ORVANA

MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014

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, 2014.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three and six months ended March 31, 2014 and related notes thereto (the "Q2 Financials"). The Q2 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Reference is also made to the Company's Annual Information Form ("AIF") available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

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 14, 2014, unless otherwise stated.

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

Orvana

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

Q2 2014 Operating and Financial Highlights

- Completion of the hoist repairs, upgrades and the majority of hoist commissioning at the Boinás Mine.
- Commissioned gold gravity concentrators to the processing circuit at the Don Mario Mine with increased gold production expected in the second half of fiscal 2014 and thereafter.
- Announcement of the divestiture of the Copperwood project in Michigan for total cash consideration of up to $25,000 including $20,000 cash on closing with the closing of the sale estimated to occur on or about May 30, 2014.
- Production of 19,535 ounces of gold, 5.0 million pounds of copper and 277,656 ounces of silver and sales of 16,509 ounces of gold, 3.5 million pounds of copper and 166,866 ounces of silver compared with production of 18,144 ounces of gold, 3.9 million pounds of copper and 191,374 ounces of silver and sales of 19,248 ounces of gold, 3.9 million pounds of copper and 213,879 ounces of silver in the second quarter of fiscal 2013. (1)

- Revenue of $29,125 in the second quarter of fiscal 2014 compared with revenue of $45,576 in the second quarter of fiscal 2013, primarily due to lower commodity prices and lower sales volume in the second quarter of fiscal 2014.
- Decrease in mining costs of $3,287 or 12% from $27,438 to $24,151, primarily due to lower sales volume in the second quarter of fiscal 2014.
- Net loss of $6,953 in the second quarter of fiscal 2014 compared with net income of $6,483 in the second quarter of fiscal 2013 primarily as a result of lower revenue and a loss from the fair market revaluation of the Company's outstanding derivative instruments.
- Adjusted net loss of $3,340 in the second quarter of fiscal 2014 compared with adjusted net income of $991 in the second quarter of fiscal 2013, primarily due to lower revenue from lower sales and lower commodity prices. (2)
- Cash flows provided by operating activities from continuing operations of $3,886 in the second quarter of fiscal 2014 compared with $14,080 in the second quarter of fiscal 2013 and cash flows provided by operating activities before changes in non-cash working capital of $3,587 in the second quarter of fiscal 2014 compared with $10,604 in the second quarter of fiscal 2013. (2)
- Working capital increase to $30,753 at March 31, 2014, including the reclassification of Copperwood as an asset held for sale, compared with $16,351 at December 31, 2013.
- Capital expenditures of $10,302 for the first half of fiscal 2014 consisting primarily of primary mine development at the EVBC Mines, EVBC hoist repairs and upgrades costs, the addition of gravity gold concentrators at the Don Mario Mine and tailings dam raises at both the EVBC and the Don Mario Mines compared with $10,681 for the first half of fiscal 2013.
- Debt net of cash, cash equivalents and restricted cash for debt repayment of $39,995 at March 31, 2014 and payment of long-term principal and interest of $7,900 in the six months ended March 31, 2014.
- All-in sustaining costs (by-product) of $1,431 per ounce of gold at EVBC compared with $1,032 in the second quarter of fiscal 2013. All-in sustaining costs (co-product) of $967 per ounce of gold, $17.70 per ounce of silver and $2.57 per pound of copper at the Don Mario Mine compared with $1,262 per ounce of gold, $24.39 per ounce of silver and $2.70 per pound of copper in the second quarter of fiscal 2013. (3)
- Subsequent to the end of the second quarter of fiscal 2014, Orvana announced the retirement of James Jacques, Chief Operating Officer, effective May 18, 2014. A search is currently underway for a replacement.

(1) For a description of the EVBC Mines and the Don Mario Mine, please see "Overall Performance - EVBC Mines" and "Overall Performance – Don Mario Mine".

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

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

Outlook

Orvana's short-term focus is operational optimization at the EVBC Mines and the Don Mario Mine to generate increasing operating cash flows in order to pay down debt and pursue growth alternatives. Production optimization projects have been initiated at both operating sites. Ongoing benefits have and will continue to be achieved at the Don Mario Mine. However, EVBC has been hampered with the loss of hoisting over the last nine months. Operational and corporate reviews have been underway to increase production, reduce operating and capital costs to improve liquidity and cash flows given the recent declines and continued volatility in the metals markets.

At EVBC, production and sales were lower in the first half of fiscal 2014 as a result of lower head grades in the areas being mined. The Company's focus at EVBC continues to be on improving head grades, increasing metal production and reducing total all-in costs per ounce of gold. With the completion of the hoist repairs and upgrades and the recovery of the San Martin area, the Company will continue to focus on these initiatives in the second half of fiscal 2014. Management changes have been made at EVBC to deal with the poor performance and the organization is being strengthened. Management expects the return to higher grade mineralization to take some additional time and, accordingly, has revised its production guidance lower given the volumes of metals produced to date.

The Company's focus at the Don Mario Mine continues to be on improving metal production and reducing operating costs. The suspension of the leach-precipitation-flotation ("LPF") process in the fourth quarter of fiscal 2013 has already contributed materially to these goals, particularly in unit cost reduction. Over the remainder of fiscal 2014, the Company will continue to work on optimizing recoveries of gold and silver from the new gold gravity concentrators, complete further testing of oxides processing and advance exploration activities on a success-based model. Given the production from the Don Mario Mine to date and expectations for the balance of the fiscal year, management has revised its production guidance upward for all three metals.

The net result of the changes in guidance at each operation is that the Company's overall guidance for gold remains largely unchanged although the high end of the guidance is reduced and for copper and silver, expectations are higher than previously planned. The following table sets out Orvana's production for the first half of fiscal 2014 as well as its revised fiscal 2014 guidance:

	YTD 2014 Production	FY2014 Guidance	Revised FY2014 Guidance
EVBC Mines			
Gold (oz)	29,428	65,000 - 75,000	60,000 - 65,000
Copper (million lbs)	2.6	6.0 - 6.5	5.5 - 6.0
Silver (oz)	72,684	175,000 - 200,000	160,000 - 180,000
Don Mario Mine			
Gold (oz)	8,961	15,000 - 18,000	20,000 - 21,000
Copper (million lbs)	7.2	12.0 - 14.0	13.5 - 15.0
Silver (oz)	457,802	700,000 - 750,000	800,000 - 900,000
Total			
Gold (oz)	38,389	80,000 - 93,000	80,000 - 86,000
Copper (million lbs)	9.8	18.0 - 20.5	19.0 - 21.0
Silver (oz)	530,486	875,000 - 950,000	960,000 - 1,080,000

Orvana intends to use the proceeds received from the sale of Copperwood to repay indebtedness and for working capital. In fiscal 2014, Orvana has allocated certain amounts towards internal growth exploration initiatives at both the EVBC Mines and the Don Mario Mine and the surrounding regions. Orvana's long-term focus is to utilize future operating cash flow and mining capabilities to build long-term value for its shareholders. Growth opportunities, particularly near the Spanish operations, will continue to be investigated.

OVERALL PERFORMANCE

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

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

	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Operating Performance [1]					
Gold					
Production (oz)	18,855	**19,535**	18,144	**38,390**	35,903
Sales (oz) [2]	19,613	**16,509**	19,248	**36,122**	32,144
Average realized price / oz [2]	$1,288	**$1,283**	$1,616	**$1,286**	$1,651
Copper					
Production ('000 lbs)	4,719	**5,048**	3,852	**9,767**	8,236
Sales ('000 lbs) [2]	4,398	**3,546**	3,848	**7,944**	7,822
Average realized price / lb [2]	$3.23	**$3.14**	$3.50	**$3.19**	$3.45
Silver					
Production (oz)	252,830	**277,656**	191,374	**530,486**	424,826
Sales (oz) [2]	218,016	**166,866**	213,879	**384,882**	455,651
Average realized price / oz [2]	$20.69	**$20.37**	$28.10	**$20.55**	$29.08
Financial Performance					
Revenue [3]	$35,220	**$29,125**	$45,576	**$64,345**	$81,227
Mining costs [4]	$23,776	**$24,151**	$27,438	**$47,927**	$47,684
Loss from discontinued operations	$16	**$985**	$72	**$1,001**	$72
Gross margin	$4,508	**($2,173)**	$11,697	**$2,335**	$23,083
Derivative instruments gain (loss)	$8,484	**($2,343)**	$6,545	**$6,141**	$18,293
Net income (loss)	$6,008	**($6,953)**	$6,483	**($945)**	$20,134
Net income (loss) per share (basic/diluted)	$0.04	**($0.05)**	$0.05	**($0.01)**	$0.15
Adjusted net income (loss) [5]	$1,227	**($3,340)**	$991	**($2,113)**	$5,336
Adjusted net income (loss) per share (basic/ diluted) [5]	$0.01	**($0.02)**	$0.01	**($0.02)**	$0.04
Operating cash flows before non-cash working capital changes [6]	$8,518	**$3,587**	$10,604	**$12,105**	$18,888
Operating cash flows [6]	$3,885	**$3,886**	$14,080	**$7,771**	$14,335
Ending cash and cash equivalents	$9,368	**$5,914**	$14,346	**$5,914**	$14,346
Restricted cash (including long-term)	$19,063	**$17,905**	$13,858	**$17,905**	$13,858
Capital expenditures [7]	$3,120	**$4,757**	$8,753	**$7,877**	$12,982

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

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

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

(4) Mining costs represents all costs associated with the production of the metals sold in the period including personnel costs; energy cost (principally diesel fuel and electricity); maintenance and repair costs; operating supplies; external services; costs associated with delivery of the concentrate and doré to the point of sale; an allocation of site general and administrative costs; royalties and, in respect of the Don Mario 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) Operating cash flows is cash provided by operating activities from continuing operations.

