Net (loss) income	($7,959)	($4,505)	$8,037	($6,304)
Earnings (loss) per share – basic and diluted	$(0.06)	$(0.03)	$0.06	($0.05)
Total assets	$266,558	$249,390	$239,957	$223,884
Total long-term financial liabilities(2)	$74,171	$55,136	$56,008	$55,095
Gold production - oz.	12,754	9,937	8,734	-
Gold sales – oz.	11,331	8,276	5,520	1,297
Silver production – oz.	115,282	82,654	44,935	-
Silver sales – oz.	86,636	9,283	13,270	-
Copper production – '000 lbs.	3,024	3,231	1,905	-
Copper sales – '000 lbs.	3,326	691	504	-
Non-GAAP measures (per ounce data)				
Total cash costs per oz. – Don Mario (2011 & prior)	n/a	n/a	n/a	$30
Total (C1) cash operating costs per lb. – Don Mario	$1.66			
Total cash operating costs per oz. - EVBC	$745	1,088	$1,181	n/a
Average gold price realized/oz.	$1,763	$1,675	$1,695	$1,351
Operating statistics -				
- Gold ore grade – g/t	2.39	2.17	2.04	
- Gold recovery rate - %	71.8%	92.2%	87.5%	
- Silver ore grade – g/t	44.6	7.23	7.06	-
- Silver recovery rate - %	34.7%	69.9%	54.5%	-
- Copper ore grade – %	1.06	0.34	0.33	-
- Copper recovery rate - %	55.7%	80.0%	67.8%	-

(1) Prepared using accounting policies consistent with IFRS.

(2) Long-term financial liabilities include the long-term and current portions of obligations under finance leases and the current and long-term debt, excluding financing fees.

(3) The production statistics noted above include production quantities during both the commissioning period and the production period. The quantities sold include only the amounts sold during commercial production.

	Quarters ended			
	March 31, 2011 IFRS(1)	Dec 31, 2010 IFRS(1)	Sept 30, 2010 CGAAP(2)	June 30, 2010 CGAAP(2)
Revenues	$6,330	$6,427	$6,732	$7,758
Net (loss) income	($1,640)	($21,399)	($867)	($1,106)
Earnings per share – basic and diluted	($0.01)	($0.18)	($0.01)	($0.01)
Total assets	$202,199	$199,251	$156,472	$139,514
Total long-term financial liabilities(3)	$54,598	$54,358	$5,104	$3,235
Gold production - oz.	4,974	4,920	5,114	6,545
Gold sales – oz.	4,628	4,734	5,520	6,535
Non-GAAP measures				
Per ounce data -				
- Total cash costs	995	1,014	$971	$904
- Average gold price realized	1,368	1,358	$1,219	$1,187
Operating statistics -				
- Gold ore grade – g/t	1.42	1.33	1.41	1.66
- Gold recovery rate - %	83.0%	77.5%	73.5%	79.5%

(1) Prepared using accounting policies consistent with IFRS.

(2) Prepared using accounting policies consistent with Canadian GAAP. Financial information in this MD&A for periods prior to October 1, 2010 has not been restated for changes in accounting policies on adoption of IFRS. Refer to Changes in Accounting Policies below, and to Note 24 of the accompanying interim consolidated financial statements, for a discussion of IFRS and its impact on the Company's financial statements.

(3) Long-term financial liabilities include the long-term and current portions of obligations under finances leases and long-term debt and exclude financing fees of $4,033 for the period ended March 31, 2012.

Comments on the tables of quarterly results

Average gold prices realized during each of the eight quarters ended March 31, 2012 ranged from $1,187 to $ 1,763 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 timing and start-up of processing ore at EVBC and Don Mario UMZ mines and derivative losses on forward contracts.

RISKS AND UNCERTAINTIES

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

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 prices of copper, gold and silver. 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.

In the absence of new operations or reserves being added, the Company's revenue stream will depend on production from the EVBC Mine, the Don Mario UMZ and the Copperwood Project. These projects have no significant operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company's estimates or the Company could fail to obtain the governmental approvals necessary for the operation of a project, in which case, the project may not proceed, either on its original timing, or at all.

