

ORVANA

MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – For the year ended September 30, 2009

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 December 11, 2009 (the "Report Date") and describes the operating and financial results of the Company for the fiscal year ended September 30, 2009. The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2009. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). 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 some 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, 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 that 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 precious and selected base-metals deposits. The Company owns and operates the Don Mario Mine and property in eastern Bolivia, owns the El Valle-Boinás/Carlés project in Spain and holds mineral leases in the state of Michigan, USA, referred to as the Copperwood project. The Company's goal is to grow and further diversify its portfolio of attractive precious and selected base metals assets. The Company's shares have been listed on the Toronto Stock Exchange since 1992 under the trading symbol ORV.

Business Strategy

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

Orvana does not currently hedge its gold production.

Acquisition of Kinbauri Gold Corp.

On August 28, 2009, at the expiry of Orvana's offer to purchase all of the outstanding common shares of Kinbauri Gold Corp. ("Kinbauri"), the Company had acquired 94.9% of the issued and outstanding common shares of Kinbauri, a company listed on the TSX Venture Exchange. On September 24, 2009, the Company, through a wholly-owned subsidiary, completed a compulsory acquisition, pursuant to section 206 of the Canada Business Corporations Act, of the remaining outstanding common shares not already owned by it. Kinbauri was delisted from the TSX Venture Exchange on September 25 and subsequently, an application was granted by the relevant provincial securities commissions for Kinbauri to cease to be a reporting issuer.

Kinbauri is the owner of the El Valle -Boinás/Carlés gold-copper project located in the Rio Narcea Gold Belt in northern Spain. Prior to its acquisition by Kinbauri, the previous owner had discontinued mining operations and the project's mine and processing plant, built in 1995/1996 were put on a care and maintenance basis. Orvana has completed a mine plan and will commence development of a shaft such that mining operations are expected to recommence at the beginning of calendar 2011.

The aggregate purchase price was \$45,068 including \$44,483 paid in cash for the common shares of Kinbauri and transaction costs relating to the acquisition of \$2,615 less \$2,030 of cash acquired.

Orvana's consolidated balance sheet reflects the net assets acquired as a result of the acquisition of Kinbauri.

Prior to its acquisition by Orvana, Kinbauri entered into an agreement in which its Spanish subsidiary granted a 2.5% net smelter return ("NSR") royalty in return for an advance of Cdn. \$7,500. 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 forecast 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 Don Mario Mine – Lower 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. The Don Mario mine includes the Lower Mineralized Zone ("LMZ"), with the principal product of the LMZ being gold in the form of dore bullion, which also contains a small amount of payable silver. The Don Mario Mine LMZ commenced operation in 2003 and has produced more than 420,000 ounces of gold. During fiscal 2009 the Company depleted the LMZ and began mining a second deposit on the Las Tojas concession, a small open pit located 14 kilometers north of the LMZ. The Las Tojas mineralization has lower grade, but similar mineralogical characteristics as the LMZ ore.

Given that the grades encountered at Las Tojas are lower than those at the LMZ, the Company has installed equipment to accommodate an increase in throughput from 750 tonnes/day to approximately 2,000 tonnes/day. Management believes that mine production from the Las Tojas deposit will continue into the last quarter of fiscal 2010. The depletion of the LMZ mine in fiscal 2009 and the lower grade of the Las Tojas deposit will result in year-on-year declines in gold production in 2010 from the 62,644 ounces produced in fiscal 2009.

The Don Mario Mine – Upper Mineralized Zone

On May 14, 2009, the board of directors of the Company approved management's proposal for the development of the UMZ. Recently, the Company opted to install a leach-precipitate-flotation ("LPF") facility in order to be able to process the porous and oxide zones in the early years. This process allows for the beneficiation of copper from the porous and oxide zones and increases copper production nearly two-fold over the life of the mine. The revised capital required to add the necessary infrastructure for the LPF facility is estimated at \$20,000.

Production from the UMZ is expected to begin following the depletion of the Las Tojas deposit in fiscal 2010 and is expected to enable the Company to extend the mine life at Don Mario to approximately 2019. Pre-stripping of the UMZ is scheduled to begin during the second quarter of the fiscal 2010 and production is expected to start at the beginning of fiscal 2011.