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

Three Months Ended March 31, 2014 Compared with Three Months Ended December 31, 2013

The Company recorded a net loss for the second quarter of fiscal 2014 of $6,953 or $0.05 per share compared with net income of $6,008 or $0.04 per share for the first quarter of fiscal 2014. The Company’s net loss for the second quarter of fiscal 2014 was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2014 decreased by $6,095 or 17% to $29,125 on sales of 16,509 ounces of gold, 3.5 million pounds of copper and 166,866 ounces of silver from the EVBC Mines and the Don Mario Mine compared with revenue of $35,220 on sales of 19,613 ounces of gold, 4.4 million pounds of copper and 218,016 ounces of silver in the first quarter of fiscal 2014. The decrease in revenue resulted primary from lower volume of gold sales at the EVBC Mines, lower volume of gold, copper and silver sales at the Don Mario Mine due to delays in the sale of concentrate and lower average realized prices.
- Total mining costs increased by $375 or 2% from $23,776 in the first quarter of fiscal 2014 to $24,151 in the second quarter of fiscal 2014 primarily due to higher costs associated with the sales at the EVBC Mines.
- Gross margin decreased by $6,681 to negative $2,173 compared with $4,508 in the first quarter of fiscal 2014 primarily due to higher costs associated with the sales at the EVBC Mines.
- The Company recorded an unrealized derivative instruments loss of $3,755 in the second quarter of fiscal 2014 compared with an unrealized derivative instruments gain of $6,853 in the first quarter of fiscal 2014 relating to the fair market revaluation of the Company’s outstanding derivative instruments.
- The income tax recovery in the second quarter of fiscal 2014 was $2,478 compared with an income tax expense of $3,513 in the first quarter of fiscal 2014 primarily due to the deferred income tax recovery of $1,127 relating to the unrealized loss on the mark-to-market revaluation of the Company’s outstanding derivative instruments at the end of the period.

The Company recorded an adjusted net loss of $3,340 or $0.02 per share in the second quarter of fiscal 2014 compared with adjusted net income of $1,227 or $0.01 per share for the first quarter of fiscal 2014. For further information and a detailed reconciliation of adjusted net income (loss), please see the “Other Information - Non-IFRS Measures” section of this MD&A.

Three Months Ended March 31, 2014 Compared with Three Months Ended March 31, 2013

The Company recorded a net loss for the second quarter of fiscal 2014 of $6,953 or $0.05 per share compared with net income of $6,483 or $0.05 per share for the second quarter of fiscal 2013. The Company’s net loss for the second quarter of fiscal 2014 was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2014 decreased by $16,451 or 36% to $29,125 on sales of 16,509 ounces of gold, 3.5 million pounds of copper and 166,866 ounces of silver from the EVBC Mines and the Don Mario Mine compared with revenue of $45,576 on sales of 19,248 ounces of gold, 3.8 million pounds of copper and 213,879 ounces of silver in the second quarter of fiscal 2013. The decrease in revenue was primarily due to lower volumes of gold and silver sold during the quarter and lower average realized prices of gold, copper and silver of 21%, 10% and 28%, respectively.
- Total mining costs decreased by $3,287 or 12% from $27,438 in the second quarter of fiscal 2013 to $24,151 in the second quarter of fiscal 2014 primarily due to lower volume of metals sold in the current period.
- Gross margin decreased by $13,870 to negative $2,173 in the second quarter of fiscal 2014 compared with $11,697 in the second quarter of fiscal 2013 primarily due to lower commodity prices and higher costs associated with sales at the EVBC Mines.

- The Company recorded an unrealized derivative instruments loss of $3,755 in the second quarter of fiscal 2014 compared with an unrealized derivative instruments gain of $7,947 in the second quarter of fiscal 2013 relating to the fair market revaluation of the Company's outstanding derivative instruments.
- The income tax recovery in the second quarter of fiscal 2014 was $2,478 compared with an income tax expense of $5,968 in the second quarter of fiscal 2013 primarily due to the deferred income tax recovery of $1,127 relating to the unrealized loss on the mark-to-market revaluation of the Company's outstanding derivative instruments at the end of the period.

The Company recorded an adjusted net loss of $3,340 or $0.02 per share in the second quarter of fiscal 2014 compared with adjusted net income of $991 or $0.01 per share in the second quarter of fiscal 2013. For further information and a detailed reconciliation of adjusted net income (loss), please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Six Months Ended March 31, 2014 Compared with Six Months Ended March 31, 2013

The Company recorded a net loss of $945 for the six months ended March 31, 2014 or $0.01 per share compared with net income of $20,134 for the six months ended March 31, 2013 or $0.15 per share. The net loss was impacted significantly by the following factors:

- Revenue for the six months ended March 31, 2014 decreased by $16,882 or 21% to $64,345 on sales of 36,122 ounces of gold, 7.9 million pounds of copper and 384,882 ounces of silver from the EVBC Mines and Don Mario Mine compared with revenue of $81,227 on sales of 32,144 ounces of gold, 7.8 million pounds of copper and 455,651 ounces of silver in the first six months of fiscal 2013. The decrease in revenue was primarily due to lower average realized prices of gold, copper and silver of 22%, 8% and 29%, respectively, offset by an increase in gold and copper sales volumes.
- Mining costs increased slightly by $243 from $47,684 for the first six months of fiscal 2013 to $47,927 for the first six months of fiscal 2014 primarily due to higher sales volume in the current quarter.
- Gross margin decreased by $20,748 or 90% to $2,335 for the first six months of fiscal 2014 compared with $23,083 for the six months ended March 31, 2013 primarily due to lower revenue as a result of lower commodity prices and higher depreciation recorded.
- The Company recorded a financial instruments unrealized gain of $3,098 for the six months ended March 31, 2014 compared with $21,247 for the six months ended March 31, 2013 relating to the fair market revaluation of the Company's outstanding derivative instruments.
- The income tax expense for the six months ended March 31, 2014 was $1,035 compared with $11,147 for the six months ended March 31, 2013 primarily due to the lower unrealized gain on the mark-to-market revaluation of the Company's outstanding financial instruments.

The Company recorded an adjusted net loss of $3,340 for the six months ended March 31, 2014 or $0.02 per share compared with adjusted net income of $5,336 for the six months ended March 31, 2013 or $0.04. For further information and a detailed reconciliation of adjusted net income (loss), please see the "Other Information - Non-IFRS Measures" section of this MD&A.

EVBC Mines

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

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

	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Operating Performance					
Ore mined (tonnes) (wmt)	186,874	**185,835**	191,460	**372,709**	354,511
Ore milled (tonnes) (dmt)	180,713	**186,111**	176,445	**366,824**	322,335
Gold					
Grade (g/t)	2.62	**2.80**	3.04	**2.71**	3.11
Recovery (%)	92.0	**92.2**	90.9	**92.1**	92.0
Production (oz)	13,988	**15,441**	15,713	**29,429**	29,662
Sales (oz)	14,954	**14,344**	16,824	**29,298**	25,583
Copper					
Grade (%)	0.40	**0.41**	0.48	**0.41**	0.49
Recovery (%)	79.3	**78.2**	80.4	**78.7**	81.4
Production ('000 lbs)	1,258	**1,322**	1,488	**2,580**	2,835
Sales ('000 lbs)	1,412	**1,455**	1,636	**2,867**	2,452
Silver					
Grade (g/t)	7.23	**8.15**	10.03	**7.70**	10.68
Recovery (%)	80.5	**79.6**	73.8	**80.1**	76.6
Production (oz)	33,838	**38,846**	41,848	**72,684**	84,725
Sales (oz)	37,565	**40,592**	43,183	**78,157**	76,462
Financial Performance					
Revenue	$21,844	**$21,777**	$31,446	**$43,621**	$48,906
Mining costs	$16,445	**$19,766**	$17,317	**$36,211**	$27,230
Derivative instruments gain (loss)	$8,484	**($2,343)**	$6,545	**$6,141**	$18,293
Income (loss) before tax	$8,009	**($7,364)**	$15,350	**$645**	$31,730
Capital expenditures (2)	$3,727	**$4,434**	$3,243	**$8,161**	$6,598
Cash operating costs (by-product) ($/oz) gold (1)	$884	**$1,166**	$784	**$1,022**	$805
All-in sustaining costs (by-product) ($/oz) gold (1)	$1,116	**$1,431**	$1,032	**$1,270**	$1,145
All-in costs (by-product) ($/oz) gold (1)	$1,214	**$1,564**	$1,032	**$1,385**	$1,145

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

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

EVBC Operating Performance

During the second quarter of fiscal 2014, the EVBC Mines produced 15,441 ounces of gold, 1.3 million pounds of copper and 38,846 ounces of silver compared with (i) 13,988 ounces of gold, 1.3 million pounds of copper and 33,838 ounces of silver during the first quarter of fiscal 2014, and (ii) 15,713 ounces of gold, 1.5 million pounds of copper and 41,848 ounces of silver during the second quarter of fiscal 2013. The (i) increase in production compared with the first quarter of fiscal 2014 is primarily due to higher tonnes milled and an increase in gold, copper and silver head grades of 7%, 3% and 13%, respectively, and (ii) decrease in production compared with the second quarter of fiscal 2013 is primarily due to a decrease in gold, copper and silver head grades of 8%, 15%, and 19%, respectively.

