ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – For the third quarter ended June 30, 2010

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on August 13, 2010 (the "Report Date") and describes the operating and financial results of the Company for the third quarter ended June 30, 2010. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the period ended June 30, 2010 and the audited consolidated financial statements and related notes for the year ended September 30, 2009. In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold production, in fine troy ounces, is referred to as "ounces".

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

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

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

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

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

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

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

BUSINESS OVERVIEW AND STRATEGY

The Company

Orvana is a Canadian mining and exploration company based in Toronto, Canada involved in the evaluation, development and mining of primarily gold and copper deposits. The Company owns and operates the Don Mario Mine and surrounding mining concessions in eastern Bolivia; owns the El Valle-Boinás/Carlés gold-copper mine development project and surrounding exploitation concessions in northern Spain; and has long-term mineral leases related to the Copperwood copper project, with options on surrounding mineralized properties, in the state of Michigan, USA. The Company's goal is to grow and further diversify its portfolio of mining assets. The Company's shares have been listed on the Toronto Stock Exchange since 1992 under the trading symbol ORV.

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

Business Strategy

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

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

The El Valle-Boinás/Carlés Project

Orvana acquired the El Valle-Boinás/Carlés ("EVBC") project through its acquisition of Kinbauri Gold Corp. ("Kinbauri") in the fall of 2009. EVBC is located in northern Spain's Rio Narcea Gold Belt and consists of 14 exploitation concessions comprising 4,298 hectares and two investigative permits comprising 754 hectares. Production is expected to commence during the second quarter of fiscal 2011.

During the third quarter, Orvana continued implementing its plan for recommencing production at EVBC, with refurbishing of existing mill facilities proceeding according to the planned start-up schedule. Orvana also took delivery of additional underground mining equipment, and more crews were hired as development advanced on several El Valle-Boinás headings. Development continued to be focused on shaft station accesses at the 100-metre level, where shaft loading facilities will be installed. Equipment selection and detailed design for the shaft were advanced. Also pre-production activities are progressing with development advancing towards the A107, San Martin, and Black Skarn North ore zones. Access to these zones will provide important information related to ground conditions, productivities, and ore-grade distribution. By the end of the third quarter of fiscal 2010, the number of employees working at site reached 136. The total spending on this project to the end of June 30, 2010 was $14,345 of the total estimated cost of $60,000.

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

On March 5, 2010, the Company announced the completion of an updated resource estimate that showed an increase in resources at EVBC. Ore Reserves Engineering of Denver, Colorado, under the supervision of Alan Noble, P.E., an independent qualified person for the purposes of the National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), prepared the resource estimate, which was included in the NI 43-101-compliant Technical Report on the Boinás and Carlés Gold Mines. The results are as follows:

	Cutoff	Tonnes, '000s	Au Grade	Cu Grade	Ounces Au	Tonnes Cu
Measured	1.5	2,900	3.35	0.70	319,000	21,000
	2.0	2,100	4.05	0.80	271,000	16,500
	2.5	1,500	4.80	0.90	226,000	13,000
	3.0	1,100	5.60	1.00	191,000	10,500
	3.5	800	6.45	1.05	163,000	8,500
Indicated	1.5	7,000	4.55	0.55	1,030,000	39,000
	2.0	5,300	5.50	0.60	930,000	32,000
	2.5	4,000	6.50	0.65	842,000	27,000
	3.0	3,200	7.50	0.70	766,000	22,500
	3.5	2,500	8.60	0.75	700,000	19,000
Measured + Indicated	1.5	10,000	4.20	0.60	1,348,000	60,000
	2.0	7,300	5.10	0.65	1,201,000	49,000
	2.5	5,500	6.05	0.75	1,069,000	40,000
	3.0	4,200	7.05	0.80	957,000	33,000
	3.5	3,300	8.10	0.85	863,000	27,500
Inferred	1.5	13,100	4.00	0.35	1,678,000	45,500
	2.0	9,500	4.85	0.40	1,478,000	36,500
	2.5	7,200	5.70	0.40	1,314,000	30,000
	3.0	5,800	6.40	0.45	1,188,000	25,000
	3.5	4,700	7.10	0.45	1,081,000	21,500

