ORVANA
MINERALS CORP.

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

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three and six months ended March 31, 2013 and is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), for the three and six months ended March 31, 2013 (the "Q2 Financials"). This MD&A should be read in conjunction with the Q2 Financials and the Company's annual audited consolidated financial statements for the fiscal year ended September 30, 2012, the related annual MD&A and the most recent Annual Information Form in respect of fiscal 2012 (collectively, the "2012 Annual Disclosures") filed with the Canadian provincial securities regulatory authorities.

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

In this MD&A, all currency amounts (except per unit amounts) are in thousands and, unless otherwise stated, they are in thousands of United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". References to "revenue" are to "net revenue" as defined in the notes to the table under "Overall Performance" below. The information presented in this MD&A is as of May 13, 2013, unless otherwise stated.

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

Orvana

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

Q2 2013 Operating and Financial Highlights

- Production of 18,144 ounces of gold, 3.9 million pounds of copper and 191,374 ounces of silver compared to 12,755 ounces of gold, 3.0 million pounds of copper and 115,282 ounces of silver in the second quarter of fiscal 2012. (1)
- Sales of 19,248 ounces of gold, 3.9 million pounds of copper and 213,879 ounces of silver compared to 11,331 ounces of gold, 3.3 million pounds of copper and 86,636 ounces of silver in the second quarter of fiscal 2012. (1)
- Consolidated revenue of $44,301 compared to $31,245 in the second quarter of fiscal 2012, an increase of 42%.
- Net income of $6,483 compared to a net loss of $7,959 in the second quarter of fiscal 2012.
- Adjusted net income of $922 compared to adjusted net income of $2,794 in the second quarter of fiscal 2012. (2)

- Cash flows provided by operating activities of $14,014 compared to cash flows used in operating activities of $5,568 in the second quarter of fiscal 2012 and cash flows provided by operating activities before changes in non-cash working capital of $10,627 compared to cash flows provided by operating activities before changes in non-cash working capital of $7,900 in the second quarter of fiscal 2012. [(2)]
- Capital expenditures of $8,753 and $12,982 for the three and six months ended March 31, 2013.
- Debt net of cash, cash equivalents and restricted cash for debt repayment of $50,951 and payment of long-term principal and interest of $8,779 in the six months ended March 31, 2013.

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

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

OVERALL PERFORMANCE

The key factors affecting Orvana's operating and financial performance are tonnages mined and treated, metal grades and recoveries, quantities of metals produced and sold, realized metals prices, cost of supplies including labour and energy, mine development and other capital expenditures, foreign exchange rates, financial instruments and tax rates. The following table sets out the Company's operating and financial performance for the periods set out below:

	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Operating Performance [(1)]					
Gold					
Production (oz)	17,759	**18,144**	12,755	**35,903**	22,691
Sales (oz)	12,896	**19,248**	11,331	**32,144**	19,606
Average realized price / oz [(2)]	$1,684	**$1,616**	$1,763	**$1,651**	$1,690
Copper					
Production ('000 lbs)	4,384	**3,852**	3,024	**8,236**	6,255
Sales ('000 lbs)	3,974	**3,848**	3,325	**7,822**	4,016
Average realized price / lb [(2)]	$3.17	**$3.50**	$3.81	**$3.45**	$3.81
Silver					
Production (oz)	233,452	**191,374**	115,282	**424,826**	197,936
Sales (oz)	241,771	**213,879**	86,636	**455,651**	95,919
Average realized price / oz [(2)]	$29.20	**$28.10**	$33.41	**$29.08**	$31.47
Financial Performance					
Revenue [(3)]	$34,028	**$44,301**	$31,245	**$78,329**	$46,618
Mining costs [(4)]	$18,623	**$26,163**	$18,397	**$44,786**	$30,979
Depreciation and amortization	$4,019	**$6,441**	$3,819	**$10,460**	$6,256
Gross margin	$11,386	**$11,697**	$9,029	**$23,083**	$9,383
Financial instruments gain (loss)	$11,748	**$6,545**	($17,267)	**$18,293**	($19,223)
Net income (loss)	$13,651	**$6,483**	($7,959)	**$20,134**	($12,464)
Net income (loss) per share (basic and diluted)	$0.10	**$0.05**	($0.06)	**$0.15**	($0.09)
Adjusted net income (loss) [(5)]	$4,341	**$922**	$9,308	**$5,264**	($459)
Adjusted net income (loss) per share (basic and diluted) [(5)]	$0.03	**$0.01**	$0.02	**$0.04**	$0.00
Operating cash flows	$51	**$14,014**	($5,568)	**$14,065**	($278)
Operating cash flows before non-cash working capital changes [(5)]	$8,189	**$10,627**	$7,900	**$18,816**	$7,894
Ending cash and cash equivalents	$11,988	**$14,346**	$7,431	**$14,346**	$7,431
Restricted cash (including long-term)	$15,954	**$13,858**	$12,904	**$13,858**	$12,904
Capital expenditures (including primary mine development) [(6)]	$4,229	**$8,753**	$5,169	**$12,982**	$13,343

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

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

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

(4) Mining costs represents all costs associated with the production of the metals sold in the period including mining, milling, administration, royalties and, in respect of the UMZ Mine, mining royalty taxes payable to the Bolivian government.

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

(6) These amounts are presented in the consolidated cash flows in the Q2 Financials on a cash basis. Each reported period excludes unpaid capital expenditures for the EVBC Mine incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. See “Cash Flows, Commitments and Liquidity - Capital Expenditures”.

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

The Company recorded net income for the second quarter of fiscal 2013 of $6,483 or $0.05 per share, a decrease of $7,168 or $0.05 per share compared to net income of $13,651 or $0.10 per share for the first quarter of fiscal 2013. The Company’s net income for the second quarter of fiscal 2013 was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2013 increased by $10,273 or 30% to $44,301 on sales of 19,248 ounces of gold, 3.8 million pounds of copper and 213,879 ounces of silver from the EVBC Mine and the UMZ Mine from $34,028 on sales of 12,896 ounces of gold, 3.9 million pounds of copper and 241,771 ounces of silver from the EVBC Mine and the UMZ Mine in the first quarter of fiscal 2013. The increase in revenue resulted primarily from the EVBC Mine selling a portion of its first quarter of fiscal 2013 production in the second quarter off-set by a decrease in the average realized price per ounce of gold sold.
- Total mining costs increased by $7,540 or 40% from $18,623 in the first quarter of fiscal 2013 to $26,163 in the second quarter of fiscal 2013 primarily due to higher tonnes milled and sold from the EVBC Mine. Depreciation and amortization increased by $2,422 or 60% from the first quarter of fiscal 2013 primarily due to higher tonnes produced and sold in the second quarter and, therefore, higher depreciation amortized in the income statement in connection with such sales.
- Gross margin increased by $311 or 3% to $11,697 in the second quarter of fiscal 2013 from $11,386 in the first quarter of fiscal 2013 due to higher volumes of metals sold off-set by higher mining costs and higher depreciation and amortization expense recorded in the second quarter.
- Expenses before financial instruments gain (loss) increased by $1,487 from $4,304 for the first quarter of fiscal 2013 to $5,791 for the second quarter ended March 31, 2013. This is primarily due to an increase in interest expense on financing arrangements.
- The Company recorded an unrealized financial instruments gain of $6,545 in the second quarter of fiscal 2013 compared to a financial instruments gain of $11,748 in the first quarter of fiscal 2013 relating to the fair market revaluation of the Company’s outstanding financial instruments.

The Company recorded adjusted net income of $922 for the second quarter of fiscal 2013 or $0.01 per share compared to $4,341 for the first quarter of fiscal 2013 or $0.03 per share. This adjusted net income excludes the unrealized gains or losses from the revaluation of the Company’s financial instruments and the tax effect thereof. Compared to the prior quarter, adjusted net income decreased primarily due to higher cost of sales associated with higher metals sales from the EVBC Mine in the second quarter.

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

The Company recorded net income for the second quarter of fiscal 2013 of $6,483 or $0.05 per share, an increase of $14,442 or $0.12 per share, compared to a net loss of $7,959 or a net loss of $0.06 per share

for the second quarter of fiscal 2012. The Company's net income for the second quarter of fiscal 2013 was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2013 increased by $13,056 or 42% to $44,301 on sales of 19,248 ounces of gold, 3.8 million pounds of copper and 213,879 ounces of silver from the EVBC Mine and UMZ Mine compared to revenue of $31,245 on sales of 11,331 ounces of gold, 3.3 million pounds of copper and 86,636 ounces of silver in the second quarter of fiscal 2012. Average gold, copper and silver prices realized during the second quarter of fiscal 2013 were $1,616 per ounce, $3.50 per pound and $28.10 per ounce, respectively. The increase in revenue resulted from higher production and, therefore, higher sales from the EVBC Mine during the second quarter of fiscal 2013 off-set by a decrease in average realized price per ounce of gold sold.
- Total mining costs increased by $7,766 or 42% from $18,397 in the second quarter of fiscal 2012 to $26,163 in the second quarter of fiscal 2013. Depreciation and amortization increased by $2,622 or 69% from $3,819 in the second quarter of fiscal 2012 to $6,441 in the second quarter of fiscal 2013. These increases are primarily due to higher production and sales volumes in the second quarter of fiscal 2013 and, therefore, higher associated mining costs and depreciation than in the second quarter fiscal 2012. The increase in depreciation and amortization is also due to additional primary mine development at the EBVC Mine of $14,026 in fiscal 2012 and $5,240 in fiscal 2013 being capitalized and subsequently depreciated.
- Gross margin increased by $2,668 or 30% to $11,697 for the second quarter of fiscal 2013 compared to $9,029 for the second quarter of fiscal 2012.
- Expenses before financial instruments gain (loss) increased by $2,569 to $5,791 for the second quarter of fiscal 2013 compared to $3,222 for the second quarter of fiscal 2012. This increase is primarily due to increased interest expense on financing arrangements, unrealized foreign exchange adjustments and an increase in general and administrative expenses.
- The Company recorded a financial instruments gain of $6,545 for the second quarter of fiscal 2013 compared to a financial instruments loss of $17,267 for the same period of fiscal 2012. The gain and loss, respectively, resulted from (i) unrealized fair value adjustments relating to the Company's outstanding financial instruments at March 31, 2013 and 2012 of $7,948 and $15,358, respectively, and (ii) cash settlements costs of $1,403 and $1,909 in respect of the financial instruments that matured during the second quarter of fiscal 2013 and 2012, respectively. The related deferred income tax expense in the current period was $1,964 compared to a deferred income tax recovery for the second quarter of fiscal 2012 of $5,180. Of the Company's total gold and copper sales in the second quarter of fiscal 2013, 37% and 23%, respectively, were hedged under the gold and copper forwards as required under the EVBC Loan.
- The income tax expense in the second quarter of fiscal 2013 of $5,968 (tax recovery for March 31, 2012 - $3,501) was due to current income tax of $1,366 on income before taxes and deferred income expense of $4,602 with a portion relating to the unrealized gain on the mark-to-market revaluation of the Company's outstanding financial instruments at the end of the period.