During the first quarter of fiscal 2014, significant work was completed at the EVBC Mines to recover a failed zone in the San Martin skarns area in the Boinás Mine, which occurred in the third quarter of fiscal 2012. This work was substantially completed in the second quarter of fiscal 2014 and is expected to ensure ground stability in order to allow for access to higher grade mineralization from other nearby stopes. Mining costs of $264 and $652 associated with the recovery were expensed during the quarter and the first six months of fiscal 2014, respectively.

As a result of a hoisting accident at the Boinás Mine in June 2013, an alternative production schedule continued to be used during the second quarter of fiscal 2014 which incorporated ramp haulage for all materials mined. The hoist and shaft repairs, upgrades and the majority of commissioning were completed during the second quarter of fiscal 2014 allowing hoisting to recommence. Modification to the underground materials handling system to enhance ore movement and provide the potential to hoist oxides was also completed, in addition to upgrades to the capabilities of the hoist with enhanced performance design and safety improvements. Subsequent to the end of the second quarter of fiscal 2014, the final certification process was completed. At March 31, 2014, the total costs of the basic recovery of and upgrades to the hoist were approximately $4,500. The repairs and upgrades costs were capitalized to property, plant and equipment. One of the two insurers that may afford coverage related to this loss has confirmed coverage. Orvana has exercised the “disputed loss agreement” clause under its policies which would result in both insurers having to work together to jointly resolve the insurance claim filed by the Company in respect of the basic recovery costs of the hoist estimated at approximately $2,500. Future insurance proceeds will be recorded in “other income” once received.

Mine performance was negatively impacted by continued reliance on ramp access at the Boinás Mine for ore, waste and backfill haulage. The grade was lower than planned due to filling delays in the higher grade San Martin area, resulting in increased mining activity in the lower grade black skarns and San Martin transition zones. Backfilling is now generally caught up to normal levels and will be further facilitated with the reduced trucking usage for ore due to hoisting capability.

EVBC Financial Performance

Revenue from EVBC for the second quarter of fiscal 2014 was $21,777 on sales of 14,344 ounces of gold, 1.5 million pounds of copper and 40,592 ounces of silver compared with $21,844 on sales of 14,954 ounces of gold, 1.4 million pounds of copper and 37,565 ounces of silver in the first quarter of fiscal 2014. Revenue in the second quarter of fiscal 2014 decreased by 31% from $31,446 to $21,777 compared with the second quarter of fiscal 2013 as a result of lower volumes of metals sold and lower average realized prices of gold, copper and silver. Revenue of $43,621 for the first six months of fiscal 2014 was $5,285, or 11% lower, compared with $48,906 for the first six months of fiscal 2013 primarily as a result of lower average realized prices of gold, copper and silver, offset by higher volumes of metals sold.

Mining costs increased by 20% or $3,321 from $16,445 in the first quarter of fiscal 2014 to $19,766 in the second quarter of fiscal 2014 primarily due to (i) higher costs associated with the production of the metals sold during the quarter, and (ii) non-recurring costs relating to the write-off of certain equipment, regulatory payments and severances incurred during the quarter. Mining costs increased by 14% from $17,317 in the second quarter of fiscal 2013 to $19,766 in the second quarter of fiscal 2014 primarily due to (i) higher costs associated with the production of the metals sold during the quarter, (ii) the negative impact of an unfavorable foreign exchange rate with the appreciation of the Euro against the US dollar by 8% from the second quarter of fiscal 2013, and (iii) costs associated with the recovery of the San Martin area expensed during the first half of fiscal 2014.

Loss before tax for the second quarter of fiscal 2014 was $7,364 compared with income before tax of (i) $8,009 for the first quarter of fiscal 2014, and (ii) $15,350 for the second quarter of fiscal 2013, due mainly to lower revenue and the unrealized derivative loss recorded on the revaluation of the Company’s outstanding derivative instruments during the second quarter of fiscal 2014 compared with unrealized derivative gains recorded during the first quarter of fiscal 2014 and the second quarter of fiscal 2013. Of the total gold and copper sales during the second quarter of fiscal 2014 from EVBC, 50% and 48%, respectively, were hedged under outstanding derivative instruments as required under the Company’s long-term debt in respect of the EVBC Mines (the “EVBC Loan”).

Total capital expenditures at EVBC during the second quarter of fiscal 2014 were $4,434 compared with $3,243 in the second quarter of fiscal 2013 and $8,161 for the first six months of fiscal 2014 compared with $6,598 for the first six months of fiscal 2013. Capital expenditures in fiscal 2014 consisted primarily of primary mine development, completion of the tailings dam lift and non-recurring hoist repairs and upgrades expenditures. This excludes $902 and $2,425 in accounts payable adjustments for the second quarter and the first six months of fiscal 2014, respectively. Please see the "Financial Condition Review – Capital Expenditures" section of this MD&A.

Total cash operating costs of $1,166 per ounce of gold sold in the second quarter of fiscal 2014 were $282 or 32% higher than in the first quarter of 2014 and $382 or 49% higher than the second quarter of fiscal 2013. Total all-in sustaining costs of $1,431 per ounce of gold sold in the second quarter of fiscal 2014 were $315 or 28% higher than in the first quarter of 2014 and $399 or 39% higher than the second quarter of fiscal 2013. Higher unitary costs in the second quarter of fiscal 2014 compared with the first quarter of 2014 and the second quarter of fiscal 2013 were due to the factors set out above in respect of mining costs and higher volumes of metals sold in the prior periods.

Growth Exploration

In the fourth quarter of fiscal 2013, the Company completed a review of its opportunities to increase its reserves and resource estimates at its existing EVBC Mines through the potential to upgrade inferred resources to reserves and the potential to identify new resources at the EVBC Mines and outside of the EVBC Mines. In fiscal 2014, the Company plans to continue its initiatives to upgrade inferred resources, and, subject to the closing of the sale of Copperwood, explore zones at the EVBC Mines that are possibly open at depth and strike and satellite properties. Lower cash flows from operations has limited exploration spending during the first six months of fiscal 2014. Certain drilling was done in the second quarter of fiscal 2014 and new land positions were acquired at minimal acquisition costs.

Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario 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 Upper Mineralized Zone as an open-pit mine. The Don Mario Mine reached commercial production in January 2012.

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

	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Operating Performance					
Ore mined (tonnes) (dmt) [1]	247,257	**246,551**	322,086	**493,808**	693,851
Ore milled (tonnes) (dmt)	206,416	**199,526**	184,607	**405,942**	385,919
Gold					
Grade (g/t)	1.48	**1.45**	1.01	**1.46**	1.10
Recovery (%)	49.7	**44.1**	40.7	**47.7**	45.8
Production (oz)	4,867	**4,094**	2,432	**8,961**	6,242
Sales (oz)	4,659	**2,165**	2,424	**6,824**	6,561
Copper					
Grade (%)	1.38	**1.51**	1.26	**1.44**	1.36
Recovery (%)	55.3	**56.3**	46.0	**55.8**	46.8
Production ('000 lbs)	3,461	**3,726**	2,363	**7,187**	5,400
Sales ('000 lbs)	2,986	**2,091**	2,212	**5,077**	5,370
Silver					
Grade (g/t)	53.57	**64.30**	42.10	**58.84**	47.3
Recovery (%)	61.6	**57.9**	59.8	**59.6**	58.0
Production (oz)	218,992	**238,810**	149,526	**457,802**	340,101
Sales (oz)	180,451	**126,274**	170,697	**306,725**	379,189
Financial Performance					
Revenue	$13,376	**$7,348**	$14,130	**$20,724**	$32,321
Mining costs	$7,331	**$4,385**	$10,121	**$11,716**	$20,454
Income before tax	$3,036	**$1,049**	$369	**$4,355**	$6,432
Capital expenditures	$789	**$975**	$413	**$1,764**	$1,795
Cash operating costs (co-product) ($/oz) gold [2]	$761	**$794**	$1,162	**$772**	$1,080
Cash operating costs (co-product) ($/lb) copper [2] [3]	$2.18	**$2.16**	$2.49	**$2.17**	$2.24

	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Cash operating costs (co-product) ($/oz) silver (2)	$14.56	**$14.98**	$22.63	**$14.73**	$21.36
All-in sustaining costs (co-product) ($/oz) gold (2)	$874	**$967**	$1,262	**$908**	$1,203
All-in sustaining costs (co-product) ($/lb) copper (2)	$2.46	**$2.57**	$2.70	**$2.50**	$2.49
All-in sustaining costs (co-product) ($/oz) silver (2)	$16.39	**$17.70**	$24.39	**$16.91**	$23.53
All-in costs (co-product) ($/oz) gold	$874	**$973**	$1,265	**$910**	$1,205
All-in costs (co-product) ($/lb) copper	$2.46	**$2.58**	$2.71	**$2.51**	$2.50
All-in costs (co-product) ($/oz) silver	$16.39	**$17.79**	$24.45	**$16.95**	$23.56

(1) Ore mined includes oxides mined and stockpiled pending completion of oxides processing testing discussed below.