On July 14, 2010, the Company announced the completion of the “Technical Report on the Boinás and Carlés Gold Mines” which included an NI 43-101–compliant reserve statement and cash-flow model for the EVBC project. The seven-year mine production schedule generates approximately 100,000 ounces of gold per year and yields an IRR of 48%, a net present value of $91.1 million at a 5% discount rate, and a payback of 2.2 years, with an average pre-tax cash cost per ounce of $461, net of by-products, using metal prices of $800 per ounce of gold, $12.50 per ounce of silver, and $2.00 per pound of copper. The “Technical Report on the Boinás and Carlés Gold Mines” with an effective date of April 30, 2010, was prepared by mining engineers Adam Wheeler, Robert Dowdell, and Alan Noble, all independent qualified persons for purposes of NI 43-101. The reserve estimates are as follows:

Boinas and Carles mines - Proven and Probable Mineral Reserves
At April 30, 2010

Category	Tonnes Kt	Au g/t	Cu %	Ag g/t
Proven	1,311	4.09	0.90	10.90
Probable	3,352	5.68	4.09	4.09
Proven + Probable	4,663	5.23	0.74	10.90

Note: Reserves are estimated using breakeven cut-off grades of 2 g/t at prices of $800/oz Au, $12.50/oz Ag and $2.00/lb Cu.

The "Technical Report on the Boinás and Carlés Gold Mines" is available on SEDAR (www.sedar.com) and the Company's website at www.orvana.com. Not all resources can be converted into reserves and may not be economically viable.

Subsequent to the end of the third quarter, a contractor who was employed with Sanchez y Lago, one of Spain's largest construction companies, was fatally injured on July 1, 2010 when his excavator overturned in an accident at the mine site. Immediately following the accident, the Company implemented its emergency response plan. The Company continues to cooperate fully with authorities in their investigations of the accident.

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

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario Mine in eastern Bolivia. Fiscal 2009 marked the last year of production from the Company's low-cost Lower Mineralized Zone ("LMZ") gold mine in the Don Mario district. Gold production has been extended into fiscal 2010 through the mining of the nearby Las Tojas mineralization. The Las Tojas mineralization is of a lower grade, but has mineralogical characteristics that are similar to those of the LMZ ore. Mine production from the Las Tojas deposit is now expected to continue into the first quarter of fiscal 2011. The depletion of the LMZ mine in fiscal 2009 and the processing of the lower grade of the Las Tojas deposit will result in year-on-year declines in gold production in fiscal 2010 from the 62,644 ounces produced in fiscal 2009.

During the past two years, Orvana engaged consulting firms to develop a project that would allow the economic exploitation of the Upper Mineralized Zone ("UMZ"). Last year, Kappes Cassiday & Associates of Reno, Nevada prepared a detailed operational study that demonstrated the viability of using flotation methods to extract metals, with the exception of the copper contained in the oxides. Subsequent studies undertaken by Mountain States Research Inc. ("MSRDI") of Tucson, Arizona, indicated that the oxide mineralization could be treated using the Leach-Precipitation-Flotation Process ("LPF"). Based on the metallurgical information presented by MSRDI, Orvana made the decision to install a flotation circuit and to also re-fit and install infrastructure, including a sulphuric acid plant, to apply the LPF process for the treatment of the UMZ mineralization.

The existing mine equipment currently being used in the exploitation of the Las Tojas deposit will be used to mine as much as 1,900 tonnes per day at the UMZ. Existing crushing and grinding equipment will also be used. The construction of the flotation mill was completed during the third quarter of fiscal 2010. The sulphuric acid plant has arrived on site and is expected to be installed and operational during the fourth quarter of fiscal 2010.

The Company is completing a technical report that will meet the standards of NI 43-101. This report will describe the updated processing circuit and related mine plan and is expected to be released during the fourth quarter of fiscal 2010.

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

The Company controls mineral rights on 70,100 contiguous hectares around the Don Mario Mine. During fiscal 2009, the Company acquired induced polarization data along the length of the Eastern Schist Belt, along which the Las Tojas mineralization is located. Drilling is planned during fiscal 2011 to test anomalies that may be indicative of gold mineralization in the shear zones. Also, existing geophysical data was re-evaluated and blind targets proximal to the UMZ will be tested.