The Company recorded adjusted net income of $922 for the second quarter of fiscal 2013 or $0.01 per share compared to adjusted net income of $2,794 or adjusted net income per share of $0.02 for the second quarter of fiscal 2012. This adjusted net income excludes the unrealized gains/losses from the revaluation of the Company's financial instruments and the tax effect thereof.

Six Months Ended March 31, 2013 Compared to Six Months Ended March 31, 2012

The Company recorded net income of $20,134 for the six months ended March 31, 2013 or $0.15 per share compared to a net loss of $12,464 for the six months ended March 31, 2012 or $0.09 per share impacted significantly by the following factors:

- Revenue for the six months ended March 31, 2013 increased by $31,711 or 68% to $78,329 on sales of 32,144 ounces of gold, 7.8 million pounds of copper and 455,651 ounces of silver from the EVBC Mine and UMZ Mine as compared to revenue of $46,618 on sales of 19,606 ounces of gold, 4.0 million pounds of copper and 95,919 ounces of silver in the first six months of fiscal 2012. The increase in revenue resulted from higher production and, therefore, higher sales

from the EVBC Mine during the second quarter of fiscal 2013. In addition, the UMZ Mine was not in commercial production in the first quarter of fiscal 2012.

- Mining costs increased by $13,807 or 45% from $30,979 for the first six months of fiscal 2012 to $44,786 for the first six months of fiscal 2013. Depreciation and amortization increased by $4,204 or 67% from $6,256 for the first six months of fiscal 2012 to $10,460 for the first six months of fiscal 2013. These increases are primarily due to higher production and higher sales in the first six months of fiscal 2013 and, therefore, higher associated mining costs and depreciation than in the first six months of fiscal 2012. The increase in depreciation and amortization is also due to additional primary mine development at the EVBC Mine being capitalized in fiscal 2012 and 2013 and subsequently depreciated.
- Gross margin increased by $13,700 or 146% to $23,083 for the first six months of fiscal 2013 compared to $9,383 for the six months ended March 31, 2012.
- Expenses before financial instruments gain (loss) increased by $3,619 to $10,095 for the six months ended March 31, 2013 compared to $6,476 for the six months ended March 31, 2012. This increase is primarily due to an increase in costs associated with financing arrangements and general and administrative expenses.
- The Company recorded a financial instruments gain of $18,293 for the six months ended March 31, 2013 compared to a financial instruments loss of $19,223 for the same period of fiscal 2012. The gain and loss, respectively, resulted from (i) unrealized fair value adjustments relating to the Company's outstanding financial instruments at March 31, 2013 and 2012 of $21,247 and $17,145, respectively, and (ii) cash settlements costs of $2,954 and $2,078 in respect of the financial instruments that matured during the first six months of fiscal 2013 and 2012, respectively.
- The income tax expense for the six months ended March 31, 2013 of $11,147 (tax recovery for six months ended March 31, 2012 - $3,852) was due to income tax of $3,092 on the year-to-date before-tax income and deferred income tax expense of $8,055 mostly relating to the unrealized gain on the mark-to-market revaluation of the Company's outstanding financial instruments at the end of the period.

The Company recorded adjusted net income of $5,264 for the six months ended March 31, 2013 or $0.04 per share compared to an adjusted net loss of $459 or $0.00 per share for the six months ended March 31, 2012. This adjusted net income excludes the unrealized gains/losses from the revaluation of the Company's financial instruments and the tax effect thereof.

EVBC Mine

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. The EVBC Mine is comprised of the El Valle-Boinás Mine, where skarns and oxides are being mined, and the Carlés Mine, where skarns are being mined. The following table includes consolidated operating and financial performance data for the EVBC Mine for the periods set out below. The EVBC Mine commenced commercial production in August 2011.

	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Operating Performance					
Ore mined (tonnes)	163,051	**191,460**	144,595	**354,511**	268,453
Ore milled (tonnes)	145,890	**176,445**	126,978	**322,335**	250,544
Gold					
Grade (g/t)	3.19	**3.04**	2.83	**3.11**	2.50
Recovery (%)	93.2	**90.9**	93.2	**92.0**	91.4
Production (oz)	13,949	**15,713**	10,761	**29,662**	18,416
Sales (oz)	8,759	**16,824**	9,747	**25,583**	18,022

	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Copper					
Grade (%)	0.51	**0.48**	0.40	**0.49**	0.37
Recovery (%)	82.5	**80.4**	85.1	**81.4**	82.3
Production ('000 lbs)	1,347	**1,488**	956	**2,835**	1,683
Sales ('000 lbs)	816	**1,636**	1,085	**2,452**	1,776
Silver					
Grade (g/t)	11.46	**10.03**	10.27	**10.68**	8.77
Recovery (%)	79.5	**73.8**	78.8	**76.6**	74.7
Production (oz)	42,877	**41,848**	33,049	**84,725**	52,774
Sales (oz)	33,279	**43,183**	31,354	**76,462**	40,637
Total cash costs (by-product) ($/oz of gold sold) (1)	$847	**$784**	$765	**$805**	$985
Total production costs (by-product) ($/oz of gold sold) (1)	$1,130	**$1,076**	$1,033	**$1,094**	$1,265
Financial Performance					
Revenue	$17,278	**$31,180**	$20,303	**$48,458**	$35,676
Mining costs	$9,731	**$17,051**	$8,289	**$26,782**	$20,796
Depreciation and amortization (2)	$2,483	**$4,915**	$2,616	**$7,398**	$5,053
Financial instruments gain (loss)	$11,748	**$6,545**	($17,267)	**$18,293**	($19,223)
Income (loss) before tax	$16,020	**$15,377**	($8,924)	**$31,397**	($11,644)
Adjusted income (loss) before tax (1)	$2,721	**$7,402**	$6,434	**$10,123**	$5,501
Capital expenditures (including primary development) (3)	$3,355	**$3,243**	$7,395	**$6,598**	$14,703

(1) Total cash costs (by-product) and total production costs (by-product) per ounce of gold sold and adjusted income (loss) before tax are non-IFRS performance measures with no standard definition under IFRS. For further information and a detailed reconciliation, please see the "Other Information - Non-IFRS Measures" section of this MD&A. Adjusted income before tax includes realized expenses in connection with financial instruments settled during the period and excludes the mark-to-market fair value adjustments of the Company's outstanding financial instruments at the end of the period. See also "Other Information - Financial Instruments" below.

(2) Depreciation and amortization amounts set out in the table above include depreciation of amounts paid by the Company to acquire the EVBC Mine on the acquisition of Kinbauri and such total depreciation and amortization costs are included in the calculation of total production costs (by-product) per ounce of gold sold.

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

Operating Performance

During the second quarter of fiscal 2013, the EVBC Mine produced 15,713 ounces of gold, 1.5 million pounds of copper and 41,848 ounces of silver compared to (i) 13,949 ounces of gold, 1.3 million pounds of copper and 42,877 ounces of silver during the first quarter of fiscal 2013, and (ii) 10,761 ounces of gold, 0.95 million pounds of copper and 33,049 ounces of silver during the second quarter of fiscal 2012. The increase in production (i) compared to the first quarter of fiscal 2013 is primarily due to an increase of 17% in tonnage mined and 21% in tonnage milled off-set by a decrease in gold, copper and silver grade of 5%, and (ii) compared to the second quarter of fiscal 2012 is primarily due to an increase of 32% in tonnage mined and 39% in tonnage milled and an increase in gold, copper and silver grade of 8%.

The EVBC Mine continued to make progress in primary mine development advancements in both oxide and skarn areas in order to have sufficient stopes available for mining. Milled oxides increased by 18% compared to the first quarter of fiscal 2013. The shaft at El Valle-Boinás Mine, which became operational at the end of the first quarter of fiscal 2013, continued to ramp up achieving an average hoisted volume of 73% of the volume of skarns extracted during the second quarter of fiscal 2013 from El Valle-Boinás Mine. The mill operated at full production in the second quarter of fiscal 2013 due to availability of mine feed. Recoveries declined slightly due to a minor decline in head grade.

Total cash costs (net of by-product revenue) of $784 per ounce of gold sold in the second quarter of fiscal 2013 were 7% or $63 lower than such costs of $847 in the first quarter of fiscal 2013 due to increased gold sales and higher by-product revenue from higher sales of copper and silver ($122 per ounce) partially off-set by higher operating costs per milled tonne due to higher direct mining costs primarily due to higher electricity costs ($24 per ounce) and higher contractor costs associated with increased mining of oxides ($35 per ounce). Total cash costs (net of by-product revenue) of $784 per ounce of gold sold in

the second quarter of fiscal 2013 were 2% or $19 higher than such costs of $765 in the second quarter of fiscal 2012 due to higher operating costs per milled tonne.

Total production costs (net of by-product revenue) per ounce of gold sold of $1,076 were (i) 5% lower than in the first quarter of fiscal 2013 primarily due to a decrease in total cash costs (net of by-product revenue) in the second quarter of fiscal 2013 compared to the first quarter of fiscal 2013 partially off-set by an increase in depreciation and amortization; and (ii) 4% higher than in the second quarter of fiscal 2012 primarily due to an increase in total cash costs (net of by-product revenue) in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012 combined with an increase in depreciation and amortization.

Financial Performance

Revenue from the EVBC Mine for the second quarter of fiscal 2013 increased by 80% to $31,180 on sales of 16,824 ounces of gold, 1.6 million pounds of copper and 43,183 ounces of silver from $17,278 on sales of 8,759 ounces of gold, 0.8 million pounds of copper and 33,279 ounces of silver in the first quarter of fiscal 2013. The average gold realized price of sales from the EVBC Mine in the second quarter of fiscal 2013 was $84.6 or 5% lower than in the first quarter of fiscal 2013.