The Copperwood Project

In September and October, 2008, through its wholly-owned subsidiary Orvana Resources US Corp., Orvana entered into mineral leases covering 712 hectares within the "Western Syncline", which is located in the Upper Peninsula of the State of Michigan, USA. The leased areas are referred to as the Copperwood project. The Copperwood project is located about 30 kilometres southwest of the now-closed White Pine mine, which produced over 1.7 million tonnes of copper

between 1953 and 1996, principally from chalcocite-bearing siltstone and shale units at the base of the Nonesuch Formation.

In October 2009, the Company completed an 82-hole, 13,000-meter drill program. This drill program was designed to further validate historical drill data, delineate the known mineralization, and provide information sufficient to estimate a resource to measured and indicated confidence categories that meets the standards of National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators (“NI 43-101”). In November 2009, the Company announced assay results from 23 of the 82 holes drilled within the project. Orvana has contracted AMEC E & C Services Inc. to audit the handling and sampling protocols and prepare resource estimates compliant with NI 43-101 standards, after all of the assays are received from the current round of drilling. Orvana is reviewing various scenarios for project development.

The El Valle-Boinás/Carlés Project

Through the Company’s acquisition of Kinbauri, which in turn held the ownership through a wholly-owned subsidiary, Kinbauri Espana S.L., Orvana acquired the El Valle-Boinás/Carlés project. Located in northern Spain’s Rio Narcea Gold Belt , El Valle-Boinás/Carlés is Orvana’s flagship project.

Orvana started development of El Valle-Boinás/Carlés in November 2009 and plans to begin production from the mine in fiscal 2011. Once a mine plan is submitted to Spanish authorities and the applicable environmental permits are reactivated, development will focus on improving the existing underground accesses and sinking of a shaft. Based on a revised mine plan, Orvana estimates pre-production capital costs to be approximately \$50,000. Key infrastructure, including a fully-equipped mill that requires some refurbishment, is already in place. Underground drilling at El Valle-Boinás and Carlés is ongoing. The principal purpose of this drilling is to upgrade inferred resources to measured and/or indicated resources. An updated resource estimate is planned to be released during the second quarter of fiscal 2010.

Exploration Properties

The Company controls mineral rights on 70,100 contiguous hectares around the Don Mario Mine. An extensive geophysical program was recently completed. The information obtained will be evaluated in order to identify possible drill targets.

Through the acquisition of Kinbauri, the Company acquired three exploration prospects: (1) Aztec, Nevada (gold); (2) Morrisette, Ontario (gold); and (3) Laniel, Quebec (diamonds). The Company plans to drill test the Aztec prospect during the second quarter of fiscal 2010. The Company intends to option the other prospects.

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

Social and Environmental Policies

Orvana is committed to developing and operating its projects, including reclamation efforts, in full compliance with recognized international and local environmental standards. In furtherance of this commitment, Orvana regularly implements programs to protect and enhance natural

habitats and sensitive species, including reclamation efforts, reforestation efforts and the establishment of water sources for wildlife.

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

At the Don Mario Mine the Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to and to improve their standard of living. Projects supported by Orvana included 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 has awarded scholarships to students to further their education at the university level, and the Company has also provided funding towards the construction of a microwave internet tower to Wakefield Township to provide wireless internet services to four neighbouring communities.

Orvana acquired the El Valle-Boinás/Carlés project in September 2009. The Company intends to establish the same strong relationships with the local communities and authorities in the vicinity of this project in northern Spain as it has in the other communities in which it operates mining projects

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the fiscal years ended September 30, 2009 and 2008 are summarized in the table below:

	Year ended September 30,	
	2009	2008
Revenues	\$56,005	\$69,064
Net income	13,400	25,707
Earnings per share – basic and diluted	\$0.12	\$0.22

Tonnes treated in fiscal year 2009 were 331,506 compared to 253,217 in fiscal year 2008. Gold production for fiscal year 2009 was 21% lower, at 62,644 ounces, compared to 79,604 ounces for the prior year, due to lower tonnes milled from the higher grade LMZ ore and higher tonnes milled from the lower grades of ore processed from the Las Tojas deposit.

Revenue for fiscal year 2009 decreased by 19% to \$56,005 on 63,230 ounces sold compared to \$69,064 on 79,813 ounces sold during prior year. Lower ounces sold accounted for most of the decline in revenue offset slightly by higher average gold prices. 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 \$15,331 to produce 62,644 ounces in fiscal year 2009 compared to \$13,032 to produce 79,604 ounces in fiscal year 2008. Total direct mine operating costs increased to \$244.73 per ounce for fiscal year 2009 compared to \$163.71 for fiscal year 2008, reflecting the unfavourable impact of lower ounces produced and higher tonnages processed at lower grades as well as increases in numerous costs including labour, consumables, reagents, maintenance, parts, and supplies.