The Copperwood Project

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

In a press release dated March 22, 2010, the Company announced an NI 43-101-compliant mineral resource estimate from the Copperwood stratiform copper deposit located on the leased areas. Measured resources are 14.2 million tonnes of 1.93% copper and indicated resources are 5.3 million tonnes of 1.69% copper for 798 million pounds of copper. Inferred resources are 3.3 million tonnes of 1.49% copper for 107 million pounds of copper. The resource estimate is contained in the “Copperwood Project, Michigan USA NI 43-101 Technical Report”, with an effective date of April 30, 2010, and was prepared by AMEC E & C Services, Inc., of Phoenix, Arizona, under the supervision of Greg Kulla and Dr. Harry Parker, who are independent qualified persons for the purposes of NI 43-101. This technical report is available on the Company’s website at www.orvana.com and on SEDAR (www.SEDAR.com).

The data from this report will be used to evaluate trade-off studies and refine the conceptual mine plan, and will be incorporated into a preliminary economic assessment (“PEA”) which is expected to be released by the end of the fourth quarter of fiscal 2010. KD Engineering, of Tucson, Arizona, under the supervision of Joseph Keane, P.E., an independent qualified person for the purposes of NI 43-101, has been contracted to complete the PEA. The economic viability of the Copperwood mineral resource can only be demonstrated by pre-feasibility and feasibility studies, and there is no assurance that the stated resource can be upgraded in confidence and converted to reserves.

The Company has conducted various trade-off studies over the last 12 months and the results will be reported in the PEA. The conceptual mine plan contemplates room-and-pillar methods and the use of a continuous miner.

Other Exploration Properties

Through the acquisition of Kinbauri, the Company acquired three exploration prospects: (1) Aztec, Nevada (gold); (2) Morrisette, Ontario (gold); and (3) Laniel, Quebec (diamonds). The option agreement for the Aztec prospect was terminated during the third quarter. The Company plans to option the Morrisette and Laniel prospects.

Social and Environmental Policies

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

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

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

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

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

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the three and nine months ended June 30, 2010 and 2009 are summarized in the table below:

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Revenues	$7,758	$11,869	$25,612	$42,345
Net income/(loss)	(1,106)	3,218	(1,564)	11,826
Earnings/(loss) per share – basic and diluted	($0.01)	$0.03	($0.01)	$0.10

Results for the third quarter and nine months of fiscal 2010 are in line with management's expectation during this transitional year as Orvana works towards starting up new mines now in development. Tonnes treated in the third quarter of fiscal 2010 were 154,270 compared to 71,639 in the third quarter of fiscal 2009. As anticipated, gold production was lower at 6,545 ounces for the third quarter of fiscal 2010, representing a 49% decline compared to 12,760 ounces for the same period of the prior year, with the decline resulting from processing the lower grades of ore from the Las Tojas deposit. The prior year results included the production from the now depleted higher grade ore of the Don Mario underground mine.

Revenue for the third quarter of fiscal 2010 decreased by 35% to $7,758 on 6,535 ounces sold compared to $11,869 on 12,925 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue, somewhat offset by higher average gold prices realized. The quantity of gold sold in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Direct mine operating costs were $5,084 to produce 6,545 ounces in the third quarter of fiscal 2010 compared to $4,491 to produce 12,760 ounces in the third quarter of fiscal 2009. Total direct mine operating costs increased to $776.80 per ounce for the third quarter of fiscal 2010 compared to $352.00 per ounce for the third quarter of fiscal 2009, reflecting the unfavourable impact of processing higher tonnages of the lower grade Las Tojas deposit.

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

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Direct mine operating costs	$5,084	$4,491	$14,032	$11,237
Direct mine operating cost per treated tonne	32.96	62.69	30.84	57.75
Direct mine operating cost per ounce produced	$776.80	$352.00	$619.87	$229.92

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

General and administrative expenses for the three and nine-month periods ended June 30, 2010 were $1,692 (2009 - $866) and $4,435 (2009 - $2,622), respectively. The general and administrative costs were higher than in the same periods last year primarily due to the impact of the higher Canadian dollar on the Canadian head office expenses; the addition of a new Chief Executive Officer and a Vice President of Mining; increased travel expenses in support of development of the recently acquired EVBC project in Spain; higher investor relations spending; and increased professional fees in support of corporate compliance activities, including the Company's transition to IFRS.