Revenue in the second quarter of fiscal 2013 increased by 54% from $20,303 to $31,180 compared to the second quarter of fiscal 2012 as a result of higher volumes of metals sold off-set by a lower average realized price. Revenue for the first six months of fiscal 2013 was $48,458, or 36% higher, compared to $35,676 for the first six months of fiscal 2012.

The cost of sales during the second quarter of fiscal 2013 was $21,966 including mining costs of $17,051 and depreciation and amortization expense of $4,915. The cost of sales are higher than in the first quarter of fiscal 2013 and the second quarter of fiscal 2012 by $9,752 and by $11,062, respectively, primarily due to higher (i) sales of metals and, therefore, higher direct mining costs and depreciation and amortization costs associated with such sales, (ii) electricity consumption and rates, (iii) contractor costs associated with increased mining of oxides, and (iv) costs associated with increased throughput including increased consumption of consumables.

Income before tax for the second quarter of fiscal 2013 was $15,377 compared to income before tax of $16,020 for the first quarter of fiscal 2013 and a net loss before tax of $8,924 for the second quarter of fiscal 2012 due mainly to the unrealized gain recorded on the revaluation of the Company's outstanding financial instruments. Of the total gold and copper sales during the second quarter of fiscal 2013 from the EVBC Mine, 42% and 55%, respectively, were hedged as required under the EVBC Loan. Adjusted income before tax which excludes the unrealized fair value adjustment relating to the outstanding financial instruments at March 31, 2013 was $7,402 or 194% higher than in the first quarter of fiscal 2013 and 15% higher than in the second quarter of fiscal 2012, respectively.

Total capital expenditures at the EVBC Mine during the second quarter and for the first six months of fiscal 2013 were $3,243 and $6,598, respectively. This includes $933 in respect of unpaid capital expenditures incurred which will be paid in subsequent quarters. Total capital expenditures for the second quarter consisted of $2,682 for primary mine development and $527 for land movement taxes relating to expenditures previously capitalized.

Reserves and Resources Estimates

The Company issued updated resource and reserves estimates in its Annual Information Form dated December 28, 2012 prepared in accordance with *National Instrument 43-101 - Standards of Disclosure for Mineral Projects* ("NI 43-101") under the supervision of C. Knievel, a qualified person but who is not independent for the purposes of NI 43-101. Effective at July 31, 2012, the EVBC Mine contained (i) proven reserves of 2,064 million tonnes at 3.05 grams per tonne gold and 0.71% copper and probable reserves of 5.835 million tonnes at 3.53 grams per tonne gold and 0.46 copper, and (ii) measured and indicated resources, including reserves, of 2.983 million tonnes at 3.98 grams per tonne gold and 0.78% copper and 5.486 million tonnes at 5.23 grams per tonne gold and 0.58% copper, respectively.

UMZ Mine

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

A Leach-Precipitation-Flotation (“LPF”) circuit, which includes conventional flotation circuits from the previous operations, was installed to process the oxide and transition ores from the UMZ Mine. In March 2012, the Company commenced processing transition ores, which includes both copper in oxide minerals and copper in sulphide minerals, by flotation-only and oxides through the LPF process. Processing through both the LPF and flotation-only circuits allows the plant to operate at greater than 90% availability.

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

	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Operating Performance [1]					
Ore mined (tonnes)	483,042	**450,489**	242,180	**933,531**	415,488
Ore milled (tonnes)	201,312	**184,607**	104,475	**385,919**	222,408
Gold					
Grade (g/t)	1.18	**1.01**	1.85	**1.10**	1.78
Recovery (%)	49.8	**40.7**	31.1	**45.8**	33.6
Production (oz)	3,810	**2,432**	1,994	**6,242**	4,276
Sales (oz) [2]	4,137	**2,424**	1,584	**6,561**	1,584
Copper					
Grade (%)	1.45	**1.26**	1.87	**1.36**	1.80
Recovery (%)	47.8	**46.0**	47.9	**46.8**	51.7
Production (‘000 lbs)	3,037	**2,363**	2,068	**5,400**	4,571
Sales (‘000 lbs) [2]	3,158	**2,212**	2,240	**5,370**	2,240
Silver					
Grade (g/t)	52.0	**42.1**	86.4	**47.3**	81.1
Recovery (%)	56.6	**59.8**	28.1	**58.0**	25.0
Production (oz)	190,575	**149,526**	82,233	**340,101**	145,162
Sales (oz) [2]	208,492	**170,697**	55,282	**379,189**	55,282
Total cash costs (co-product) ($/lb) copper [3]	$2.05	**2.47**	$3.61	**$2.23**	$3.61
Total cash costs (co-product) ($/oz) gold [3]	$1,008	**$1,155**	$1,587	**$1,076**	$1,587
Total cash costs (co-product) ($/oz) silver [3]	$20.31	**$22.52**	$33.00	**$21.29**	$33.00
Financial Performance					
Revenue	$16,750	**$13,121**	$10,942	**$29,871**	$10,942
Mining costs	$8,892	**$9,112**	$10,108	**$18,004**	$10,183
Depreciation and amortization	$1,536	**$1,499**	$1,203	**$3,035**	$1,203
Income (loss) before tax	$6,063	**$369**	($859)	**$6,432**	($1,371)
Capital expenditures	$1,382	**$423**	($3,812)	**$1,806**	($3,812)

(1) The UMZ Mine commenced commercial production on January 1, 2012. Information relating to production for fiscal 2012 includes production from the UMZ Mine during the start-up and commissioning period in the first quarter of fiscal 2012. Sales for the first quarter of fiscal 2012 from the UMZ Mine were credited against capitalized commissioning costs and sales from January 1, 2012 onwards were recorded as revenue.

(2) The sales volumes for the first quarter of fiscal 2013 have been adjusted from the previously reported information to deduct volume adjustments relating to final liquidations from prior period sales. Sales volume used to calculate unitary cash costs do not include volume adjustments relating to final liquidations from prior period sales.

(3) Total cash costs (co-product) per pound of copper and per ounce of gold and silver are non-IFRS performance measures with no standard definition under IFRS. For further information and a detailed reconciliation, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

Operating Performance

The Company processed oxide ores through the LPF circuit for approximately 15 days during each of the first and second quarters of fiscal 2013. During the second quarter of fiscal 2013, the UMZ Mine produced 2,432 ounces of gold, 2.4 million pounds of copper and 149,526 ounces of silver compared to (i) 3,810 ounces of gold, 3.0 million pounds of copper and 190,575 ounces of silver in the first quarter of fiscal 2013, and (ii) 1,994 ounces of gold, 2.1 million pounds of copper and 82,233 ounces of silver in the second quarter of fiscal 2012.

Production in the second quarter of fiscal 2013 compared to the first quarter of fiscal 2013 (i) of gold decreased by 36% primarily as a result of a 14% decrease in grade and a decrease in recoveries, (ii) of copper decreased by 22% as a result of 13% lower grade, 4% lower recovery and 8% lower throughput, and (iii) of silver decreased by 22% as a result of 19% lower grade and 8% lower throughput.

Grade was lower in the second quarter of fiscal 2013 due to a restricted footprint of the open pit of the UMZ Mine in the transition and sulphide zones. Lower recoveries in the second quarter of fiscal 2013 were primarily due to higher soluble copper and higher lead and zinc content in the ores milled during the period. The Company is continuing to work on improvement of metal recoveries and expects improved recoveries in the third and fourth quarters of fiscal 2013 as a result of expected increased access to sulphides from different areas of the UMZ Mine to allow for the blending of ores being processed. Lower production also resulted from a breakdown of the primary crusher which halted production for three days in January and three days of work stoppages in March which eventually lead to a one day labour strike in April.

The Company experienced a labour strike at the UMZ Mine in Bolivia subsequent to the end of the second quarter of fiscal 2013. The strike was related to the demand by union employees for certain payments in respect of two periods between 2002 and 2012 which payments were not part of the labour agreement at those times. In connection with resolving these matters, Orvana will be making two payments in June and July 2013 which amounts will be expensed as part of EMIPA's mining costs in the third quarter of fiscal 2013. In the third and fourth quarters of fiscal 2013, the Company will be conducting negotiations with the union with respect to annual wage increases as required under local government regulations.

Financial Performance

Revenue from the UMZ Mine for the second quarter of fiscal 2013 was $13,121 on sales of 2,424 ounces of gold, 2.2 million pounds of copper and 170,697 ounces of silver compared to (i) $16,750 on sales of 4,137 ounces of gold, 3.2 million pounds of copper and 208,492 ounces of silver in the first quarter of fiscal 2013, and (ii) $10,942 on sales of 1,584 ounces of gold, 2.2 million pounds of copper and 55,282 ounces of silver in the second quarter of fiscal 2012. Revenue for the first six months of fiscal 2013 was $29,871 or 173% higher compared to $10,942 for the first six months of fiscal 2012. The Company did not record any revenue from the UMZ Mine in the first quarter of fiscal 2012 as it was not in commercial production during that period.

The cost of sales during the second quarter of fiscal 2013 was $10,611 including mining costs of $9,112 and depreciation and amortization of $1,499. These costs are higher by 2% compared to the first quarter of fiscal 2013 primarily as a result of $0.6 million of costs recorded in the second quarter which relate to the first quarter of fiscal 2013. These costs are higher by 3% compared to the second quarter of fiscal 2012 as a result of higher mining costs and royalties due to higher production and sales in the second quarter of fiscal 2013.

For the second quarter of fiscal 2013, total cash costs (co-product) were $1,155 per ounce of gold or 15% higher, $2.47 per pound of copper or 20% higher and $22.52 per ounce of silver or 11% higher compared to $1,008 per ounce of gold, $2.05 per pound of copper and $20.31 per ounce of silver for the first quarter of fiscal 2013. These increases are generally due to lower volumes of metals produced and sold and lower realized prices and approximately $0.6 million of costs associated with sales completed in the first quarter of fiscal 2013 being expensed in the second quarter. Total cash costs (co-product) were on average 30% lower compared to the second quarter of fiscal 2012 primarily due to lower units sold.

Income before tax for the second quarter of fiscal 2013 was $369 compared to $6,063 for the first quarter of fiscal 2013 and a loss of $859 for the second quarter of fiscal 2012. Income before tax for the first six

months of fiscal 2013 was $6,432 compared to a loss of $1,371 for the corresponding period in fiscal 2012 primarily due to higher revenue resulting from a full six months of production in the current year and only three months in the same period of the prior year.