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

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

Don Mario Mine Operating Performance

During the second quarter of fiscal 2014, the Don Mario Mine produced 4,094 ounces of gold, 3.7 million pounds of copper and 238,810 ounces of silver compared with (i) 4,867 ounces of gold, 3.5 million pounds of copper and 218,992 ounces of silver in the first quarter of fiscal 2014, and (ii) 2,432 ounces of gold, 2.4 million pounds of copper and 149,526 ounces of silver in the second quarter of fiscal 2013. The (i) increase in copper and silver production compared with the first quarter of fiscal 2014 is primarily due to an increase in copper and silver head grades of 9% and 20%, respectively, and (ii) the increase in production compared with the second quarter of fiscal 2013 is primarily due to an increase in gold, copper and silver head grades of 44%, 20% and 53%, respectively, and an increase in recoveries.

During the third quarter of fiscal 2013, the Company suspended the processing of oxides through the LPF process. It was no longer economical to process oxides through this process as costs were significantly higher than flotation-only processing costs and throughput of the LPF circuit was approximately half that of the flotation-only circuit. The Company is continuing to evaluate reagents which may allow it to process oxides through its flotation-only circuit. As a result of the additional testing which the Company continues to undertake relating to the processing of oxides, costs to mine and stockpile oxides continue to be capitalized. The oxides stockpile had a carrying value of $2,866 at March 31, 2014. Suspension of the LPF circuit led to a throughput increase of over 5% for the first half of fiscal 2014 compared to the same period in fiscal 2013 and a decrease in costs of approximately 30% associated with running two LPF campaigns in the first half of fiscal 2013.

In the fourth quarter of fiscal 2013, the Company commenced a program to add gold gravity concentrators to the processing circuit. This enhancement is expected to increase gold recoveries to between 60% and 65% from between 40% and 45%, resulting in expected increased gold production from the Don Mario Mine in the second half of fiscal 2014 and thereafter. The two new gravity concentrators were commissioned in the third week of March 2014. Additional work to improve the concentrator support structure and permanent bagging area is currently in progress to ensure optimization of gold recoveries. Sales of the new gold concentrate being produced are estimated to commence in the third quarter of fiscal 2014. No material impact is expected on the copper concentrate composition currently produced by the Don Mario Mine as a result of the implementation of the gold gravity concentrators.

Don Mario Mine Financial Performance

Revenue of $7,348 for the second quarter of fiscal 2014 was lower by (i) $6,028 or 45% compared with $13,376 for the first quarter of fiscal 2014, and (ii) $6,782 or 48% compared with $14,130 for the second quarter of fiscal 2013. The Company has been in the process of negotiating a new off-take agreement for its copper concentrate product which has resulted in delays in sales during the second quarter and into the third quarter of fiscal 2014 reducing revenue and contributing to an increase in the value of product inventory at March 31, 2014 by $2,739 or 185% compared with December 31, 2013. The Company expects to finalize a new off-take agreement early in the third quarter of fiscal 2014 at which time the product inventory will be sold.

Mining costs of $4,385 for the second quarter of fiscal 2014 decreased by (i) $2,946 or 40% compared with $7,331 during the first quarter of 2014, and (ii) $5,736 or 57% compared with the second quarter of fiscal 2013 primarily due to lower sales during the quarter resulting from ongoing off-take agreement negotiations and, therefore, lower associated mining costs. Costs were lower by 30% for the first half of fiscal 2014 compared to the same period in fiscal 2013 primarily due to the suspension of the LPF circuit, lower sales of gold and copper and certain costs reduction initiatives.

Income before tax for the second quarter of fiscal 2014 was $1,049 compared with (i) $3,036 for first quarter of fiscal 2014, and (ii) $369 for the second quarter of fiscal 2013. The (i) decrease of $1,987 or 65% compared to the first quarter is primarily as a result of lower revenue due to lower sales during the quarter resulting from ongoing off-take agreement negotiations, and (ii) increase of $680 or 185% is primarily due to lower revenue offset by lower costs associated with lower volumes sold during the second quarter of fiscal 2014.

Total capital expenditures at the Don Mario Mine during the second quarter of fiscal 2014 were $975 compared with $413 in the second quarter of fiscal 2013 and $1,764 for the first six months of fiscal 2014 compared with $1,795 for the first six months of fiscal 2013. Capital expenditures in fiscal 2014 consisted primarily of $1,255 relating to the completion of the tailings dam raise and $498 relating to the addition of the gold gravity concentrators.

For the second quarter of fiscal 2014, cash operating costs (co-product) were $794 per ounce of gold or 4% higher, $2.16 per pound of copper or 1% lower and $14.98 per ounce of silver or 3% higher compared with $761 per ounce of gold, $2.18 per pound of copper and $14.56 per ounce of silver in the first quarter of fiscal 2014. Total all-in sustaining costs (co-product) were $967 per ounce of gold or 11% higher, $2.57 per pound of copper or 4% higher and $17.70 per ounce of silver or 8% higher compared with $874 per ounce of gold, $2.46 per pound of copper and $16.39 per ounce of silver for the first quarter of fiscal 2014. These increases in unitary costs are primarily due to lower volumes of all metals sold during the quarter due to the factors set out above.

Compared with the second quarter of fiscal 2013, cash operating costs (co-product) were $368 per ounce of gold or 32% lower, $0.33 per pound of copper or 13% lower and $7.65 per ounce of silver or 34% lower than the second quarter of fiscal 2014. Total all-in sustaining costs (co-product) were $295 per ounce of gold or 23% lower, $0.13 per pound of copper or 5% lower and $6.69 per ounce of silver or 27% lower compared with $1,262 per ounce of gold, $2.70 per pound of copper and $24.39 per ounce of silver for the second quarter of fiscal 2013. The decreases are primarily due to higher costs in the second quarter of fiscal 2013 from running one LPF campaign compared with no LPF campaigns in the second quarter of fiscal 2014 offset by higher volumes of metals sold in the second quarter of fiscal 2013.

Growth Exploration

In the fourth quarter of fiscal 2013, the Company completed a review of its opportunities to increase its resource estimates at its existing Don Mario Mine through the potential to identify new resources in the surrounding area to the Don Mario Mine that previously had some geochemical, trenching and drilling results indicating gold mineralization. During the first quarter of fiscal 2014 drilling targets were reviewed and an exploration drilling plan was prepared. Drilling commenced during the second quarter of fiscal 2014 and will continue into the third quarter of fiscal 2014.

Sale of Copperwood

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. In addition, the Company purchased the surface rights on about 700 hectares that secured access to Copperwood and additional space for infrastructure. In 2012 and 2013, the Company completed a feasibility study and obtained all major permits in respect of the Copperwood project.

On February 11, 2014, the Company announced that it had entered into a definitive agreement to sell Copperwood for total cash consideration of up to $25,000 in aggregate, of which $20,000 will be paid in cash upon closing of the sale of Copperwood (the “Closing”) and $5,000 will be paid in cash or shares of the acquirer, Highland Copper Company Inc. (“Highland”), at Orvana’s option, upon occurrence of the events described below:

- $1,250 upon the earliest of (i) commencement of commercial production of Copperwood and (ii) the date that is 36 months after Closing; and an additional $1,250 on the first anniversary of this payment; and
- $1,250 if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb; and an additional $1,250 if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

The Closing is conditional upon the completion of a financing by Highland to fund the purchase of Copperwood and receipt of all required regulatory approvals including the approval of the TSX Venture Exchange. Closing is estimated to occur on or about May 30, 2014. Subsequent to the end of the second quarter of fiscal 2014, a technical report under National Instrument 43-101 ("NI 43-101") in respect of Copperwood was filed by Highland with and accepted by the TSX Venture Exchange. There can be no assurances that the Closing will occur by May 30, 2014, or at all.

At March 31, 2014, the assets and liabilities of Copperwood were written down from their carrying value to their realizable value. As a result, the Company recognized a loss of $985 from discontinued operations in the second quarter of fiscal 2014. In addition, current assets of $21,545 and current liabilities of $167 have been presented as held for sale on the Company's consolidated balance sheet.

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 2014, the gold price strengthened from the first quarter of fiscal 2014 but remained volatile, with the price ranging from $1,220 to $1,379 per ounce and an average quarterly market price of $1,293 per ounce. Orvana's average gold realized price for the second quarter of fiscal 2014 was $1,283 per ounce. The Company derived approximately 61% of its revenue from sales of gold in the second quarter of fiscal 2014. Of the Company's total gold sales in the second quarter of fiscal 2014, 43% were hedged under the outstanding gold derivative instruments as required under the EVBC Loan. See "Financial Condition Review - Derivative Instruments".

During the second quarter of fiscal 2014, lower than expected growth in China, geopolitical concerns involving Russia and Ukraine and stronger than expected U.S. jobless claims and retail sales data were the biggest factors in the appreciation in the gold price. While there are risks that investor interest in gold will continue to decrease, especially with improved data regarding the U.S economy, the Company believes that the continuing uncertain macroeconomic environment in certain jurisdictions such as China, continued geopolitical concerns, potential negative news from the U.S and loose monetary policies in emerging markets, together with the limited choice of alternative safe haven investments, is supportive of continued demand for gold although at prices closer to the current ranges. In the short-term, the Company expects gold spot prices to continue to remain volatile.