The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is expected to be economically feasible and the decision is taken to proceed with further investment. During the third quarter exploration costs were $12 compared to $157 for the same period a year ago. The decrease in costs this year was primarily from reduced exploration activities due to the Company's current focus on mine development.

Stock based compensation expense was $62 for the three months ended June 30, 2010 compared to $20 for the same period last year.

Other expense for the three months ended June 30, 2010 was a net expense of $74 compared to income of $218 for the same period a year ago. The current quarter net expense was due to the impact of less interest income earned on lower cash balances available for investment in the current year when compared to the same period a year ago.

The net loss for the third quarter ended June 30, 2010 was $1,106 (a loss of $0.01 per share) compared to net income of $3,218 ($0.03 earnings per share) for the same period of the prior year, primarily due to lower revenues and higher costs from processing higher volumes of the lower grade ore from the Las Tojas deposit.

Cash Flows

The following table summarizes the principal sources and uses of cash for the three and nine months ended June 30, 2010 and 2009:

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Cash provided/(used) by operating activities	$932	$4,216	($3,971)	$13,301
Capital expenditures*	(13,129)	(1,977)	(25,019)	(5,002)
Long-term debt net of repayments	(644)	(403)	(909)	(1,189)

*Including nets assets under capital leases

Cash Provided by Operating Activities

Cash provided by operating activities was $932 for the third quarter ended June 30, 2010 compared to cash provided by operating activities of $4,216 in the third quarter ended June 30, 2009, with the current year decline in cash resulting primarily from lower revenues.

Non-cash working capital declined in the third quarter by $748 principally due to increases in accounts payable and accrued liabilities of $2,684 offset by increases in value-added taxes and other receivables of $1,678.

Capital Expenditures

Capital expenditures for the third quarter of fiscal 2010 were $13,129 (2009 - $1,977), consisting of: $4,064 for the Don Mario UMZ project development, $8,286 for the development of the EVBC project in Spain, $695 for the development of the Copperwood project in Michigan; and $84 for the upgrade of computer equipment in the Corporate office in Canada.

Financial Condition – June 30, 2010 compared to September 30, 2009

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

	June 30, 2010	September 30, 2009
Cash and cash equivalents	$26,922	$58,036
Non-cash working capital (deficit)**	3,650	(2,833)
Total assets	139,514	140,607
Long-term debt and obligations under capital lease	4,957	4,144
Shareholders' equity	$110,003	$110,367

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

Cash and cash equivalents decreased to $26,922 for the nine months ended June 30, 2010. Non-cash working capital increased by $6,483 to a surplus of $3,650 at June 30, 2010 from a working capital deficit of $2,833 at the end of September 30, 2009, mainly resulting from the payment of income taxes of $5,518, increases in value added taxes receivables and prepaids of $4,300, offset by an increases in accounts payable and accrued liabilities of $2,976.

Shareholders' equity decreased $364 to $110,003 at June 30, 2010, due to the net loss of $1,564, offset by increases in share capital and contributed surplus of $1,200.

Outlook

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

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

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

In Spain, the Company is continuing its production start-up plan for the EVBC gold-copper operation, with work well underway and start-up planned for early 2011. Site activities will continue to ramp up during the fourth quarter. An updated resource estimate was released during the second quarter and an economic evaluation and reserve estimates were completed subsequent to the third quarter of fiscal 2010, outlining a seven-year mine life with significant potential to extend mine life. Orvana is initiating a 20,000-metre drill program.

In Bolivia, at the Don Mario Mine, construction of the LPF plant is nearing completion and preparations are underway to mine the UMZ. The Las Tojas deposit is expected to extend gold production into the first quarter of fiscal 2011, with the development of the UMZ project expected to commence in the first quarter of fiscal 2011, which will extend the expected life of the Don Mario Mine operation to approximately 2019.

In Michigan, at Copperwood, after the completion of the NI 43-101 resource estimate, work is continuing on completion of a preliminary economic assessment under the supervision of Joseph Keane, P.E. of KD Engineering in Tucson, Arizona. This report is expected to be completed in September 2010.

With the start up of operations at EVBC and the UMZ expected to occur in fiscal 2011, Orvana expects annualized gold production to increase from about 25,000 ounces to over 120,000 ounces. Additionally, annualized copper production is expected to increase substantially to over 12,000 tonnes and annualized silver production is expected to increase to over 750,000 ounces.