Total capital expenditures at the UMZ Mine during the second quarter of fiscal 2013 and for the six months ended March 31, 2013 were $413 and $1,795, respectively, primarily related to the tailings dam raise mostly completed at the end of fiscal 2012 and capitalized during the first quarter of fiscal 2013 and the purchase and major repair of certain equipment.

Reserves Estimates

In December 2012, the Company announced, pursuant to an updated resource and reserve estimate for the UMZ Mine prepared in accordance with NI 43-101, that at October 1, 2012, the UMZ Mine contained (i) proven reserves of 1.59 million tonnes at 1.26 grams per tonne gold, 1.23% copper and 40 grams per tonne silver, and (ii) probable reserves of 2.74 million tonnes at 1.27 grams per tonne gold, 1.28% copper and 40 grams per tonne silver. Estimated measured and indicated resources, including reserves, at the UMZ Mine were 1.72 million tonnes at 1.28 grams per tonne gold, 1.23% copper and 39 grams per tonne silver and 3.26 million tonnes at 1.32 grams per tonne gold, 1.32% copper and 39 grams per tonne silver, respectively. This updated estimate was prepared under the supervision of Francisco Alcalde Garmendia of Kminante Consultores in Santiago, Chile, who is a qualified person for the purposes of NI 43-101 and is independent of Orvana.

Copperwood Project

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

In February 2012, the Company announced results of an NI 43-101-compliant feasibility study completed under the supervision of Joseph Keane, P.E., Steve Milne, P.E., and David List, P.E., each of whom is an independent qualified person for the purposes of NI 43-101, “Feasibility Study of the Copperwood Project, Upper Peninsula, Michigan, USA” (the “Copperwood Technical Report”). The estimated reserves from the Copperwood Technical Report 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	676	3.98	2.96
Probable	7.09	1.21	173	2.44	0.56
Total Proven & Probable	30.23	1.41	849	3.63	3.52

(1) 1 short ton is equal to 0.907 metric tons.

The mine plan calls for the development of a ramp and box cut to access the ore horizon. All development will be within the ore and very little waste rock will be handled. Production for the 13-year mine life will be about 1.5 million short tons of copper concentrate averaging about 28,000 short tons of copper per year at the 7,500 short tons of ore per day capacity. Copper will be extracted by conventional flotation. Life-of-mine cash costs (C1) are $1.26 per pound net of the silver by-product credit. The table below summarizes the economic parameters for the drill-and-blast case:

Summary of Key Financial Parameters					
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) (1)	11.0%	17.2%	22.8%	27.9%	32.6%
Payback in years	6.2	5.2	4.6	4.2	3.8

(1) 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:

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

The Company has achieved all major permitting milestones in respect of the Copperwood Project. In April 2012, it received its mining permit from the Michigan Department of Environmental Quality ("MDEQ"), as prescribed by Part 632 of the Non-Ferrous Metallic Mining regulation of the State of Michigan. In July 2012, it received the Permit to Install, or Air Quality Permit, from the MDEQ, Air Quality Division. In November 2012, it received the National Pollutant Discharge Elimination System permits for treated sanitary and process wastewaters from the MDEQ. In February 2013, it received the Wetland Permit from the MDEQ, which is the last major permit necessary.

The Company is now integrating all the permits it has obtained into the Part 632 Mining Permit. Certain additional studies are being conducted in accordance with the Wetland Permit conditions to include base line studies of the designated preservation areas. Optimization work is also being done further to the Copperwood Technical Report, with a focus on additional metallurgical testing and mine design.

Total capital expenditures in respect of the Copperwood Project during the second quarter of fiscal 2013 and for the six months ended March 31, 2013 were $1,215 and $2,285, respectively, compared to a total of $5,842 in fiscal 2012. These capital expenditures included metallurgical testing, costs associated with permitting including the Wetland Permit, well field investigation and peer review and supporting costs.

Orvana is continuing to investigate a variety of possible options and financing alternatives to enhance the value of the Copperwood Project to Orvana's shareholders.

Market Review and Trends

Metal Prices

The market prices of gold and copper are one of the primary drivers of Orvana's earnings and ability to generate free cash flows. During the second quarter of fiscal 2013, the gold price experienced continued volatility, with the price ranging from $1,569 to $1,693 per ounce and an average quarterly market price of $1,634 per ounce. Orvana's average gold realized price for the second quarter of fiscal 2013 was $1,616 per ounce. Subsequent to the end of the second quarter, gold prices fell to a low of $1,378 before recovering to a range of between $1,400 to $1,475.

While gold spot prices remain volatile, gold continues to attract investment interest through its role as a safe haven investment and store of value due to continued concerns over global economic growth, geopolitical issues, sovereign debt and deficit levels, future inflation prospects and continuing accommodative monetary policies put in place by many of the world's central banks. While there are risks that investor interest in gold will decrease, the Company believes that the continuing uncertain macroeconomic environment and loose monetary policies, together with the limited choice of alternative

safe haven investments, is supportive of continued strong demand for gold although perhaps not at the price levels of $1,600 to $1,700 experienced in 2012.

Copper prices traded in a range of $3.22 to $3.77 per pound during the second quarter of fiscal 2013 with an average quarterly market price of $3.60 per pound. Orvana's average copper realized price for the second quarter of fiscal 2013 was $3.50 per pound. Copper's strength lies mainly in strong physical demand from emerging markets, especially China, which has resulted in a physical deficit in recent years. Copper prices should continue to be positively influenced by demand from Asia, the limited availability of scrap and production levels of mines and smelters in the future. In the near term, copper prices will be influenced by the outlook for global economic growth. In particular, a slowdown in Chinese economic growth could have a negative impact on copper prices.

Silver prices do not significantly impact Orvana's current financial results. In the second quarter of fiscal 2013, silver prices traded in a range from $28 per ounce to $32 per ounce with an average quarterly market price of $30 per ounce. Orvana's average realized silver price for the second quarter of fiscal 2013 was $28.10 per ounce. Subsequent to the end of the second quarter, silver prices fell to a low of $22.91.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the US dollar/Euro exchange rate which impacts operating and administration costs of the EVBC Mine incurred in Euros while revenue is earned in US dollars. Orvana's cost of sales and expenses in the second and third quarters of fiscal 2012 were positively impacted by historical lows reached by the Euro against the US dollar and negatively impacted by an appreciation in the Euro at the end of fiscal 2012 and into the first quarter and the beginning of the second quarter of fiscal 2013. This was followed by declines in the Euro at the end of March 2013 with the latest developments in Cyprus relating to the requested bailout package and emergency funding from the European Central Bank. Orvana expects continued volatility in the near future in the Euro.

At March 31, 2013, Orvana had outstanding currency contracts on $55,000 at a contract price of USD/EUR of $1.38 until December 2015 required under the EVBC Loan. See "Financial Condition Review - Financial Instruments". Orvana paid $122 during the second quarter of fiscal 2013 to settle currency forward contracts that matured during this period.

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

Outlook

Orvana's short-term focus is operational optimization at the EVBC Mine and the UMZ Mine to generate increasing operating cash flows in order to pay down debt. As well, Orvana will continue to de-risk the Copperwood Project and look for means to possibly advance the mine development. Operational and corporate reviews have been initiated to seek means to reduce operating and capital costs given the volatility in the metals markets.

Fiscal 2013 guidance for production is 75,000 ounces of gold, 18 million pounds of copper and 850,000 ounces of silver.

Total EVBC Mine production in the first half of fiscal 2013 was 29,662 ounces of gold (fiscal 2013 guidance of 63,000), 2.8 million pounds of copper (fiscal 2013 guidance of 6 million) and 84,725 ounces of silver (fiscal 2013 guidance of 200,000). During fiscal 2013, the Company's focus at the EVBC Mine is on improving head grade, increasing gold production and reducing total cash costs (net of by-product revenue) per ounce of gold.

Total UMZ Mine production in the first half of fiscal 2013 was 6,242 ounces of gold (fiscal 2013 guidance of 12,000), 5.4 million pounds of copper (fiscal 2013 guidance of 12 million) and 340,101 ounces of silver (fiscal 2013 guidance of 650,000). During fiscal 2013, the Company's focus at the UMZ Mine is on improving recoveries.

The permitting process in respect of the Copperwood Project continued into fiscal 2013 and is complete other than in respect of certain minor permits. Orvana is continuing to investigate a variety of possible options to enhance the value of the Copperwood Project to Orvana's shareholders.

Orvana's long-term focus is to utilize future cash flow and mining capabilities to build long-term value for its shareholders.

Environment, Health, Safety and Social Practices

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

Orvana maintains various industry metrics to track its environment, health and safety performance over time such as Lost Time Injury Frequency Rates and Lost Time Injury Severity Rates.

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

The Company maintains health and workplace safety programs at each of its operations. In order to ensure that safety goals and optimal safety standards are achieved, comprehensive training programs for mine and mill operations take place on an ongoing basis. Regular operations inspections are performed by representatives from the mine operations, planning and safety departments as well as by regulatory authorities and independent third party experts. These inspections review current conditions and action on potential safety issues that arise as mine development progresses. The Company has also hired service providers to support the Company's safety department in risk assessment, training and work environment monitoring.

Orvana is committed to the social development and well-being of the communities in which it operates. To this end, Orvana continues to support, financially and otherwise, local community endeavors associated with these objectives. The Company has supported the communities surrounding 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 EVBC Mine.

In the Chiquitos Province of Bolivia where the UMZ Mine is located, the Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to the improvement of their standard of living. In 2011, Orvana renewed its support of $1,785 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 the six months ended March 31, 2013, the Company had funded $345 of such commitment.

In support of the social and economic well-being of the communities surrounding the Copperwood Project in Michigan, Orvana has provided scholarships last year to Gogebic County high school students and has made other contributions such as fire equipment and sporting donations.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at March 31, 2013 and September 30, 2012:

	March 31, 2013	September 30, 2012
Cash and cash equivalents	**$14,346**	$13,200
Restricted cash (short term)	**$12,113**	$16,783
Working capital excluding cash balances (1)	**$5,853**	($2,134)
Total assets	**$281,418**	$286,134
Long-term debt (net of financing fees) (2)	**$50,215**	$56,623
Obligations under finance leases	**$1,189**	$2,044
Total liabilities	**$135,205**	$160,320
Shareholders' equity	**$146,213**	$125,814

(1) Working capital excluding cash balances represents current assets of $37,100 (not including cash and cash equivalents and short-term restricted cash totaling $26,459) less $31,247 in current liabilities comprised of accounts payable and accrued liabilities and income taxes payable (not including bank debt, short-term debt, current portion of long-term debt, obligations under finance leases and financial instruments).