Copper prices declined during the second quarter of fiscal 2014, trading in a range of $2.92 to $3.37 per pound with an average quarterly market price of $3.19 per pound. Orvana's average copper realized price for the first quarter of fiscal 2014 was $3.14 per pound. Copper's strength lies mainly in strong physical demand from emerging markets, especially China. During the second quarter of fiscal 2014, various macroeconomic influences impacted the declining price including credit tightening concerns in China, geopolitical concerns involving Russia and Ukraine and mixed U.S. data. In the near term, the Company believes copper prices will be influenced by the outlook for global economic growth such as Euro zone manufacturing growth and reports of growth in new house sales in the United States, the world's second biggest consumer after China. The Company derived approximately 29% of its revenue from sales of copper in the second quarter of fiscal 2014. Of the Company's total copper sales in the second quarter of fiscal 2014, 20% were hedged under the outstanding copper derivative instruments as required under the EVBC Loan. See "Financial Condition Review – Derivative Instruments".

In the second quarter of fiscal 2014, silver prices traded in a range from $19.27 per ounce to $22.05 per ounce with an average quarterly market price of $20.49 per ounce. Orvana's average realized silver price for the second quarter of fiscal 2014 was $20.37 per ounce. The Company derived approximately 10% of its revenue from sales of silver in the second quarter of fiscal 2014.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the US dollar/Euro exchange rate which impacts operating and administration costs at EVBC incurred in Euros while revenue is earned in US dollars. While Orvana's cost of sales and expenses were positively affected by historical lows reached by the Euro against the US dollar of $1.22, continuing appreciation of the Euro since the end of fiscal 2012, which reached a high of $1.39 in the quarter, has resulted in an increase in mining costs at EVBC.

At March 31, 2014, Orvana had outstanding currency contracts on $35,000 at a contract price USD/EUR ranging from $1.39 to $1.42 until December 2015 required under the EVBC Loan. See "Financial Condition Review – Derivative Instruments". Orvana paid $95 during the second quarter of fiscal 2014 and $25 during the first quarter of fiscal 2014 to settle currency forward contracts that matured during the period.

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

Environment, Health, Safety and Sustainability

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

Orvana maintains various industry metrics to track its environment, health and safety performance over time such as lost-time injury frequency rates and lost-time injury severity rates.

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 Mines and the Don Mario 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 implemented. The Company is currently working through one such matter in Spain with a local regulatory authority in respect of which it has received and may receive certain monetary sanctions and in respect of which the Company has been implementing remedial actions including the installation of a reverse osmosis water treatment plant. In addition, the Company has filed applications for 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 actions being undertaken to address potential safety issues that arise as mine development progresses. The Company has also hired service providers to support the Company's safety department in risk assessment, training and work environment monitoring.

At EVBC there were eight lost-time accidents reported in the second quarter of fiscal 2014 compared with four lost-time accidents in the first quarter of fiscal 2014. In the six month period ended March 31, 2014, EVBC reported twelve lost time accidents compared with eight lost time accidents for the six month period ended March 31, 2013. Safety performance at EVBC was unacceptable in the first half of fiscal 2014 and not in accordance with the Company's safety performance objectives. Action plans have been implemented to renew employees' and contractors' focus on safety. At EMIPA, there were no lost-time accidents reported in the second quarter of fiscal 2014 compared with one lost-time accident in the first quarter of fiscal 2014. In the six month period ended March 31, 2014 there was one reported lost time accident compared with ten lost time accidents for the six month period ended March 31, 2013.

Orvana is committed to the social development and well-being of the communities in which it operates. To this end, Orvana continues to support, financially and otherwise, local community endeavors associated with these objectives. In fiscal 2013, Orvana corporate leaders were active in visiting and participating in sustainability initiatives in Spain and Bolivia and continue these initiatives in fiscal 2014. The Company has supported the communities surrounding EVBC by donating funds to the local municipalities. In addition, the Company has funded the re-stocking of fish species into the local rivers surrounding EVBC. Recently EVBC sponsored the Rio Narcea Salmon fair and provided mining educational materials and donations to the elementary school in Salas.

In the Chiquitos Province of Bolivia where the Don Mario Mine is located, the Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to the improvement of their standard of living. In 2011, Orvana renewed its support of investing $1,820 in the local communities over 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 and sporting initiatives, community business development initiatives, agricultural projects and maintenance of community roads. In the second quarter of fiscal 2014, the Company funded $162 (fiscal 2013 – $348) of such commitment for a total of $1,286 funded since 2011. Outside of Orvana's committed support, the Company funded $184 in the first six months of fiscal 2014 (fiscal 2013 - $168) for a total of $633 in additional community support since 2011. Projects are jointly monitored by the Company and community boards and funds are paid directly to contractors based on project work completed.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at March 31, 2014 and September 30, 2013:

	March 31, 2014	September 30, 2013
Cash and cash equivalents	**$5,914**	$13,039
Restricted cash (short term)	**$16,116**	$16,095
Non-cash working capital (1)	**$39,222**	$9,933
Total assets	**$283,606**	$288,339
Long-term debt (net of financing fees) (2)	**$39,469**	$46,055
Obligations under finance leases	**$155**	$627
Total liabilities	**$125,698**	$129,571
Shareholders' equity	**$157,908**	$158,768

(1) Working capital represents current assets of $93,221 less cash and cash equivalents and short-term restricted cash totaling $22,030 and less $30,499 in current liabilities comprised of accounts payable and accrued liabilities and income taxes payable (not including bank debt, short-term debt, current portion of long-term debt, obligations under finance leases and derivative instruments).

(2) The amount of Orvana's outstanding long-term debt at March 31, 2014 and September 30, 2013 is comprised of the EVBC Loan of $41,452 and $48,433, respectively, less financing fees of $1,983 and $2,378, respectively. Information relating to Orvana's outstanding credit facilities is set out below.

Total assets decreased by $4,733 or 2% from $288,339 to $283,606 primarily as a result of (i) the decrease in cash and cash equivalents of $7,125, offset by (i) an increase in inventory including in products inventory of $5,235 and (ii) an increase in value-added taxes and other receivables of $1,708.

Total liabilities remained fairly consistent with an overall decrease of $3,873 or 3% to $125,698 at March 31, 2014 from $129,571 at September 30, 2013 primarily as a result of a decrease in total debt off-set by an increase in accounts payable and accrued liabilities.

Orvana's outstanding credit facilities are set out below:

At March 31, 2014 [(1)]	Limit	Balance Outstanding
EVBC Loan	$43,384	**$39,469**
EMIPA short-term credit facilities [(2)]	$10,000	**$8,871**
Fabulosa Loan	$11,500	**$4,731**

(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 $35,479, $8,871 and $5,231, respectively. The Company expects to maintain a level of short-term debt of approximately $10,000 in Bolivia. The Company's recorded long-term debt under the EVBC Loan at March 31, 2014 in the Q2 Financials was $22,949 and the current portion thereof was $16,520 for a total of $39,469 representing the balance outstanding of $41,142 net of financing fees of $1,983.

(2) EMIPA short term credit facilities are with two Bolivian banks and are payable in 120 to 180 days with annual interest ranging from 7.0% to 7.5% with certain of EMIPA's assets pledged as security against these loans. The credit facilities are not guaranteed by Orvana. The proceeds are used to finance EMIPA's working capital needs. The foregoing excludes bank guarantees of $601 (September 30, 2013 - $465) related to refunded value-added taxes and chemical and natural gas purchases.

EVBC Loan

In October 2010, Kinbauri, a subsidiary of the Company, entered into the EVBC Loan a $50,000 five-year term corporate credit facility. The funds were primarily used to complete the construction of EVBC. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844 including approximately $6,500 (€5,000) to fund an environmental bond that may be required to be posted with governmental authorities in Spain. To the extent that the required environmental bond is less than €5,000, the remaining funds may be used for general corporate purposes.

Orvana is required to maintain certain financial ratios which calculations exclude the fair value adjustments of the outstanding derivative instruments required under the terms of the EVBC Loan. During the second quarter of fiscal 2014, the Company obtained a waiver in respect of compliance with one of its financial covenants as at March 31, 2014. The Company obtained waivers in respect of such financial covenant in prior quarters. The Company will have to provide interim compliance reporting as at May 31, 2014 under the EVBC Loan. The Company expects to be in non-compliance with the same financial covenant as at May 31, 2014 and June 30, 2014. There is no certainty that the Company may be able to obtain a further waiver in respect of such financial covenant in the future. Please see "Cash Flows, Commitments and Liquidity - Liquidity" below and the "Liquidity and Financing" risk factor in the AIF. If a waiver cannot be obtained, the EVBC Loan would have to be reclassified to short-term and an "event of default" would occur under the EVBC Loan.

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

The EVBC Loan required gold, copper and US dollars/EUR derivative instruments that have already been put in place. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are guaranteed by Orvana. See "Financial Condition Review - Derivative Instruments" below.