Subsequent to the third quarter, Orvana signed a term sheet with Credit Suisse AG for a US$50 million five-year term corporate debt facility, expected to close in October 2010. After fully funding its capital requirements at EVBC and UMZ, Orvana expects to have accumulated substantial cash reserves from its residual cash and operating free cash flows to finance additional gold and/or copper property acquisitions, as well as the forecasted mine development at Copperwood. Orvana has no plans to issue equity at this time. Orvana will continue to seek gold and/or copper advanced stage properties in politically stable regions, utilizing its mining expertise to increase long-term value for shareholders.

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

LIQUIDITY AND COMMITMENTS

Total cash and cash equivalents at June 30, 2010 were $26,922. Long-term debt of $3,235 is repayable over the next two years from June 30, 2010. In addition, during the current year the Company entered into capital leases for the purchase of underground mining equipment in Spain. Under each capital lease agreement, 30 to 40% of the purchase price of the equipment is paid in cash at the time of delivery with the balance financed over a three-year lease term. Capital lease payments are payable quarterly with interest at 5.5% per annum. Obligations under capital leases amounted to $1,722 at June 30, 2010.

In the past, the Company’s primary source of liquidity has been from operating cash flow. Over the current fiscal year and the next fiscal year, Orvana expects to spend approximately $60,000 on pre-production capital on the EVBC project, $21,000 on the development of the UMZ project of the Don Mario Mine and $4,000 largely on engineering studies related to the Copperwood project. Cumulative spending on these projects for the nine months ended June 30, 2010 was approximately $8,476 on the UMZ, $14,345 on EVBC and $2,019 on Copperwood. It is expected that these projects will be financed from existing cash reserves and new financing.

As described above, on July 21, 2010, the Company signed a term sheet with Credit Suisse AG for a US$50 million five-year term corporate debt facility. Funds will be used to complete construction of the EVBC project, in Spain and for general corporate purposes. Cost of the facility, including fees, is expected to average approximately 5 to 6 % per annum, based on current interest rates. The facility will include a small hedging program, expected to be about 10% of Orvana’s overall expected gold production for 2012 to 2015 and about 25% of Orvana’s overall expected copper production from 2011 to 2015. The facility is subject to last stage due diligence reviews, final credit approval and documentation with a closing expected in October 2010.

After fully funding its capital requirements in Spain and Bolivia, Orvana expects to have accumulated substantial cash reserves from its residual cash and operating free cash flows to finance additional strategic mining acquisitions as well as the forecasted mine development at Copperwood. Orvana has no plans to issue equity at this time.

At June 30, 2010, the Company’s most significant contractual obligations are two EMIPA term credit facilities, obligations under capital lease, asset retirement obligations, provision for statutory labour obligations, and purchase obligations related to the acid plant for the UMZ project and construction at the EVBC project, representing the balance as detailed in the table below:

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	3,235	2,193	1,042		
Obligations under capital leases	1,722	626	1,096		
Operating leases	978	92	417	417	52
Asset retirement obligations*	4,001				4,001
Purchase obligations	3,088	3,088			
Provision for statutory labour obligations	1,702				1,702
Long term compensation	749		514		235
Total Contractual Obligations	15,475	5,999	3,069	417	5,990

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

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

Subsequent to June 30, 2010, EMIPA entered into a short-term, 150-day credit facility in the amount of $1,827 with Banco de Credito de Bolivia at an interest rate of 4% and was also secured by certain machinery and equipment of EMIPA.

The Company has recorded asset retirement obligations at a discounted amount of $2,431 relating to the LMZ of the Company's Don Mario Mine and the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

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

An asset retirement obligation at a discounted amount of $504 at June 30, 2010 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and certain remediation measures were completed. On Kinbauri's acquisition of El Valle a reclamation bond of €834,000 was deposited (held in a Spanish financial institution, amounting to $1,025 at June 30, 2010), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle this obligation with respect to the EVBC sites is $1,201. It is expected that this amount will be incurred in 2022 and beyond. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

Management expects the production at EVBC to commence in the first half of fiscal 2011. The Company will prepare new estimates of the asset retirement obligations relating to EVBC sites and will record the estimated liability and associated asset retirement cost in its financial statements at the time the liability is incurred. Under a statutory requirement of the Spanish government, the Company has deposited an additional amount of approximately $1,870 (€1,522,000) as a reclamation bond related to the development of the EVBC sites and its tailing facility.