(2) The amount of Orvana's outstanding long-term debt at March 31, 2013 and September 30, 2012 is comprised of the EVBC Loan of $52,990 and $60,438, respectively, less financing fees of $2,775 and $3,815, respectively. Information relating to Orvana's outstanding credit facilities is set out below.

Total assets decreased by $4,716 or 2% from $286,134 to $281,418 primarily as a result of a decrease in restricted cash and concentrate and dore sales receivables off-set by an increase in cash and cash equivalents and inventory.

Total liabilities decreased by $25,115 or 16% to $135,205 at March 31, 2013 from $160,320 at September 30, 2012. This decrease is largely due to a decrease in (i) the fair value liability associated with the Company's outstanding financial instruments of $21,247, (ii) accounts payable and accrued liabilities of $6,427 due to timing differences between the expenditures being incurred and the payment thereof and the payment in the first six months of fiscal 2013 of certain accounts payable outstanding at September 30, 2012, (iii) long-term debt of $6,408 due to repayment of the EVBC Loan, (iv) income taxes payable of $2,443 related to the UMZ Mine following the payment of such taxes in respect of fiscal 2012 off-set by an increase in (v) short-term debt of $1,560 under the Fabulosa Loan (defined below), (v) deferred income tax liability of $7,983, and (vi) bank debt of $2,275 due to increased short-term borrowings in respect of the UMZ Mine in the first quarter of fiscal 2013. The Company did not draw down any further amounts under the Fabulosa Loan and did not increase borrowings under the EMIPA short-term credit facilities in the second quarter of fiscal 2013.

Orvana's outstanding credit facilities are set out below:

At March 31, 2013 (1)	Limit	Balance Outstanding
EVBC Loan	$52,990	$52,990
EMIPA short-term credit facilities (2)	$10,000	$9,856
Fabulosa Loan	$11,500	$5,731

(1) The balance outstanding as at the date of the MD&A under each of the EVBC Loan, the EMIPA short-term credit facilities and the Fabulosa Loan was $51,234, $4,928 and $5,731, respectively. Prior to mid-May $4,928 was repaid under the EMPIA short-term credit facilities. The Company expects to redrawn debt of this amount in the coming weeks to maintain a level of short-term debt of $10,000 in Bolivia. The Company's recorded long-term debt under the EVBC Loan at March 31,

2013 in the Q2 Financials was $38,883 and the current portion thereof was $11,332 for a total of $50,215 representing the balance outstanding of $52,990 net of financing fees of $2,775.

(2) EMIPA short term credit facilities are with two Bolivian banks and are payable in 60 to 180 days with annual interest ranging from 6.5% to 7.5% with certain of EMIPA's assets pledged as security against these loans (September 30, 2012 - $7,581). The credit facilities are not guaranteed by Orvana. The proceeds are used to finance EMIPA's working capital needs. Excludes bank guarantees of $1,511 (September 30, 2012 - $633) related to refunded value-added taxes and chemical and natural gas purchases.

EVBC Loan

In October 2010, Kinbauri, a subsidiary of the Company, entered into a $50,000 five-year term corporate credit facility (the "EVBC Loan"). The funds were primarily used to complete the construction of the EVBC Mine. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844 including approximately $6,500 (€5,000) to fund an environmental bond that may be required to be posted with governmental authorities in Spain. To the extent that the required environmental bond is less than €5,000, the remaining funds may be used for general corporate purposes. During the first quarter of fiscal 2013, the Company obtained a waiver in respect of compliance with a specific reporting requirement until February 28, 2013. During the second quarter of fiscal 2013, the Company obtained a waiver in respect of (i) one of its financial covenants, and (ii) compliance with certain environmental matters. The Company expects to be in non-compliance with the same financial covenant in the next quarter and expects to obtain a waiver in connection therewith. The Company is currently negotiating certain amendments to the EVBC Loan.

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

The EVBC Loan required gold, copper and US dollars/EUR financial instruments that have already been put in place. See "Financial Condition Review - Financial Instruments" below. Orvana is required to maintain certain financial ratios which calculations exclude the fair value adjustments of the outstanding financial instruments required under the terms of the EVBC Loan. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are guaranteed by Orvana. The cost of the EVBC Loan, including interest and fees but excluding the cash settlements of maturing financial instruments, is expected to average approximately 5% to 6% per annum, based on an interest rate of LIBOR plus 4%. Quarterly principal repayments commenced on July 2, 2012 and to the date of the MD&A, the Company has repaid $12,609 in principal and $4,814 in interest payments since then. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan are: 2013-18.7%; 2014-23.3%; 2015-27.6%; and 2016-25.1%. The principal balance outstanding under the EVBC Loan as at the date of the MD&A is $51,234 with the next quarterly principal and interest payment already held as restricted cash.

Fabulosa Loan - Related Party Transactions

The Company has a secured loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 52% shareholder, in the amount of $11,500. The Fabulosa Loan is available for draw down until June 30, 2013 and matures on December 31, 2013. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12%, is payable monthly and the Company pays withholding taxes imposed by applicable taxing authorities. The Company is currently paying interest and stand-by fees and will be repaying principal amounts outstanding under the Fabulosa Loan of $1,000 per month commencing on June 1, 2013. The Fabulosa Loan also contains covenants that, among other things, require principal repayment in the event of, among other things, the sale of certain of the Company's assets. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding all amounts owing by Kinbauri to the Company.

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

Shareholders' Equity

Shareholders' equity at March 31, 2013 was $146,213 representing an increase of $20,399 or 16% from $125,814 at September 30, 2012, primarily as a result of the net income of $20,134 for the first six months of fiscal 2013. The table below sets out the number of each class of securities of the Company outstanding as at the date of the MD&A:

	At May 13, 2013
Common shares	136,623,171
Warrants [(1)]	1,771,667
Stock options	2,980,003

(1) Warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90 and warrants to purchase up to 1,425,000 Common Shares were issued on March 5, 2012 with an exercise price of C$0.97 to Fabulosa. The expiry dates of these warrants range from 2016 and 2017. As a result of the forfeiture or expiration of certain options, warrants to purchase up to 1,771,667 Common Shares were outstanding as of the date of the MD&A of which 450,000 were exercisable

(2) The options have a weighted average exercise price of $1.67 and expiry dates ranging from 2013 to 2018.

Financial Instruments

The Company has the following outstanding financial instruments at March 31, 2013 as required under the EVBC Loan with one counterparty:

	Contract Prices	Cash Settlement	Contract Amounts
Currency			
USD/EUR forwards (Apr 2013-Dec 2015)	$1.38	Quarterly	$55,000 [(1)]
Copper			
Copper forwards (Apr 2013-Dec 2015)	$7,260 / tonne	Monthly	8,131 [(1)]
Gold			
Gold forwards (Apr 2013-Dec 2015)	$1,334 / troy oz	Monthly	25,781 [(1)]
Gold collars (Apr 2013-Sep 2015)	Puts - $1,550 / troy oz Calls - $1,855 / troy oz	Monthly	48,000 [(2)]
Gold collars (Apr 2015-Sep 2016)	Puts - $1,250 / troy oz Calls - $2,270 / troy oz	Monthly	19,200 [(2)]
Total gold collars (troy oz)			67,200

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

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

During the second quarter of fiscal 2013, 37% of the Company's total gold sales and 23% of the Company's total copper sales were hedged under the gold and copper financial instruments. The Company made cash payments of $1,403 to settle financial instruments that matured in the period. At March 31, 2013, the Company's outstanding financial instruments were valued on the balance sheet as follows:

At March 31, 2013	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Currency contracts (EUR/USD)	$1.28	$1.38	$1.29	($3,947)
Copper forwards	$7,583/tonne	$7,260/tonne	$7,647/tonne	($3,076)
Gold forwards	$1,598/oz	$1,334/oz	$1,606/oz	($7,024)
Gold collars	$1,598/oz	$1,550/oz	-	$1,965
Total fair value of financial instruments at March 31, 2013				($12,082)
Less: current portion				$4,365
Total non-current financial instruments				($7,717)

Changes in the fair value of the Company's outstanding financial instruments are recognized through the Company's income statement as non-cash financial instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the financial instruments. The mark-to-market fair value of the Company's outstanding financial instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk. The liability associated with the Company's outstanding financial instruments at September 30, 2012 was $33,329 compared to a liability of $12,082 at March 31, 2013 and a liability of $20,029 at December 31, 2012 resulting in an unrealized financial instruments gain of $7,948 recorded in the second quarter of fiscal 2013 and $21,247 in the first six months of fiscal 2013. The Company recorded fair value adjustments on its outstanding financial instruments for the three months and six months ended March 31, 2013 and during the 2012 fiscal year calculated as follows:

	Q2 2013	YTD 2013	During 2012
Change in unrealized fair value	$7,948	$21,247	($20,993)
Realized (loss) on cash settlements of financial instruments closed	($1,403)	($2,954)	($5,102)
Recorded financial instruments gain (loss)	$6,545	$18,293	($26,095)

Sensitivities

The following table sets forth the after-tax impact on the Company's net income for the second quarter of fiscal 2013 of $6,483 of changes in the fair value of the financial instruments assuming a change in the average forward EUR/US dollar rate and the average forward prices of copper and gold compared to the rates/prices used in the financial instruments gain calculation set out above with all other variables remaining constant:

At March 31, 2013	Rate/Price Used in Financial Instruments Loss Calculation	Change in Rate/Price	After-Tax Change
EUR/USD (currency contracts)	$1.29	+/- 10% (1.42/1.16)	+/- $3,574
Copper forwards	$7,647/tonne	+/- 10% ($8,412/$6,882)	+/- $4,347
Gold forwards	$1,606/oz	+/- 10% ($1,767/$1,446)	+/- $2,899
Gold collars	-	+ 10%	- $3,348
Gold collars	-	- 10%	+ $4,170

Capital Resources

At March 31, 2013, the Company had cash and cash equivalents of $14,346, restricted cash of $12,113 including $5,677 set aside for debt repayment and total debt of $52,990. The Company considers its capital employed to consist of long-term shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

	March 31, 2013	September 30, 2012
Bank debt [(1)]	**$9,856**	$7,581
Short-term debt [(1)]	**5,731**	4,171
Long-term debt [(1)]	**52,990**	60,438
Obligations under finance leases	**1,189**	2,044
Total debt	**69,766**	74,234
Shareholders' equity	**146,213**	125,814
	215,979	200,048
Less: Cash and cash equivalents	**(14,346)**	(13,200)
Less: Restricted cash for long-term debt repayment	**(4,469)**	(7,448)
Capital employed	**$197,164**	$179,400

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. The Company's recorded long-term debt under the EVBC Loan at March 31, 2013 was $38,883 and the current portion thereof was $11,332 for a total of $50,215. This represents the balance outstanding under the EVBC Loan at March 31, 2013 of $52,990 net of financing fees of $2,775. At the date of the MD&A, the principal amount outstanding under the EVBC Loan was $51, 234.