The EVBC Loan details set out below:

EVBC Loan	
Costs (interest and fees excluding cash settlements of maturing derivative instruments)	5-6% per annum
Interest rate	4% plus LIBOR
Commencement of quarterly principal repayments	July 2, 2012
Principal balance outstanding	$37,460
Principal repayment held as restricted cash for July 2, 2014 quarterly payment	$3,990
Interest repayment held as restricted cash for July 2, 2014 quarterly payment	$409
Maturity date	September 30, 2016
Annual principal repayment remaining (in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan)	2014 - $3,990 2015 - $17,637 2016 - $15,834
Adjusted EVBC Loan (assuming closure of outstanding derivative instrument contracts, based on current estimates, and the next quarterly payment already held as restricted cash and not including $6,898 held as restricted cash for the possible settlement of an additional environmental bond)	$23,471

Fabulosa Loan - Related Party Transactions

The Company entered into a secured loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 51.9% shareholder, in the amount of $11,500 in 2011, of which $6,500 may be drawn on seven days notice and $5,000 may be drawn at the sole discretion of Fabulosa. 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% and is payable monthly. The Company pays withholding taxes imposed by applicable taxing authorities. The Company is currently paying interest and stand-by fees. The Company drew down $2,000 during the second quarter of fiscal 2014 and net $500 subsequent to the end of the second quarter of fiscal 2014 and, as of the date of the MD&A, a principal amount of $5,231 is outstanding. The Company has available $2,000 to draw down under the portion of the Fabulosa Loan requiring seven days notice and $4,269 under the other portion. There can be no assurance a further draw down request will be accepted by Fabulosa.

The Fabulosa Loan contains covenants that, among other things, require principal repayment in the event of, among other things, the sale of certain of the Company's assets including Copperwood. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding Kinbauri.

The availability period and the maturity period of the Fabulosa Loan expires September 30, 2014. Principal amounts outstanding under the Fabulosa Loan are required to be repaid in the minimum amount of $500 per month commencing on April 1, 2014 and the entire principal and interest is required to be repaid by the maturity date. Prior to the end of the second quarter of fiscal 2014, the Company obtained a waiver in respect of the required minimum repayment amount on April 1, 2014 of $500. Subsequent to the end of the second quarter of fiscal 2014, the Company obtained a waiver in respect of the required minimum repayment amount on May 1, 2014 of $500. Should the Company be unable to meet its monthly repayment obligations prior to the closing of the sale of Copperwood, the Company will request further waivers from Fabulosa of such monthly repayment obligations. In connection with the Fabulosa Loan extension and amendment achieved in the third quarter of fiscal 2013, the Company issued warrants to Fabulosa to purchase 500,000 Common Shares exercisable until August 9, 2018 at an exercise price of $0.49.

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

Shareholders' Equity

Shareholders' equity at March 31, 2014 remained fairly consistent with September 30, 2013 with an overall decrease of $860 or 1% from $158,768 to $157,908. The table below sets out the number of each class of securities of the Company outstanding at March 31, 2014 and as at the date hereof:

	At March 31, 2014
Common Shares	136,623,171
Warrants (1)	2,081,667
Stock options (2)	2,856,669

(1) All of the outstanding warrants are held by Fabulosa. Warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90. Warrants to purchase up to 1,425,000 Common Shares were issued on March 5, 2012 with an exercise price of C$0.97. In connection with the Fabulosa Loan Amendment, warrants to purchase up to 500,000 Common Shares were issued on August 22, 2013 with an exercise price of C$0.49. The expiry dates of these warrants range from 2016 and 2018. As a result of the forfeiture or expiration of certain options, warrants to purchase up to 2,081,667 Common Shares were outstanding as of the date of the MD&A of which 950,000 were exercisable.

(2) The options have a weighted average exercise price of $1.62 and expiry dates ranging from 2014 to 2019.

Derivative Instruments

The Company had the following outstanding derivative instruments at March 31, 2014 as required under the EVBC Loan with one counterparty:

	Contract Prices	Cash Settlement	Contract Amounts
Currency			
USD/EUR forwards (Apr 2014 - Dec 2015)	$1.39 - $1.42	Quarterly	$35,000 (1)
Copper			
Copper forwards (Apr 2014 - Dec 2015)	$7,260 / tonne	Monthly	4,719 (1)
Gold			
Gold forwards (Apr 2014 - Dec 2015)	$1,334 / troy oz	Monthly	16,406 (1)
Gold collars (Apr 2014 - Sep 2015)	Puts - $1,550 / troy oz Calls - $1,855 / troy oz	Monthly	28,800 (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)			48,000

(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 2014, 43% of the Company's total gold sales and 20% of the Company's total copper sales were hedged under the gold and copper derivative instruments. The Company received net cash of $1,412 in settlement of the derivative instruments that matured in the period.

At March 31, 2014, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

At March 31, 2014	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Derivative Instruments Assets				
Gold forwards	$1,294/oz	$1,334/oz	$1,288/oz	$751
Copper forwards	$6,636/tonne	$7,260/tonne	$6,653/tonne	$2,866
Gold collars	$1,294/oz	-	-	$9,816
Total fair value of derivative instruments assets at March 31, 2014				$13,433
Less: current portion				$7,283
Total non-current derivative instruments assets				$6,150

At March 31, 2014	Spot Rate/ Price	Contract Rate /Price	Avg. Forward Rate/Price	Fair Value
Derivative Instruments Liabilities				
Currency contracts (EUR/USD)	$1.38	$1.39 - $1.42	$1.38	$368
Total fair value of derivative instruments liabilities at March 31, 2014				$368
Less: current portion				$222
Total non-current derivative instruments liabilities				$146

Changes in the fair value of the Company's outstanding derivative instruments are recognized through the Company's income statement as non-cash derivative instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the derivative instruments. The mark-to-market fair value of the Company's outstanding derivative instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk. The asset associated with the Company's outstanding derivative instruments at March 31, 2014 was $13,433 compared with an asset of $17,548 at December 31, 2013 and $11,653 at September 30, 2013. The liability associated with the Company's outstanding derivative instruments at March 31, 2014 was $368 compared with $728 at December 31, 2013 and $1,687 at September 30, 2013. The Company recorded an unrealized derivative instruments loss of $3,755 in the second quarter of fiscal 2014 and an unrealized derivative instruments gain of $3,098 for the first six months in fiscal 2014. The Company recorded fair value adjustments on its outstanding derivative instruments for the three and six months ended March 31, 2014 and during the 2013 fiscal year calculated as follows:

	Q2 2014	YTD 2014	FY2013
Change in unrealized fair value loss (gain)	**$3,755**	($3,098)	($43,295)
Realized (gain) loss on cash settlements of derivative instruments closed	**(1,412)**	(3,043)	1,155
Recorded derivative instruments loss (gain)	**$2,343**	($6,141)	($42,140)

Sensitivities

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

At March 31, 2014	Rate/Price Used in Derivative instruments Loss Calculation	Change in Rate/Price	After-Tax Change
EUR/USD (currency contracts)	$1.38	+/- 10% ($1.51/$1.24)	+/- $2,424
Copper forwards	$6,653/tonne	+/- 10% ($7,318/$5,987)	+/- $2,198
Gold forwards	$1,288/oz	+/- 10% ($1,417/$1,159)	+/- $1,479
Gold collars	-	+ 10%	- $2,837
Gold collars	-	- 10%	+ $10,172

Capital Resources

At March 31, 2014, the Company had cash and cash equivalents of $5,914, restricted cash of $16,116 including $9,145 set aside for debt repayment and total debt of $55,054. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

	March 31, 2014	September 30, 2013
Shareholders' equity	**$157,908**	$158,768
Bank debt [(1)]	**$8,871**	$9,856
Short-term debt [(1)]	**$4,731**	$2,731
Long-term debt [(1)]	**$41,452**	$48,433
Obligations under finance leases	**$155**	$627
	$213,117	$220,415
Less: Cash and cash equivalents [(2)]	**(5,914)**	(13,039)
Capital employed	**$207,203**	$207,376

(1) Bank debt represents various credit facilities associated with the Don Mario 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, 2014 in the Q2 Financials was $22,949 and the current portion thereof was $16,520 for a total of $39,469. This represents the balance outstanding under the EVBC Loan at March 31, 2014 net of financing fees.

(2) In addition to cash and cash equivalents, at March 31, 2014, the Company had $9,145 set aside under restricted cash for the next two quarterly debt payments under the EVBC Loan.

The Company's financial objective when managing capital is to make sure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or sell assets to reduce debt. In the second quarter of fiscal 2014, the Company agreed to sell Copperwood with the Closing estimated to occur on or about May 30, 2014.

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

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of its EVBC Mines and the Don Mario Mine. 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, 2014 were $5,914 primarily denominated in US dollars representing a decrease of $7,125 from $13,039 at September 30, 2013. Short-term restricted cash was $16,116 (September 30, 2013 - $16,095) and includes $9,145 for the next two quarters principal and interest payments under the EVBC Loan and $6,898 in respect of a potential future reclamation bond payment. The Company's total debt was $55,054 (debt net of cash, cash equivalents and restricted cash for debt repayment was $39,995) at March 31, 2014. This compares with total debt as at September 30, 2013 of $61,020 (debt net of cash, cash equivalents and restricted cash of $39,756).