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

The Company is subject to a 3% net smelter return royalty (a "NSR") on its production from the Don Mario property. This royalty is payable quarterly and amounted to $715 for the nine months ended June 30, 2010, compared to $1,179 for the same period of the prior year.

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

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

During the third quarter of fiscal 2010, the net decrease in cash and cash equivalents, after capital expenditures, foreign exchange gains and losses and including the proceeds and repayments of long-term debt incurred, was $14,373, resulting in total cash and cash equivalents of $26,922 at June 30, 2010.

CAPITAL RESOURCES

At June 30, 2010, the Company had capital resources of $114,960 represented by long-term debt and obligations under capital leases of $4,957 and shareholders' equity amounting to $110,003.

Shareholders' equity decreased by $364 to $110,003 ($0.95 per share) as at June 30, 2010, compared to $110,367 ($0.96 per share) at September 30, 2009.

RESULTS OF OPERATIONS

The following table and analysis compare operating results for the three and nine-month periods ended June 30, 2010 and 2009:

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Revenues	$7,758	$11,869	$25,612	$42,345
Costs and expenses of mining operations	6,408	7,697	18,818	20,898
Expenses and other income	2,087	1,024	6,156	2,781
Net income (loss)	(1,106)	3,218	(1,564)	11,826
Earnings (loss) per share – basic and diluted	$(0.01)	$0.03	$(0.01)	$0.10

Revenues

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

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Revenues	$7,758	$11,869	$25,612	$42,345
Ounces sold	6,535	12,925	22,820	48,847
Average gold prices realized per ounce	$1,187	$918	$1,122	$867

Revenue for the third quarter of fiscal 2010 decreased 35% to $7,758 on 6,535 ounces sold compared to $11,869 on 12,925 ounces sold during the same period of the prior year. Lower ounces sold accounted for most of the decline in revenue, which was somewhat offset by higher average gold prices. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

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

Don Mario Mine and Las Tojas

Ore from the LMZ was exhausted in the last quarter of fiscal 2009. The production in the current period was from the lower grade Las Tojas deposit. The following table shows the tonnages treated and the head grade in g/t gold at the Las Tojas and Don Mario underground mine for the three and nine-month periods ended June 30, 2010 compared to same periods of fiscal 2009:

		Three months ended June 30		Nine months ended June 30	
		2010	2009	2010	2009
Underground mine	Tonnes	--	42,680	--	134,361
	g/t	--	8.51	--	11.05
Las Tojas	Tonnes	154,270	28,959	455,033	60,216
	g/t	1.66	2.26	1.83	2.13
Total	Tonnes	154,270	71,639	455,033	194,577
	g/t	1.66	5.98	1.83	8.29
Recovery rate		79.5%	92.6%	84.4%	94.2%
Gold produced – ounces		6,545	12,760	22,637	48,876

Don Mario Mine and Las Tojas – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Las Tojas and Don Mario underground mine in producing 6,545 ounces in the third quarter of fiscal 2010 compared to 12,760 ounces in the third quarter of fiscal 2009.

	Three months ended June 30			
	2010		2009	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$5,084	$776.80	$4,491	$352.00
Third-party smelting, refining and transportation costs	37	5.55	51	3.98
Cash operating costs	5,121	782.35	4,542	355.98
Royalties and mining rights	261	39.86	375	29.41
Mining royalty tax	538	82.10	835	65.42
Total cash costs	5,920	904.31	5,752	450.81
Depreciation, amortization and accretion	675	103.17	1,955	153.21
Total production costs	$6,595	$1,007.48	$7,707	$604.02
Gold production	6,545 ozs.		12,760 ozs.	

Cash operating costs were $782.35 per ounce on 6,545 ounces produced for the three months ended June 30, 2010 compared to $355.98 per ounce on 12,760 ounces produced for the same period last year. The increase in costs was largely due to the processing of the higher volumes of lower grade ore from the Las Tojas deposit.

The table below presents the cash operating costs and total production costs at the Las Tojas and Don Mario underground mine in producing 22,637 ounces in the nine months ended June 30, 2010 compared to 48,876 ounces in the nine months ended June 30, 2009.