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

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

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on actual and forecasted operating results and other investing and financing activities. Information is regularly provided to the board of directors of the Company.

Cash Flows, Commitments and Liquidity

Cash Flows

Total cash and cash equivalents as at March 31, 2013 were $14,346 primarily denominated in US dollars representing an increase of $1,146 from $13,200 at September 30, 2012. Short-term restricted cash was $12,113 (September 30, 2012 - $16,783) and includes $5,677 for the next two quarters principal and interest payments under the EVBC Loan and $6,404 in respect of a potential future reclamation bond payment. The Company's total debt was $69,766 (debt net of cash, cash equivalents and restricted cash for debt repayment was $50,951). This compares to debt as at September 30, 2012 of $74,234 (debt net of cash, cash equivalents and restricted cash of $53,586).

Orvana's primary source of liquidity has been from operating cash flows and increased debt levels. Cash flows from operating activities before changes in non-cash working capital were $10,627 and $18,816 in the second quarter and for the first six months of fiscal 2013, respectively, compared to $7,900 and $7,894 in the same prior year periods. Orvana generated cash flows from operating activities of $14,014 and $14,065 in the second quarter and the first six months of fiscal 2013, respectively, compared to cash used in operating activities of $5,568 and $278 in the same prior year periods. The higher cash flows provided by operating activities in the current period resulted primarily from higher net income in the fiscal 2013 periods from higher production and corresponding sales. Adjusted operating cash flows for the six months ended March 31, 2013 excluding the cash settlements for maturing financial instruments was $17,019. The most significant driver of the change in operating cash flow is production and market gold

and copper prices. Future changes in these market prices, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity.

The principal uses of operating cash flow are the repayment of debt and the funding of the Company's capital expenditures. Cash used in financing activities in the second quarter and the first six months of fiscal 2013 were $5,102 and $4,611, respectively, a decrease of $19,989 and $23,974 compared to cash flows from financing activities of $14,887 and $19,363 in the second quarter and the first six months of 2012. This decrease resulted from repayment of the EVBC Loan of $4,682 and $7,448 in the second quarter and the first six months of fiscal 2013, respectively, and no drawdowns under any of the Company's credit facilities during the second quarter of fiscal 2013 compared to a draw-down of $19,500 under the EVBC Loan in the second quarter of fiscal 2012.

Cash used in investing activities totaled $6,528 and $8,312 in the second quarter and the first six months of fiscal 2013, respectively, a decrease of $9,276 and $15,666, respectively, compared to cash used in investing activities of $15,804 and $23,978 in the same comparative periods of fiscal 2012 primarily as a result of a decrease in the Company's capital expenditures.

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

	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Cash provided by (used in) operating activities	$51	**$14,014**	($5,568)	**$14,065**	($278)
Cash from (used in) financing activities	$491	**($5,102)**	$14,887	**($4,611)**	$19,363
Cash used by investing activities [(1)]	($1,784)	**($6,528)**	($15,804)	**($8,312)**	$23,978
Change in cash	($1,242)	**$2,384**	($6,485)	**$1,142**	($4,893)

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

Capital Expenditures

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

Capital Expenditures [(1)]	**Q1 2013**	**Q2 2013**	**YTD 2013**	**FY2012**
UMZ Mine	$1,382	**$413**	**$1,795**	$1,969
EVBC Mine [(1)]	3,355	**3,243**	**6,598**	31,136
Copperwood Project	1,070	**1,215**	**2,285**	5,842
Corporate	-	**3**	**3**	44
Subtotal capital expenditures	$5,807	**$4,874**	**$10,681**	$38,991
EVBC - accounts payable adjustments [(1)]	(1,578)	**3,879**	**2,301**	(3,234)
Total capital expenditures [(2)]	$4,229	**$8,753**	**$12,982**	$35,757

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

(2) For further discussion relating to capital expenditures, see "Cash Flows, Commitments and Liquidity - Liquidity". Capital expenditures for fiscal 2012 have been restated to exclude capital lease payments which have been reclassified under cash flows used in financing activities.

Other Commitments

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

		Payment Due by Period			
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Bank debt - UMZ Mine [1]	$9,856	$9,856	-	-	-
Short-term debt - Fabulosa Loan [1]	5,731	5,731	-	-	-
Long-term debt - EVBC Loan [1]	52,990	11,332	41,658	-	-
EVBC Debenture Conversion [1]	1,548	1,548	-	-	-
Obligations under finance leases [2]	1,189	1,043	146	-	-
Operating leases	526	218	308	-	-
Decommissioning liabilities [3]	11,474	-	-	-	11,474
Reclamation bond [4]	6,404	6,404	-	-	-
Purchase obligations and capital commitments	7,784	4,692	3,092	-	-
Provision for statutory labour obligations [5]	4,228	2,063	1,199	-	966
Long-term compensation	431	-	318	-	113
Total contractual obligations [6] [7]	$102,145	$42,871	$46,721	$0	$12,552

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. See "Financial Condition Review - Balance Sheet Review". For EVBC Debenture Conversion see "Royalties" below.

(2) During fiscal 2010 and 2011, finance leases were entered into for the purchase of underground mining equipment for the EVBC Mine. Under each finance lease agreement, 15% to 40% of the purchase price of the equipment was paid in cash at the time of delivery with the balance financed over a three-year lease term. Lease payments are payable quarterly with interest at rates of 5.5% to 6.6% per annum. Obligations under finance leases totaled $1,189 at March 31, 2013.

(3) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for reclamation bonds amounted to approximately $9,553 at March 31, 2013 (September 30, 2012 - $9,647). Decommissioning liabilities are discussed below under "Other Information - Critical Accounting Estimates - Decommissioning Liabilities".

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

(5) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month's wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. This obligation was fair valued in the current period to determine the present value of the future payments related to this obligation. Also includes $1,400 payable in less than one year to union employees in connection with certain labour arrangements. See "Subsequent Events" below.

(6) Production from each of the EVBC Mine and the UMZ Mine is subject to certain royalties which amounts have not been included in total contractual obligations summary set out above. The Copperwood Project will also be subject to royalties when in production. For a description of such royalties and amounts payable, see "Royalties" below.

(7) The Company has outstanding financial instruments required under the EVBC Loan that mature monthly or quarterly until 2016. Using forward gold, copper and currency prices for the applicable period, at March 31, 2013, the Company estimated payments of $4,365 in less than one year and $7,717 for the period greater than one year and less than three years. These amounts are an estimate based on market conditions at March 31, 2013, however, given variable market conditions, such amounts may not represent a reasonable estimate. The Company incurred $1,552 and $1,403 to settle financial instruments that matured in the first and second quarters of fiscal 2013, respectively, and $5,102 in fiscal 2012.

Royalties

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

The royalty holder exercised a conversion right under a previously issued debenture in respect of the outstanding principal amount of the debenture at December 31, 2012 as 2012 production from the EVBC Mine was less than a specified amount (the "EVBC Debenture Conversion"). As a result, the Company's

consolidated audited financial statements for the fiscal year ended September 30, 2012 included a charge of $3,132 in the fourth quarter of fiscal 2012, which was an estimate of the EVBC Debenture Conversion. The Company is financing and repaying the EVBC Debenture Conversion at a rate of 12% over six equal installments ending on June 30, 2013. As at March 31, 2013, the Company had repaid $1,634 of this amount.

In addition, the royalty holder exercised a pre-payment right under the EVBC Royalty as the aggregate amount of payments paid as at December 31, 2012 under the EVBC Royalty was less than C$7,500. The Company is financing this pre-payment right of $4,023 until January 1, 2014 at a rate of 12%, with all royalty payments made between January 1, 2013 and December 31, 2013 serving to reduce such amount. To the extent that any pre-payment is due and paid on January 1, 2014, it will serve to reduce future EVBC Royalty payments. The EVBC Royalty expense totaled $937 for the second quarter of fiscal 2013 (March 31, 2012 - $577) and $1,474 for the first half of fiscal 2013.

Production from the UMZ Mine is subject to a 3% NSR payable quarterly. This expense totaled $371 for the second quarter of fiscal 2013 and $867 for the first half of fiscal 2013. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the UMZ Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $1,206 for the second quarter of fiscal 2013 and $2,847 for the first half of fiscal 2013. The NSR and the mining royalty tax are referred to herein as the “UMZ Royalties”.

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

Liquidity

Orvana’s primary source of liquidity in fiscal 2012 has been operating cash flows, draw-downs under the Fabulosa Loan and an increase in the EVBC Loan and EMIPA short-term facilities .

The Company experienced certain initial start-up difficulties at the UMZ Mine through the first half of fiscal 2012. The UMZ Mine has been self-financing since the third quarter of fiscal 2012. Bank loans with certain Bolivian banks have averaged a balance of approximately $10,000 and are short term ranging from 60 to 180 days. Although in the past, EMIPA's lenders have agreed to renew these loans in the ordinary course, new loans replacing those maturing may not be obtained. In the event that certain of these loans are not renewed, cash flows from operating activities from the UMZ Mine will be used for working capital purposes and less cash flows therefrom will be available for distribution to Orvana. The Company intends to maintain this outstanding short-term loans balance in the short-term.