Orvana's primary source of liquidity has been from operating cash flows in the last twelve months. Cash flows from operating activities before changes in non-cash working capital were $3,587 in the second quarter of fiscal 2014 compared with $10,604 in the second quarter of fiscal 2013 and $12,105 for the six months ended March 31, 2014 compared with $18,888 for the six months ended March 31, 2013. Orvana generated cash flows from operating activities of $3,576 in the second quarter of fiscal 2014 compared with $14,014 in the second quarter of fiscal 2013 and $7,330 for the six months ended March 31, 2014 compared with $14,065 for the six months ended March 31, 2013. Adjusted operating cash flows for the second quarter of fiscal 2014 excluding the cash settlements for maturing derivative instruments was $2,175. The most significant driver of the change in operating cash flow is production and sales and market gold and copper prices. Future changes in these market prices, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity.

The principal uses of operating cash flows are the repayment of debt and the funding of the Company's capital expenditures. Cash used in financing activities in the second quarter of fiscal 2014 was $3,293 compared with $3,147 in the first quarter of fiscal 2014 due to the quarterly repayment of the EVBC Loan off-set by a draw down under the Fabulosa Loan. Cash used in investing activities was $3,742 in the second quarter of fiscal 2014 compared with $4,201 in the first quarter of fiscal 2014 primarily due to capital expenditures paid during the quarter. See "Cash Flows, Commitments and Liquidity – Capital Expenditures" below. The following table summarizes the principal sources and uses of cash for the periods specified below:

	Q1 2014	Q2 2014	Q2 2013	YTD 2014	FY2013
Cash provided by (used in) operating activities (1)	$3,754	**$3,576**	$14,014	**$7,330**	$32,569
Cash from (used in) financing activities	($3,147)	**($3,293)**	($5,102)	**($6,440)**	($12,425)
Cash used by investing activities (2)	($4,201)	**($3,742)**	($6,528)	**($7,943)**	($20,307)
Change in cash	($3,594)	**($3,459)**	$2,384	**($7,053)**	($163)

(1) Operating cash flows is cash provided by operating activities from continuing operations and discontinued operations.

(2) 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 Mines and the Don Mario Mine:

Capital Expenditures (1)	Q1 2014	Q2 2014	YTD 2014	YTD 2013	FY2013
Don Mario Mine	$789	**$975**	**$1,764**	$1,795	$2,691
EVBC Mines (1)	3,727	**4,434**	**8,161**	6,598	13,248
Copperwood	127	**248**	**375**	2,285	3,193
Corporate	-	**2**	**2**	3	3
Subtotal capital expenditures	$4,643	**$5,659**	**$10,302**	$10,681	$19,135
EVBC – accounts payable adjustments (1)	(1,523)	**(902)**	**(2,425)**	2,301	2,022
Total capital expenditures (2)	$3,120	**$4,757**	**$7,877**	$12,982	$21,157

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period.

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

The Company expects sustaining capital expenditures (including hoist repairs and upgrades) for fiscal 2014 to be in the same range as fiscal 2013 excluding the accounts payable adjustments. Capital expenditures excluding the hoist repair and upgrades was $3,757 for the second quarter of fiscal 2014 and $6,933 for the first half of fiscal 2014.

Other Commitments

At March 31, 2014, the Company's contractual obligations included: bank debt; term credit facilities; obligations under finance leases; operating leases; decommissioning liabilities; purchase obligations related to certain operating activities at the EVBC Mines and the Don Mario 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 – Don Mario Mine (1)	**$8,871**	$8,871	-	-	-
Short-term debt - Fabulosa Loan (1)	**$4,731**	$4,731	-	-	-
Long-term debt - EVBC Loan (1)	**$41,452**	$16,520	$24,932	-	-
Obligations under finance leases (2)	**$155**	$155	-	-	-
Operating leases	**$468**	$393	$75	-	-
Decommissioning liabilities (3)	**$21,494**	$18	$2,962	$2,748	$15,766
Reclamation bond (4)	**$6,898**	$6,898	-	-	-
Purchase obligations	**$8,666**	$6,401	$2,265	-	-
Provision for statutory labour obligations (5)	**$1,988**	-	$1,988	-	-
Long-term compensation	**$612**	$139	$369	-	$104
Total contractual obligations (6)	**$95,335**	**$44,126**	**$32,591**	**$2,748**	**$16,057**

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

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

(3) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for reclamation bonds amounted to approximately $10,373 at March 31, 2014 (September 30, 2013 - $10,160). Decommissioning liabilities are discussed below under “Other Information - Critical Accounting Estimates - Decommissioning Liabilities”.

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

(5) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month’s wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. This obligation was actuarially valued at March 31, 2014 using the projected unit credit method to determine the present value of the future payments related to this obligation.

(6) Production from the EVBC Mines and the Don Mario Mine is subject to certain royalties which amounts have not been included in total contractual obligations at March 31, 2014. For a description of such royalties and amounts payable, see “Royalties” below.

Royalties

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

The royalty holder exercised a pre-payment right under the EVBC Royalty as the aggregate amount of payments paid as at December 31, 2012 under the EVBC Royalty was less than C$7,500,000. The Company is financing this pre-payment obligation of $4,023 until July 1, 2014 at a rate of 12%, with all royalty payments made from January 1, 2013 serving to reduce such amount. The Company has paid $3,776 of this pre-payment amount to March 31, 2014 and has completed the repayment of such amount subsequent to the end of the second quarter of fiscal 2014. The EVBC Royalty expense totaled $603 for the second quarter of fiscal 2014 and $1,242 for the first half of fiscal 2014.

Production from the Don Mario Mine is subject to a 3% NSR payable quarterly. This expense totaled $205 for the second quarter of fiscal 2014. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $688 for the second quarter of fiscal 2014 and $1,886 for the first half of fiscal 2014. The NSR and the mining royalty tax are referred to herein as the “Don Mario Royalties”.

Liquidity

Orvana’s primary sources of liquidity in fiscal 2013 and 2014 were operating cash flows, draw-downs under the Fabulosa Loan and an increase in the EMIPA short-term facilities.

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

The EVBC Loan requires the deposit of certain cash generated from operating activities into restricted cash to be used for future EVBC Loan repayments and restricts the distribution of cash in certain circumstances from Kinbauri to Orvana unless certain covenants are met. Therefore, Orvana may report positive cash balances, but may be restricted in its ability to make use of a portion of this cash. Management is currently working to address operational challenges experienced at EVBC during the first half of fiscal 2014. Subsequent to the end of the second quarter of fiscal 2014, additional working capital financing of $1,500 was provided to EVBC by Orvana and it is expected that additional working capital funds will be provided to EVBC prior to the end of the third quarter of fiscal 2014.

Orvana is making principal and interest payments under the EVBC Loan and, interest and stand-by fees payments under the Fabulosa Loan. During the second quarter and subsequent to the second quarter of fiscal 2014, the Company drew down $2,000 and net $500, respectively, under the Fabulosa Loan as a result of working capital deficiencies at EVBC due to lower than planned production. At the date of the MD&A, $5,231 was outstanding under the Fabulosa Loan and the Company had the ability to draw approximately $6,269 thereunder until September 30, 2014. The Company expects to continue to be in non-compliance with a financial covenant under the EVBC Loan at May 31, 2014 and at June 30, 2014. There are no assurances that a waiver of such non-compliance can continue to be obtained in the future. Please see the “Liquidity and Financing” risk factor in the AIF. If a waiver cannot be obtained, the EVBC Loan would have to be reclassified to short-term and an “event of default” would occur under the EVBC Loan.

As at March 31, 2014, the Company had cash of $5,914 and restricted cash of $16,116 designated to cover a portion of the Company’s commitments due in less than one year of $44,126 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 and the proceeds from the sale of Copperwood. The Company is also currently reviewing options in connection with the potential refinancing of the EVBC Loan. At the date of the MD&A, $37,460 was outstanding under the EVBC Loan and assuming closure of the Company’s outstanding derivative instruments contracts, based on current estimates, and the use of the restricted cash held under the EVBC Loan, the balance outstanding under the EVBC Loan would be in the range of approximately $20,000 to $25,000.

The Company generated positive operating cash flows in the second quarter of fiscal 2014. During the quarter, financing and investing activities including the repayment of debt and capital expenditures resulted in negative free cash flow. Following the repayment of, among other things, amounts under the EVBC Loan due in fiscal 2014, the Fabulosa Loan and the Company’s planned capital expenditures, at current metal market prices, the Company does not expect to generate positive free cash flows for the remainder of fiscal 2014 if the sale of Copperwood does not occur.

If (i) unanticipated events occur that may impact the operations of EVBC Mines and the Don Mario Mine, and/or (ii) if the Company does not have adequate access to financing on terms acceptable to the Company, and/or (iii) the sale of Copperwood does not occur, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. The Company is taking additional measures to increase its liquidity and capital resources.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended March 31, 2014:

	Quarters ended			
	Q2 2014	**Q1 2014**	**Q4 2013**	**Q3 2013**
Revenue	**$29,125**	$35,220	$43,975	$36,997
Net income (loss)	**($6,953)**	$6,008	$1,174	$11,315
Earnings (loss) per share (basic and diluted)	**($0.05)**	$0.04	$0.01	$0.08
Total assets	**$283,606**	$293,448	$288,339	$281,101
Total long-term financial liabilities (1)	**$41,607**	$45,915	$49,060	$52,111

	Quarters ended			
	Q2 2013	**Q1 2013**	**Q4 2012**	**Q3 2012**
Revenue	$45,576	$35,651	$52,110	$45,872
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

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

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

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

Other Risks

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

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are mineral 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, 2014, the net book value of the property, plant and equipment in respect of the Don Mario Mine and EVBC Mines amounted to $22,007 and $140,959, 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, a mineralized deposit where the 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.