	Nine months ended June 30			
	2010		2009	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$14,032	$619.87	$11,237	$229.92
Third-party smelting, refining and transportation costs	116	5.13	226	4.61
Cash operating costs	14,148	625.00	11,463	234.53
Royalties and mining rights	860	38.00	1,307	26.73
Mining royalty tax	1,790	79.06	2,961	60.59
Total cash costs	16,798	742.06	15,731	321.85
Depreciation, amortization and accretion	2,458	108.57	5,430	111.10
Total production costs	$19,256	$850.63	$21,161	$432.95
Gold production	22,637 ozs.		48,876 ozs.	

The difference between direct mine operating costs of $5,084 and cost of sales of $4,911 reported in the consolidated financial statements for the third quarter of fiscal 2010 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	Three months ended June 30		Nine months ended June 30	
	2010	2009	2010	2009
Cost of Sales	$4,911	$4,527	$13,644	$11,156
Changes in gold inventories and gold in circuit	173	(36)	388	81
Direct mine operating costs (non-GAAP measure)	$5,084	$4,491	$14,032	$11,237

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended June 30, 2010:

	Quarters ended			
	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Revenues	$7,758	$5,978	$11,876	$13,660
Net (loss) income	($1,106)	($1,658)	$1,200	$1,574
Earnings (loss) per share – basic and diluted	($0.01)	($0.01)	$0.01	$0.01
Total assets	$139,514	$137,243	$141,236	$140,607
Total long-term financial liabilities	$3,235	$3,879	$4,515	$4,144
Gold production - ozs.	6,545	6,565	9,527	13,768
Gold sales – ozs.	6,535	5,406	10,880	14,383
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$904	$771	$611	$403
- Average gold price realized	$1,187	$1,106	$1,092	$950
Operating statistics -				
- Gold ore grade – g/t	1.66	1.70	2.13	3.51
- Gold recovery rate - %	79.5%	83.3%	89.0%	89.1%

	Quarters ended			
	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008
Revenues	$11,869	$16,311	$14,165	$15.681
Net income	$3,218	$4,694	$3,914	$4,605
Earnings per share – basic and diluted	$0.03	$0.04	$0.03	$0.04
Total assets	$127,208	$123,766	$124,985	$120,685
Total long-term financial liabilities	$3,056	$3,459	$3,856	$4,245
Gold production - ozs.	12,760	18,091	18,025	17,656
Gold sales – ozs.	12,925	18,244	17,678	18,109
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$451	$272	$281	$305
- Average gold price realized	$918	$894	$801	$866
Operating statistics -				
- Gold ore grade – g/t	5.98	10.07	9.24	9.18
- Gold recovery rate - %	92.6%	95.2%	94.8%	93.6%

Comments on the tables of quarterly results

Average gold prices realized during each of the eight quarters ended June 30, 2010 ranged from $ 801 to $1,187 per ounce. Higher average gold prices in the last four quarters did not translate into higher quarterly net income when compared to the previous four quarters mostly due to higher production costs associated with processing the higher volumes of lower head grade ore from the Las Tojas deposit and overall lower quantities of gold produced.

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves

The LMZ was depleted during the last quarter of fiscal 2009. Mineralized material from the Las Tojas deposit was processed concurrently with ore from the LMZ deposit during fiscal 2009. Processing of the mineralized material from the Las Tojas deposit is expected to continue into the first quarter of fiscal 2011. It is expected that mining of the UMZ of the Don Mario Mine will extend the life of mine to approximately 2019.

Net realizable amounts of property, plant and equipment

At June 30, 2010, the net book value of the Don Mario property, plant and equipment amounted to $16,930 (excluding UMZ feasibility study costs capitalized of $3,214 and the Copperwood project costs of $5,880). Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining ore; gold, copper and silver prices; and cash operating costs. Based upon current estimates of reserves, with copper prices in excess of $2.00 per pound and gold prices in excess of $650 per ounce, net realizable amounts are in excess of related net book value of property, plant and equipment. Before the end of fiscal 2010 an evaluation will be completed to assess the fair market value of the assets of the EVBC project acquired with Kinbauri.

Asset retirement obligations

Asset retirement obligations amounting to $2,431 relate to the LMZ of the Company's Don Mario Mine and include the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. The associated long-lived assets include the structures and the tailing facility. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contaminations.