The EVBC Loan requires the deposit of certain cash generated from operating activities into restricted cash to be used for future EVBC Loan repayments and restricts the distribution of cash in certain circumstances from Kinbauri to Orvana unless certain covenants are met. Therefore, Orvana may report positive cash balances, but may be restricted in its ability to make use of certain of this cash. The Company experienced certain operational and financing issues at the EVBC Mine during the last six months of 2012 that required additional working capital financing. Consequently, the EVBC Mine received financial support from Orvana in order to meet certain working capital obligations resulting from lower production and timing delays between the production and sale of concentrates. Orvana financed these obligations from revenues generated by the UMZ Mine and by drawing on the Fabulosa Loan. The EVBC Mine was self-financing in the second quarter of fiscal 2013 and this is expected to continue.

Orvana is making principal and interest payments under the EVBC Loan. At the date of the MD&A, the Company had the ability to draw approximately $5,769 under the Fabulosa Loan until June 30, 2013. The Company did not draw down any additional amounts under the Fabulosa Loan in the second quarter of fiscal 2013 and, at this time, the Company does not expect to draw down any further amounts prior to the drawdown expiration date. The Company has been paying interest and stand-by fees under the Fabulosa Loan and will commence principal repayments of $1,000 per month on June 1, 2013.

As at March 31, 2013, the Company had cash of $14,346 and restricted cash of $12,113 designated to cover a portion of the Company’s commitments due in less than one year of $42,871 including two quarters of principal and interest payments under the EVBC Loan and the reclamation bond which may have to be deposited but which the Company is challenging. The Company expects to meet the

remainder of its contractual obligations due in less than one year from cash flows from operating activities. In fiscal 2012, the Company generated cash flows from operating activities of $41,705 with twelve months of ramp-up operations at the EVBC Mine including certain operational challenges which have now been addressed and nine months of commercial production operations at the UMZ Mine including certain operational challenges experienced in the first half of fiscal 2012 which have now been addressed.

The Company's capital expenditures in fiscal 2012 totalled $35,757 (plus an additional $3,234 of capital expenditures that were unpaid at the end of fiscal 2012). These amounts included non-recurring capital expenditures of $11,122 including in connection with the construction of the shaft at the EVBC Mine. As a result of these activities having been completed in fiscal 2012, the Company expects that its expenditures on the Company's capital projects and operating requirements in respect of the EVBC Mine and the UMZ Mine will be lower in fiscal 2013 by approximately $10,000. Capital expenditures totaled $12,982 in the first half of fiscal 2013 including $5,240 in primary mine development and excluding $993 incurred but unpaid capital expenditures.

At current market gold and copper prices, the Company expects to generate positive operating cash flows in fiscal 2013. Following the repayment of amounts under the EVBC Loan due in fiscal 2013, the Debenture Conversion Amount, amounts under the Fabulosa Loan due in fiscal 2013 and the Company's currently planned capital expenditures, the Company expects to generate negative total free cash flows in fiscal 2013 which is expected to result in a reduction in the Company's cash balances at the end of fiscal 2013 from current levels.

If unanticipated events occur that may impact the operations of the EVBC Mine and the UMZ Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

SUMMARY OF QUARTERLY RESULTS

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

	Quarters ended			
	March 31, 2013	**Dec 31, 2012**	**Sept 30, 2012**	**June 30, 2012**
Revenue	**$44,301**	$34,028	$50,608	$43,691
Net income (loss)	**$6,483**	$13,651	($2,007)	$12,118
Earnings (loss) per share - basic and diluted	**$0.05**	$0.10	($0.01)	$0.09
Total assets	**$281,418**	$290,277	$286,134	$274,254
Total long-term financial liabilities (1)	**$54,179**	$59,239	$62,482	$66,652

	Quarters ended			
	March 31, 2012	**Dec 31, 2011**	**Sept 30, 2011**	**June 30, 2011**
Revenue	$31,245	$15,373	$10,576	$1,752
Net income (loss)	($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 (1)	$74,171	$55,136	$56,008	$55,095

(1) Includes long-term debt before financing fees and obligations under finance leases.

SUBSEQUENT EVENTS

In April 2013, W.C. Williams resigned from his position as President and Chief Executive Officer as well as a director of Orvana. Michael Winship, a director of Orvana, was appointed Interim President and Chief Executive Officer of the Company.

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

The Company's activities expose it to a variety of financial risks: market risks (including currency risk, commodity price risks and interest rate risk), credit risk and liquidity and financing risk. Enterprise risk management is carried out by management of the Company under policies approved by the board of directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The board of directors of the Company reviews management's risk management programs and provides oversight on specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Market Risks - Currency Risk

Orvana's functional currency is the US dollar. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Currency risk arises when future recognized assets or liabilities are denominated in a currency that is not the Company's functional currency and may impact the fair values thereof. Exchange rate fluctuations may also affect the costs that the Company incurs in its operations. The Company has hedged a portion of its foreign currency exposure as a requirement under the EVBC Loan.

For the US dollars/Euro financial instruments outstanding at March 31, 2013, if the forward rates of the US dollar against the Euro weakened or strengthened by 10% than those used in the financial instruments gain calculation, while all other variables remained constant, the net income for the second quarter of fiscal 2013 would have been approximately $3,574 higher or lower as a result of changes in the fair value of these financial instruments.

Market Risks - Commodity Price Risks

The Company is primarily exposed to gold and copper commodity price risk. The Company, in accordance with the requirements of the EVBC Loan, has hedged a portion of its gold and copper production which facilitates the management of certain of its price risk.

For the gold forwards financial instruments outstanding at March 31, 2013, if the forward market prices of gold had been 10% lower or higher than those used in the gold forwards financial instruments gain calculation, while all other variables remained constant, the net income for the second quarter of fiscal 2013 would have increased or decreased by approximately $2,899 as a result of changes in the fair value of these financial instruments.

At March 31, 2013, if the forward market prices of gold had been 10% lower than those used in the gold collars financial instruments gain calculation while all other variables remained constant, the net income for the second quarter of fiscal 2013 would have increased by approximately $3,348 as a result of changes in the fair value of these financial instruments. If the forward market prices of gold had been 10% higher than those used in the gold collars financial instruments gain calculation, while all other variables remained constant, the net income for the second quarter of fiscal 2013 would have decreased by approximate y $4,170 as a result of changes in the fair value of these financial instruments.

For the copper forwards financial instruments outstanding at March 31, 2013, if the forward market prices of copper had been 10% lower or higher than those used in the copper financial instruments gain calculation, while all other variables remained constant, the net income for second quarter of fiscal 2013 would have increased or decreased by approximately $4,347 as a result of changes in the fair value of these financial instruments.

Market Risks - Interest Rate Risk

The Company's cash flows interest rate risk arises from short and long-term borrowings. During fiscal 2013 and 2012, although a significant portion of the Company's borrowings and investments were at variable rates, variable rates such as LIBOR have not varied materially in the last two years and are not expected to do so in the near future.

Credit Risk

The Company's credit risk is primarily attributable to gold-copper concentrate and gold doré sales, value-added tax receivables and a subsidy receivable from the Spanish government in connection with the completed development of the EVBC Mine. The Company has a concentration of credit risk with three customers to which gold-copper concentrate and gold doré are sold under agreements and who provide provisional payments to the Company upon each product shipment. These institutions are international and most are large with strong credit ratings. Value-added taxes receivables are collectable from the Bolivian and Spanish governments. Management believes that the credit risks with respect to financial instruments attributable to concentrate and gold doré sales receivables, value-added taxes receivables and cash and cash equivalents are minimal. The government subsidy receivable is collectable by the Company over a three year period from the Spanish government. The Company received one-third of this subsidy in January 2013.

The Company has entered into its outstanding financial instruments pursuant to the EVBC Loan with one counterparty that is a large international financial institution with a strong credit rating.

Liquidity and Financing

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the Company and aggregated at the Orvana corporate level to monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet such financial obligations and operational needs at all times. Such forecasting takes into consideration the Company's debt financing and compliance with debt covenants among other factors. Financing risk is the risk that if unanticipated events occur that may impact the operations of the EVBC Mine and the UMZ Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. For a discussion relating to the Company's liquidity and liquidity and financing risks, please see "Cash Flows, Commitments and Liquidity - Liquidity" above.

Other Risks

The Company identified a variety of additional risks and uncertainties in the 2012 Annual Disclosures including, but not limited to, (i) development and operations of mines, (ii) mineral resources and reserves, (iii) production estimates, costs and metals prices, (iv) labour arrangements, (v) regulatory requirements, (vi) political and related risks including taxation, increased royalties and nationalization, (viii) global economic conditions, (ix) weather and water supply, (x) title matters and environmental bonding, (xi) competition, (xii) insurance, (xiii) controlling shareholder, and (xiv) share trading volatility. There have been no other significant changes to the Company's exposure to risks and other uncertainties including risks relating to the Company's foreign operations other than as set out below.

In Bolivia, in view of the constitution enacted in February 2009, recent and anticipated changes to mining laws and policies and mining taxes, and the composition of the Company's shareholder base, expected changes in governmental regulation or governmental actions may adversely affect 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. A process for the migration of mining concessions into mining contracts is expected under regulations yet to be issued. Accordingly, previously acquired rights under mining concessions such as those of the Company in respect of the UMZ Mine will be respected but are subject to this migration process.

The Bolivian government has been working on a new mining law in coordination with a commission created with the participation of different mining related entities and an official draft of this new mining law is expected in the near future. On May 1, 2013, the Bolivian government promulgated a new regulation

authorizing transitory mining contracts to be executed on its behalf with producing mining companies until the new mining law is promulgated, subject to a regulation to be issued. A term of 30 days has been established for this regulation for the transitory measures to be issued. The potential effect on the Company's future mining activities in Bolivia and the Company's mineral concessions remains unclear and could but may not necessarily include the Company's mineral concessions in respect of the UMZ Mine being converted into a mining contract which could result in the Bolivian government acquiring an interest in the Company's UMZ Mine, increased government mining royalties and a requirement for products produced by the Company from the UMZ Mine to be sold in Bolivia. In the past, the government of Bolivia has nationalized the assets of certain companies in various industries.

In addition, the Company experienced a labour strike at the UMZ Mine in Bolivia subsequent to the end of the second quarter of fiscal 2013. The strike was related to the demand by union employees for certain payments in respect of two periods between 2002 and 2012 which payments were not part of the labour agreement at those times. In connection with resolving these matters, Orvana will be making two payments in June and July 2013 which amounts will be expensed as part of EMIPA's mining costs in the third quarter of fiscal 2013. In the third and fourth quarters of fiscal 2013, the Company will be conducting negotiations with the union with respect to annual wage increases as required under local government regulations and is mandated to have an agreement in place by the end of the fourth quarter of fiscal 2013. There can be no assurances that an agreement with respect to such wage changes may be reached on reasonable terms to the Company or at all.