For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition. At EVBC, with unanticipated environmental bonding requirements, additional capital costs and lower initial operating cash flows than had been anticipated, the Company obtained a $13,844 increase in the credit facility to ensure adequate liquidity. The credit facility restricts the movement of cash, as such, the Company may report positive cash balances but may be restricted in its ability to make use of this cash. The Company anticipates its UMZ operations will be self-financing in the second half of fiscal 2012. At Copperwood, Orvana is investigating a variety of means to finance the estimated $213,000 capital expenditures required to bring this project into production. In the event that the Company does not find a satisfactory external means of financing the development of the Copperwood Project, the UMZ Project is not self-financing in fiscal 2012 or in the event of the occurrence of other unanticipated events; the Company may not have adequate resources to 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 seeking additional debt or equity financing, strategically disposing of assets, or pursuing joint venture partnerships, equipment financings or off-take agreements.

Global financial and economic conditions have been characterized by extreme volatility in recent years, including in commodity prices and the prices of debt and equity securities. Access to public and private debt and equity financing has been negatively impacted during this time. If such conditions persist or worse, they could negatively impact the ability of the Company to obtain debt or equity financing in the future and, if obtained, on terms favourable to the Company. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Changes in global economic conditions may also lead to significant changes in commodity prices. If these conditions and volatility persist or worsen, the Company's business, results of operations and financial condition could be adversely impacted and the value and price of the Company's common shares could be adversely affected.

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

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

Moreover, it is possible that deterioration in economic conditions or other factors could result in a change in government policies respecting the presently unrestricted repatriation of capital investments and earnings.

In Bolivia, in view of the Constitution enacted on February 7, 2009, recent and anticipated changes to mining laws and policies and mining taxes, and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions that adversely affect the Company. The Constitution could have adverse implications for the Company.

The Bolivian Constitution provides that the Government shall grant mining rights by means of mining contracts, in place of the previously established process of granting mining concessions. The Transitory Provisions of the Bolivian Constitution provide a process for the migration of mining concessions into mining contracts. According to the Constitution, previously acquired rights under mining concessions will be respected but are subject to this migration process. Although the Government has not yet adopted the new Mining Code, Supreme Decree 0726 dated December 6, 2010 provides in its only article, that since the approval of such Supreme Decree, the mining concessions that were granted before December 6, 2010 are adequate for the constitutional provisions in force, and are transitioned automatically into Special Provisional Authorizations until such migration is executed under the regulation to be issued. The Supreme Decree also provides that "the automatic transformation mentioned in this paragraph, guarantees the acquired rights".

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

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

OTHER INFORMATION

Critical Accounting Estimates

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

Net realizable amounts of property, plant and equipment

At March 31, 2012, the net book value of the Don Mario Mine, plant, equipment and mineral properties amounted to $35,727. 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. During the fiscal 2010 year, an evaluation was completed to assess the fair market value of the assets of the EVBC Mine acquired with Kinbauri Gold Corp; the results of this evaluation have been included in the net book value of the assets associated with the acquisition.

The Company periodically assesses its capitalized exploration and development expenditures for impairment and where there are circumstances indicating that such impairment exists, the carrying value of the impaired asset is written down to fair value. The capitalized costs for the Copperwood Project amounted to $13,715. The Preliminary Economic Assessment for the 10-year underground mine at Copperwood showed a pre-tax cash flow internal rate of return of 26% using copper pricing of $2.00 per pound, with current copper prices in excess of this price, net realizable amounts are in excess of these capitalized costs.

Decommissioning liabilities

As at March 31, 2012, decommissioning liabilities on a discounted basis amounted to $8,058 for the Company's Don Mario Mine and the EVBC Mine. These 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.

Management estimates the total undiscounted amount of the cash flows required to settle the Company's decommissioning liabilities with respect to the future operation of the EVBC Mine in Spain is $6,448. The interest rate used to discount estimated cash flows is 5%. Accretion expense is recorded using this interest rate. The discounted amount of the estimated cash flows required to settle the Company's obligations with respect to the EVBC sites as at March 31, 2012 is $4,838. It is expected that these amounts will be incurred in 2018 and beyond.

Management estimates that the total undiscounted amount of the cash flows required to settle the Company's decommissioning liabilities with respect to the operation of the Don Mario Mine is $4,760. The interest rate used to discount estimated cash flows for these liabilities is 4%. Accretion expense is recorded using this interest rate. The discounted amount of this obligation as at March 31, 2012 is estimated at $3,220 and the related costs are expected to be incurred in 2021 through 2024.