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

An asset retirement obligation of $504 at June 30, 2010 was assumed on the acquisition of Kinbauri and relates to the El Valle Mine in Spain. Prior to its acquisition by Kinbauri, the El Valle Mine had been shut down by its then owner and certain remediation measures were completed. On Kinbauri's acquisition of El Valle a reclamation bond of €834,000 was deposited (held in a Spanish financial institution, amounting to $1,025 at June 30, 2010), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle these obligations with respect to the EVBC sites was $1,201. It is expected that this amount will be incurred in 2018. The credit-adjusted, risk-free interest rate used to discount estimated cash flows was 7.5%.

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

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

Stock-based compensation

The Company recorded stock-based compensation expense of $62 for the third quarter ended June 30, 2010 compared to $20 for the same period of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the options issued during the period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term compensation

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

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

Financial and Other Instruments

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

Off-Balance-Sheet Arrangements

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

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at June 30, 2010, there were 116,063,173 common shares outstanding with a stated value of $75,968 and there were also 2,835,000 stock options outstanding at the same date with a weighted average exercise price of Canadian $0.86. Stock options outstanding have expiry dates ranging from 2010 to 2015.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

The management of Orvana, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of June 30, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

Orvana acquired Kinbauri in September of 2009, and management has excluded the results of this acquisition from its assessment of the effectiveness of the Company’s disclosure controls and procedures and internal controls over financial reporting as of June 30, 2010. Kinbauri's net assets acquired at September 30, 2009 were $45,068. Management will complete their evaluation of the effectiveness of the design and operation of the internal controls over financing reporting and disclosure controls and procedures with respect to Kinbauri for the year ended September 30, 2010.

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

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

Changes in Accounting Policies and New Accounting Standards

Financial Instruments

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

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

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

New accounting policies not yet adopted

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests. The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is in the process of evaluating the requirements of the new standards.

International Financial Reporting Standards (“IFRS”)

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

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

IFRS Transition Plan

The Company has developed a comprehensive IFRS transition plan and established an implementation team to prepare for this transition. The Company has also engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The implementation team has completed its assessment of the key areas where changes to accounting policies may be required.

During the third quarter of fiscal 2010, the team has continued its detailed analysis of IFRS requirements for these key areas. The analyses include a detailed assessment of the alternatives available or any changes that may be required to Orvana’s current accounting policies.

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

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

Impact of Adopting IFRS on the Company

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

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

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

Impact of Adopting IFRS on Internal Controls over Financial Reporting

Any changes to accounting policies or business processes have the potential to affect the Company's internal controls over financial reporting ("ICFR"). As part of its analysis of potential changes to accounting policies, the implementation team is assessing whether changes to ICFR are required.

The Company has also reviewed certain existing controls and procedures to ensure they are appropriately included in the ongoing activities of the IFRS transition plan.

First-time Adoption of IFRS

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

The Company is considering the possibility of electing the following IFRS optional exemptions in the preparation of an opening IFRS statement of financial position as at October 1, 2010, Orvana's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To deem the cumulative translation differences for all foreign operations to be zero at the Transition Date.

As the analyses of its accounting policies under IFRS continues, the Company may decide to elect to apply these, or other, optional exemptions contained in IFRS 1.

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

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS may result in changes to significant accounting policies and have an impact on the recognition, measurement and disclosure of balances and transactions in the Company's financial statements.

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

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

This is not intended to be a complete list of all areas where the adoption of IFRS will require a change in accounting policies, but is to highlight the areas the Company has identified as those that have the most potential for a significant change. The implementation team is currently performing detailed analysis of these key areas to determine whether changes to accounting policies will be required.

Subsequent Disclosures

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

- The Company's Management Discussion and Analysis for the year ended September 30, 2010 will include an update on the progress of the transition plan. As the detailed evaluation of accounting policies progresses, the Company will also include information regarding the potential impact of adopting IFRS on its significant accounting policies and key elements of the financial statements.
- The Company's Management Discussion and Analysis for the fiscal 2011 interim periods and the year ended September 30, 2011 will include updates on the progress of the transition plan, and, to the extent known, information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending December 31, 2011 will also include fiscal 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's Transition Date IFRS statement of financial position (as at October 1, 2010).

Other Information

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