OTHER INFORMATION

Critical Accounting Estimates

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

Net Realizable Amounts of Property, Plant and Equipment

At March 31, 2013, the net book value of the property, plant and equipment in respect of the UMZ Mine and the EVBC Mine amounted to $30,659 and $144,511, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

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

Exploration and development expenditures are capitalized once management of the Company has determined that there is a reasonable expectation of economic extraction of minerals from the property. At March 31, 2013, the capitalized costs for the Copperwood Project amounted to $20,806. The Company continues to move the Copperwood Project through the final stages of permitting as discussed under "Overall Performance - Copperwood Project."

The Company assesses each mine development project to determine when a mine is substantially complete and ready for its intended use and has advanced to the production stage. In its assessment, the Company considers relevant criteria based on the nature of each project, including the completion of a reasonable period of testing of mine plant and equipment, the ability to produce materials in saleable form (within specifications) and the ability to sustain ongoing production of minerals. When a mine

development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs and underground mine or reserve development which are capitalized to property, plant and equipment.

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of the EVBC Mine and the UMZ Mine at March 31, 2013. These estimates were prepared by management with the use of independent third party experts.

At March 31, 2013	Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mine [(1)]	$5,918	5.7%	$3,801
UMZ Mine [(1)]	5,556	2.8%	4,222
Total	$11,474		$8,023

(1) Accretion expense is recorded using the discount interest rate set out above. It is expected that these amounts will be incurred in 2019 through 2022 in respect of the UMZ Mine and the EVBC Mine, respectively. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Stock-based compensation

The Company recorded stock-based compensation expense of $133 for second quarter of fiscal 2013 compared to $186 for the same period of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

The Company has established a Deferred Share Unit ("DSU") plan for its directors, with each DSU having the same value as a Common Share. Under the DSU plan, directors receive a portion of their annual compensation in the form of DSUs. The DSUs vest immediately and are redeemable in cash when the individual ceases to be a director. The fair value of amounts granted each period together with changes in fair value is expensed in the period.

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

Impairment

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

asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that are specific to the Company's circumstances with respect to each CGU. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Although the total public market capitalization of the Company declined to below the carrying amount of Orvana's net assets at March 31, 2013 of $146,213, following the completion of an impairment test in respect of each CGU, the Company estimates that the net recoverable amounts are greater than the carrying values of such assets and, as such, there has been no impairment of such carrying values.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

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

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

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

Non-IFRS Measures

Unit Costs

Throughout this MD&A, the Company has used certain non-IFRS measures including Total Cash Costs (by-product), Total Production Costs (by-product) and Total Cash Costs (co-product) because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flows. The Company believes that conventional measures of performance defined by IFRS do not fully illustrate this ability. These measures are intended to provide additional information only and are not necessarily indicative of cost of sales as determined under IFRS and may not be comparable to similar measures presented by other companies which may be calculated differently.

Total Cash Costs (net of by-product revenue) and Total Production Costs (net of by-product revenue) are calculated using guidance issued by the Gold Institute now incorporated into the National Mining Association. These calculations may vary from company to company and may not be comparable to other similarly titled measures of other companies. Total Cash Costs (net of by-product revenue) include mining, milling, administration, transportation, treatment and selling costs, royalties, including the EVBC Royalty, and are net of by-product credits from the sale of copper and silver. Capitalized development costs and realized and unrealized gains/losses from the Company's financial instruments are not included in the calculations of Total Cash Costs (net of by-product revenue). Total Production Costs (net of by-product revenue) include Total Cash Costs (by-product) plus depreciation and depletion costs of the

Company's purchase price for the EVBC Mine, all capitalized expenditures including project capital, sustaining capital and primary mine development.

The World Gold Council has been working to define an all-in sustaining cash cost measure to represent the total cost of producing gold with a final standard being expected to be finalized in the middle of 2013. The Company will review its reporting against the measures that are ultimately adopted by the World Gold Council.

The following table reconciles the Total Cash Costs (by-product) and Total Production per gold ounce sold for the EBVC Mine to the most directly comparable IFRS measures for each quarter of the periods set out below:

EVBC Mine	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012	FY2012
Mining costs (1)	$9,731	**$17,051**	$8,289	**$26,782**	$20,796	$47,615
Adjustments (2)	-	**-**	$2,134	**-**	$2,134	-
Transportation, treatment charges, deductions	$1,622	**$3,176**	$1,982	**$4,798**	$2,537	$6,093
Gross by-product credits from copper & silver sales	($3,938)	**($7,042)**	($4,943)	**($10,980)**	($7,706)	($17,107)
Total Cash Costs	$7,415	**$13,185**	$7,462	**$20,600**	$17,761	$36,601
Divided by: gold ounces sold	8,759	**16,824**	9,747	**25,583**	$18,022	42,837
Total Cash Costs per gold ounce sold	$847	**$784**	$765	**$805**	$985	$854
Depreciation and amortization/gold ounce sold	$283	**$292**	$268	**$289**	$280	$274
Total Production Costs per gold ounce sold	$1,130	**$1,076**	$1,033	**$1,094**	$1,265	$1,128

(1) Includes the EVBC Royalty and does not include (i) depreciation and amortization, (ii) capitalized expenditures in the period including primary mine development costs, or (iii) realized and unrealized gains/losses from the Company's financial instruments.

(2) Represents mining costs relating to the second quarter of fiscal 2012 recorded in the third quarter of fiscal 2012.

As a result of gross revenue from sold gold and silver representing more than 40% or more of total gross revenue from the UMZ Mine in a reporting period and for better costs comparisons to other mines, the Company is now reporting Total Cash Costs (co-product) per pound of copper and per ounce of gold and silver sold for the periods presented. Total Cash Costs (co-product) include (i) mining, milling, administration, treatment, transportation and penalties allocated to the Total Cash Costs for each metal based on the percentage of gross revenue that each quantity of metal sold in the period represents of total gross revenue for the period, and (ii) refining charges, metallurgical deductions and the UMZ Royalties allocated to the Total Cash Costs (co-product) in respect of each metal based on actual costs related to each quantity of metal sold in the period.

The following table reconciles the Total Cash Costs (co-product) per pound of copper and per ounce of gold and silver sold for the UMZ Mine to the most directly comparable IFRS measures for each of the periods set out below:

UMZ Mine	Q1 2013	Q2 2013	Q2 2012	YTD 2013	YTD 2012	FY2012
Mining costs (1)	$8,892	**$9,112**	$10,108	**$18,004**	$10,183	$35,958
Transportation, treatment charges, deductions	$6,649	**$5,212**	$2,308	**$11,861**	$2,308	$16,452
Gross by-product credits from lead sales	($260)	**($275)**	-	**($535)**	-	($343)
Other adjustments	-	**$68**	-	**$68**	($75)	-
Total Cash Costs (2)	$15,281	**$14,117**	$12,416	**$29,398**	$12,416	$52,067
Total Cash Costs (co-product) for copper	$6,678	**$6,389**	$8,077	**$13,044**	$8,077	$25,717
Divided by: copper pounds sold (3)	3,158	**2,212**	2,240	**5,368**	2,240	10,778
Total Cash Costs (co-product)/copper pound sold	$2.05	**$2.47**	$3.61	**$2.23**	$3.61	$2.39
Total Cash Costs (co-product) for gold	$4,312	**$3,597**	$2,514	**$7,951**	$2,514	$13,960
Divided by: gold ounces sold (3)	4,137	**2,424**	1,584	**6,561**	1,584	12,215
Total Cash Costs (co-product)/gold ounce sold	$1,008	**$1,155**	$1,587	**$1,076**	$1,587	$1,143
Total Cash Costs (co-product) for silver	$4,291	**$4,131**	$1,825	**$8,403**	$1,825	$12,390
Divided by: silver ounces sold (3)	208,492	**170,696**	55,282	**379,189**	55,282	563,311
Total Cash Costs (co-product)/silver ounce sold	$20.31	**$22.52**	$33.00	**$21.29**	$33.00	$22.00

(1) Includes the UMZ Royalties and does not include (i) depreciation and amortization, or (ii) capitalized expenditures.

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

quantity of metal sold in the period. Sales volume used to calculate unitary cash costs do not include volume adjustments relating to final liquidations from prior period sales.

(3) Sales volumes represented in the table above include volume adjustments relating to final liquidations from prior period sales. Sales volumes used to calculate unitary cash costs reflected in the table, however, do not include volume adjustments relating to final liquidations from prior period sales.

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

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

Adjusted Net Income	**Q1 2013**	**Q2 2013**	**Q2 2012**	**YTD 2013**	**YTD 2012**
Net income (loss)	$13,651	**$6,483**	($7,959)	**$20,134**	($12,464)
Less tax-adjusted unrealized (gains) losses on financial instruments	($9,310)	**($5,561)**	$10,753	**($14,870)**	($2,005)
Adjusted net income (loss)	$4,341	**$922**	$2,794	**$5,264**	($459)
Weighted average shares outstanding (000s)	136,618	**136,942**	136,733	**136,795**	136,795
Adjusted net income (loss) per share (basic and diluted)	$0.03	**$0.01**	$0.02	**$0.04**	$0.00

Other Information

Other operating and financial information with respect to the Company, including the 2012 Annual Disclosures, is available in public disclosure documents filed on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

Cautionary Statements - Forward-Looking Information

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

Forward-looking statements relate to, among other things, all aspects of the operation of the EVBC Mine, the UMZ Mine and the development of the Copperwood Project and their potential production; the outcome and timing of decisions with respect to whether and how to proceed with such development and production; the timing and outcome of any such development and production; estimates of future capital expenditures; mineral resource and reserve estimates; estimates of permitting timelines; statements and information regarding future feasibility studies and their results; production sales forecasts; future transactions; future gold, copper and silver prices; the ability to achieve additional growth and geographic diversification; future production costs; future financial performance, including the ability to increase cash flow and profits or reduce losses; future financing requirements; and mine development plans including mine life estimates.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to

equipment or otherwise; permitting, development, operations, expansion and acquisitions at the EVBC Mine, the UMZ Mine or the Copperwood Project being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; sales being realized as contemplated; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs remaining or increasing on a basis consistent with Orvana's current expectations.

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

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

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

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

Mineral Reserves and Resources

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