It is possible that the Company's estimates of its ultimate decommissioning liabilities 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 $186 for the second quarter ended March 31, 2012, compared to $244 for same period of the prior second quarter. 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 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.

The Company has established a Restricted Share Unit ("RSU") plan for designated executives, with each RSU having the same value as an Orvana common share. Under the RSU plan certain executives may be awarded a portion of their bonus compensation in RSUs. 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.

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at March 31, 2012, there were 136,573,171 common shares outstanding with a stated value of $116,148 and there were also 3,368,335 stock options outstanding at the same date with a weighted average exercise price of Canadian $1.66. Stock options outstanding have expiry dates ranging from 2012 to 2016. As of the date of this report 136,573,171 shares were outstanding.

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, 2012. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

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

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

Future Changes in Accounting Standards

IFRS 9 *Financial Instruments*

In November 2009, the International Accounting Standards Board issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 13 *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

Other

In June 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures.* The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities.* The Company does not believe the changes resulting from these new standards are relevant to its financial statements.

In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 19 *Employee Benefits.* The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In December 2011, the IASB issued amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures* related to offsetting of financial assets and financial liabilities. The Company does not believe the changes resulting from these amendments will have a significant impact on its non-consolidated financial statements.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

IFRS replaced the existing Canadian GAAP for the Company, effective for its fiscal 2012 interim and annual financial statements. Accordingly, the Company is applying accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended December 31, 2011.

The adoption of IFRS resulted in changes to the Corporation's accounting policies. The accounting policies described in note 2 to the accompanying interim consolidated financial statements have been applied consistently to all periods presented in the financial statements and in the preparation of an opening IFRS balance sheet as at October 1, 2010, except for the application of certain first-time adoption exemptions.

The impact of the transition from Canadian GAAP to IFRS is explained in detail in note 23 to the accompanying interim consolidated financial statements.

The changes in accounting policy have not been applied to any information within this MD&A for periods prior to October 1, 2010 IFRS transition point.

Changes in accounting policies resulting from the adoption of IFRS

The adoption of IFRS resulted in changes to the Corporation's accounting policies, and has resulted in changes to the recognition and measurement of transactions and balances. The impact of adopting IFRS on the Corporation's financial statements is described in detail in note 23 to the accompanying interim consolidated financial statements and below:

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

	Note		March 31, 2011 Canadian GAAP		Adjustments		March 31, 2011 IFRS
Assets							
Current assets							
Cash and cash equivalents		$	23,546	$	-	$	23,546
Value added taxes receivable and prepaid expense			9,623		-		9,623
Inventory	(iv)		-		8,510		8,510
Gold inventory	(iv)		1,478		(1,478)		-
Supplies inventory	(iv)		7,032		(7,032)		-
			41,679		-		41,679
Long term value-added taxes receivable			3,074		-		3,074
Restricted cash			2,206		-		2,206
Reclamation bonds			3,433				3,433
Property, plant and equipment	(i)		151,752		55		151,807
Deferred income tax asset	(iv)		9,422		(9,422)		-
		$	211,566	$	(9,367)	$	202,199
Liabilities							
Current liabilities							
Bank debt		$	3,636	$	-	$	3,636
Accounts payable and accrued liabilities			15,225		-		15,225
Income taxes payable			94		-		94
Current portion of long-term debt			833		-		833
Current portion of obligations under finance leases			1,344		-		1,344
Current portion of derivative instruments			5,101		-		5,101
			26,233		-		26,233
Long-term debt			46,471		-		46,471
Obligations under finance leases			1,678		-		1,678
Decommissioning liabilities	(i)		7,834		(73)		7,761
Derivative instruments			26,305		-		26,305
Provision for statutory labour obligations			1,694		-		1,694
Deferred income tax liability	(ii)		12,958		(10,509)		2,449
Long-term compensation			2,151		-		2,151
			125,324		(10,582)		114,742
Shareholders' equity							
Share capital			77,230		-		77,230
Contributed surplus	(iii)		2,222		(128)		2,094
(Deficit) retained earnings			6,790		1,343		8,133
		$	86,242	$	1215	$	87,457
		$	211,566	$	(9,367)	$	202,199

The following provides a summary of the transition adjustments to the Company's accumulated comprehensive loss from Canadian GAAP to IFRS for the respective periods. The adoption of IFRS did not have a material impact on the condensed interim consolidated statements of cash flows.