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

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of EVBC Mines and the Don Mario Mine at March 31, 2014. These estimates were prepared by management with the use of independent third party experts.

At March 31, 2014	Undiscounted Cash Flows Estimated to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mines (1)	$15,938	4.2%	$10,784
Don Mario Mine (1)	$5,556	2.0%	$5,128
Total	$21,494		$15,912

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

Stock-based compensation

The Company recorded stock-based compensation expense of $54 in the second quarter of fiscal 2014 compared with $31 for the first quarter of fiscal 2014 and $133 for the second quarter of fiscal 2013. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

The Company established a Deferred Share Unit ("DSU") plan, effectively a phantom stock plan, for directors, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the DSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are also recorded under general and administrative expenses. Payouts are settled in cash within a specified period following a director's departure, based on the market price of the common shares at exercise.

The Company established a Restricted Share Unit (“RSU”) plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the RSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are recorded under general and administrative expenses. Payouts are settled in cash after a specified period of vesting, based on the market price of the common shares at vesting.

The Company established a Share Appreciation Rights (“SAR”) plan for designated executives, effective February 6, 2014. The SARs are granted based on a common shares market price calculation at the time of grant. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period, an expense is recorded under general and administrative expenses on the statement of income over such vesting period. Vested SARs may be exercised provided there has been an appreciation in the market price of the common shares from the grant date and payouts are settled in cash as vested SARs are exercised.

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 in which it operates (EVBC Mines and Don Mario Mine) which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of EVBC Mines and the Don Mario Mine using forecasted production and costs per the current 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, 2014 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company was below the carrying amount of Orvana’s net assets at March 31, 2014 of $157,908, following the completion of an impairment test in respect of each CGU, the Company estimates that the net recoverable amounts at this time are greater than the carrying values of such assets based on the Company’s current life-of-mine plans and the assumptions set out above at March 31, 2014. As such, there was no impairment of such carrying values as at March 31, 2014. The Company will be updating its resources and reserves estimates as well as its life-of-mine plans in fiscal 2014 and the assessment of our CGUs will be updated at that time.

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, 2014.

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

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

Non-IFRS Measures

All-in sustaining costs per gold ounce

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

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

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

EVBC Mines	**Q1 2014**	**Q2 2014**	**Q2 2013**	**YTD 2014**	**YTD 2013**	**FY2013**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1)						
Total mine costs (sales based)	**$15,615**	**$18,607**	**$16,114**	**$34,222**	**$25,308**	**$58,678**
Deductions, refining, treatment, penalties, freight & other costs	2,341	2,408	3,175	4,749	4,797	11,219
Accrued/paid royalties - based on sales	639	628	937	1,267	1,474	3,060
Sub-total - other operating costs	**$2,980**	**$3,036**	**$4,112**	**$6,016**	**$6,271**	**$14,279**
Copper sales - gross revenue value	(4,591)	(4,173)	(5,767)	(8,764)	(8,691)	(20,208)
Silver sales - gross revenue value	(781)	(747)	(1,274)	(1,528)	(2,288)	(4,719)
Sub-total by-product revenue	**(5,372)**	**(4,920)**	**($7,041)**	**(10,292)**	**(10,979)**	**($24,927)**
Cash operating costs	**$13,223**	**$16,723**	**$13,185**	**$29,946**	**$20,600**	**$48,030**
Corporate general & administrative costs	800	800	834	1,600	1,900	3,256
Reclamation, accretion & amortization	308	314	108	622	206	426
Exploration and study costs (sustaining)	101	158	-	259	-	-
Primary development (sustaining)	1,701	1,892	2,682	3,594	5,240	9,811
Other sustaining capital expenditures (2)(3)	559	640	561	1,199	1,359	2,323

EVBC Mines	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013	FY2013
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1)						
All-in sustaining costs	**$16,693**	**$20,527**	**$17,370**	**$37,220**	**$29,305**	**$63,846**
Capital expenditures (hoist) (3)	1,466	1,902	-	3,368	-	1,116
All-in costs	**$18,159**	**$22,429**	**$17,370**	**$40,588**	**$29,305**	**$64,962**
Au/oz sold	14,954	14,344	16,824	$29,298	25,583	59,802
Cash operating costs ($/oz) gold	$884	$1,166	$784	$1,022	$805	$803
All-in sustaining costs ($/oz) gold	$1,116	$1,431	$1,032	$1,270	$1,145	$1,068
All-in costs ($/oz) gold	$1,214	$1,564	$1,032	$1,385	$1,145	$1,086

(1) Costs are reported per ounce of gold sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

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

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

As a result of revenue from the sale of gold and silver representing more than 40% of total gross revenue from the Don Mario Mine in a reporting period and for better costs comparisons to other mines, the Company is reporting all-in sustaining costs (co-product) per pound of copper and per ounce of gold and silver sold.The following table provides a reconciliation of all-in sustaining costs per ounce of the Don Mario Mine for the periods set out below:

Don Mario Mine (1)	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013	FY2013
Cash operating costs, all-in sustaining costs and all-in costs (co-product) (2)						
Total mine costs (sales based)	**$4,357**	**$2,377**	**$7,554**	**$6,734**	**$14,287**	**$25,650**
Deductions, refining, treatment, penalties, freight & other costs	7,199	5,418	5,280	12,617	11,929	24,322
Accrued/paid royalties - based on sales	1,604	948	1,632	2,552	3,818	7,259
Sub-total - other operating costs	**$8,803**	**$6,366**	**$6,912**	**$15,169**	**$15,747**	**$31,581**
Gross by-product credit	($46)	($89)	($275)	($135)	(535)	($2,649)
Cash Operating Costs	**$13,114**	**$8,654**	**$14,191**	**$21,768**	**$29,499**	**$54,582**
Corporate general & administrative costs	447	464	473	911	977	1,952
Community costs related to current operations	247	100	226	347	345	517
Reclamation, accretion & amortization	289	151	64	440	132	248
Capital expenditures (sustaining) (3)	789	973	423	1,762	1,793	2,691
All-in sustaining costs	**$14,886**	**$10,342**	**$15,377**	**$25,228**	**$32,746**	**$59,990**
Union payments	-	-	-	-	-	1,384
Exploration and study costs (non-sustaining)	5	55	37	-	44	83
All-in costs	**$14,891**	**$10,397**	**$15,414**	**$25,288**	**$32,790**	**$61,456**
Cash operating costs (co-product) ($/oz) gold	$761	$794	$1,162	$772	$1,080	$951
Cash operating costs (co-product) ($/lb) copper	$2.18	$2.16	$2.49	$2.17	$2.24	$2.16
Cash operating costs (co-product) ($/oz) silver	$14.56	$14.98	$22.63	$14.73	$21.36	$17.64
All-in sustaining costs (co-product) ($/oz) gold	$874	$967	$1,262	$908	$1,203	$1,049
All-in sustaining costs (co-product) ($/lb) copper	$2.46	$2.57	$2.70	$2.50	$2.49	$2.38
All-in sustaining costs (co-product) ($/oz) silver	$16.39	$17.70	$24.39	$16.91	$23.53	$19.28
All-in costs (co-product) ($/oz) gold	$874	$973	$1,265	$910	$1,205	$1,076
All-in costs (co-product) ($/lb) copper	$2.46	$2.58	$2.71	$2.51	$2.50	$2.44
All-in costs (co-product) ($/oz) silver	$16.39	$17.79	$24.45	$16.95	$23.56	$19.72

(1) Costs are reported per ounce of gold or silver or per pound of copper sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

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

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

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

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

Adjusted Net Income	Q1 2014	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Net income (loss)	$6,008	**($6,953)**	$6,483	**($945)**	$20,134
Unrealized (gain) loss on derivatives	(6,853)	**3,755**	(7,947)	**(3,098)**	(21,247)
Loss from discontinued operations	16	**985**	72	**1,001**	72
Sub-total	(829)	**(2,213)**	(1,393)	**(3,042)**	(1,041)
Total tax adjustment	2,056	**(1,127)**	2,384	**929**	6,377
Adjusted net income (loss)	$1,227	**($3,340)**	$991	**($2,113)**	$5,336
Weighted average shares outstanding (000s)	136,623	**136,623**	136,942	**136,623**	136,795
Adjusted net income (loss) per share (basic and diluted)	$0.01	**($0.02)**	$0.01	**($0.02)**	$0.04

Other Information

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

Cautionary Statements - Forward-Looking Information

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

Forward-looking statements relate to, among other things, all aspects of the operation of the EVBC Mines and the Don Mario Mine 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; mine development plans including mine life estimates; the closing of the sale of Copperwood; and the success of the Company's refinancing efforts including of the EVBC Loan.

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 Mines and the Don Mario Mine 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 Mines or the Don Mario Mine; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to obtain financing when required on terms that are acceptable to the Company; the ability to obtain financing by the buyer of Copperwood to close the purchase of Copperwood; 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 AIF 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 AIF 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.