	Not e		Three months ended March 31, 2012		Three months ended March 31,2011
Comprehensive loss under Canadian GAAP		$	(9,191)	$	(3,687)
Accretion on decommissioning liabilities	(i)		72		64
Deferred taxes on non-monetary assets and liabilities in foreign operations	(ii)		1,139		1,958
Forfeiture estimate for share-based payments	(iii)		21		25
Comprehensive loss under IFRS		$	(7,959)	$	(1,640)

The following provides a summary of the transition adjustments to the Company's Shareholders equity from Canadian GAAP to IFRS for the respective periods.

	Note		Six months ended March 31, 2012		Six months ended March 31,2011
Comprehensive loss under Canadian GAAP		$	(12,072)	$	(24,711)
Accretion on decommissioning liabilities	(i)		143		128
Deferred taxes on non-monetary assets and liabilities in foreign operations	(ii)		(574)		1,455
Forfeiture estimate for share-based payments	(iii)		39		89
Comprehensive loss under IFRS		$	(12,464)	$	(23,039)

Explanatory notes

These explanatory notes also refer to the reconciliation of the consolidated balance sheets from Canadian GAAP to IFRS included above.

(i) The effect of the change in accounting policy to measure decommissioning liabilities using a discount rate based on current interest rates, adjusted to reflect the risks specific to the liability.

(ii) The effect of the change in accounting policy to recognize deferred taxes on the temporary differences in the accounting and tax basis of non-monetary assets and liabilities of foreign operations arising from exchange rate fluctuations.

(iii) The effect of the change in accounting policy to incorporate an estimate of forfeitures when determining the expense related to share-based payments.

(iv) Certain balances were re-classed to conform to the current presentation. These amounts were gold and supplies inventory combined into the line for inventory and the deferred tax asset as at December 31, 2010 was combined with the deferred income tax liability balance as they both related to the same tax jurisdiction.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS.

Mineral Properties under Exploration

Subject to certain restrictions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. On adoption of IFRS, the Company has retained its policy of capitalizing exploration expenditures once management has determined that there is a reasonable expectation of economic extraction of minerals from the property.

Mineral Properties under Development

There was no distinction under Canadian GAAP between mineral properties under exploration and mineral properties under development. Under IFRS, once technical feasibility and commercial viability of a property can be demonstrated, the carrying value is reclassified. On adoption of IFRS, the Company has changed its accounting policy to reclassify the carrying value of a property to mineral properties under development once technical feasibility and commercial viability of a property can be demonstrated.

Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. In addition, the grouping of assets for the purposes of impairment may be different under IFRS than currently used under Canadian GAAP.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have a significant impact on the opening IFRS consolidated balance sheet.

Decommissioning Liability (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company has changed its accounting policy to recognize decommissioning liabilities for constructive obligations, but this did not have a significant impact on its opening IFRS balance sheet.

The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates, adjusted to reflect the risks specific to the liability. Under Canadian GAAP, the discount rate used is the credit adjusted risk-free rate. On adoption of IFRS, the Company has changed the discount rate used to measure decommissioning liabilities, resulting in an increase in the decommissioning liabilities.

In addition, the accretion in the decommissioning liabilities due to the unwinding of the discount rate is classified as a finance cost under IFRS. Under Canadian GAAP, the accretion was recorded within operating expenses. This change in policy has resulted in a reclassification of the accretion associated with decommissioning liabilities from operating expenses to finance costs, beginning at October 1, 2010.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. In particular, IFRS requires forfeitures of the Company's stock options, restricted share units and deferred share units to be estimated when the instruments are granted. Under current GAAP, it is not required to account for forfeitures at the time of grant and the Company records forfeitures when they occur.

The Company has changed its accounting policy to estimate forfeitures, which resulted in a reclassification between contributed surplus and retained earnings.

Accounting for income taxes

IFRS requires the recognition of deferred taxes on the temporary differences in the accounting and tax basis of non-monetary assets and liabilities of foreign operations arising from exchange rate fluctuations. Deferred taxes were not recognized on these types of temporary differences under current Canadian GAAP.

The Company has changed its accounting policies to reflect this difference, resulting in an increase in deferred tax liabilities at October 1, 2010.

Other Information

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