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

	Year ended September 30,	
	2009	2008
Direct mine operating costs	\$15,331	\$13,032
Direct mine operating cost per treated tonne	46.25	51.47
Direct mine operating cost per ounce produced	\$244.73	\$163.71

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

Exploration activities were undertaken within the Don Mario property and amounted to \$703 in fiscal 2009 compared to \$1,666 in fiscal 2008. The decrease is mainly due to less exploration activities during the current year and an increased focus on the UMZ project.

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 fiscal year 2009 the Company capitalized expenditures of \$681 relating to the UMZ project and related full feasibility study. Total UMZ-related costs capitalized from the start of the full feasibility study in fiscal 2007 to the end of the end of the fiscal year 2009 amount to \$2,718. Also during the year the Company capitalized costs with respect to its Copperwood project for a total amount of \$3,681 to the end of fiscal 2009.

Community relations expenses were \$477 in fiscal year 2009 compared to \$195 in the prior year. Included in these costs were financial donations and expertise contributed by the Company to support infrastructure and other program initiatives in seven communities in the vicinity of the Don Mario Mine.

Interest and other income for the year ended September 30, 2009 of \$948 (2008 - \$2,195) were primarily generated on the short-term investment of excess cash in investment-grade bank-issued investment certificates. The significant decrease in interest rates on investment-grade deposit certificates during the past year caused this decline.

The effective income tax rate of 34.1% for the year ended September 30, 2009 is higher than the rate of 31.6% for the last year primarily due to the elimination of the double deduction for exploration expenditures in Bolivia in the second quarter of fiscal 2008.

Net income for the fiscal year ended September 30, 2009 was \$13,400 (\$0.12 per share) compared to \$25,707 (\$0.22 per share) last year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the fiscal years ended September 30, 2009 and 2008:

	Year ended September 30,	
	2009	2008
Cash provided by operating activities	\$19,631	\$41,212
Capital expenditures	(7,709)	(9,983)
Acquisition of Kinbauri Gold Corp.(net of cash received)	(44,591)	–
Long-term debt (net of repayments)	(101)	4,245

Cash Provided by Operating Activities

Cash provided by operating activities for the fiscal year ended September 30, 2009 decreased by 52% or \$21,581 to \$19,631 when compared to the prior year. Cash flow from operations before working capital changes dropped \$12,818 on lower revenues. Other significant changes occurred due to a decrease in accounts payable of \$1,772 and taxes payable of \$1,802, partially offset by the collection of gold sales receivables of \$1,785.

Capital Expenditures

Capital expenditures for fiscal year 2009 were \$7,709 (2008 - \$9,983), made up of: \$3,336 for the Don Mario Mine property, plant and equipment expenditures; \$681 for the development and full feasibility study costs for the UMZ project; and \$3,692 for the development of the Copperwood project in Michigan.

Financial Condition – September 30, 2009 compared to September 30, 2008

The following table provides a comparison of key elements of the Company's balance sheet at September 30, 2009 and September 30, 2008:

	September 30, 2009	September 30, 2008
Cash and cash equivalents	\$58,036	\$91,041
Non-cash working capital (deficit)**	(2,833)	(5,006)
Total assets	140,607	120,685
Long-term debt	4,144	4,245
Shareholders' equity	110,367	96,862

**Non-cash working capital (deficit) excludes the current portion of long-term debt

Cash and cash equivalents decreased by \$33,005 to \$58,036 for the fiscal year ended September 30, 2009, with the acquisition of Kinbauri Gold Corp. having the most significant impact on the decline. The non-cash working capital deficit decreased by \$2,173 to a deficit of \$2,833 from a deficit of \$5,006 at the end of fiscal 2008, mainly resulting from increases in supplies inventory of \$958, and a decrease in income tax payable of \$1,802, partially off-set by the collection of gold sales receivable of \$1,785 and an increase in accounts payable of \$388 (including the acquired accounts payable).

The Company's policy is to invest excess cash in highly liquid, highly-rated financial instruments. The Company's excess cash is not invested in non-bank asset-backed commercial paper.

Shareholders' equity increased by \$13,505 to \$110,367 for the fiscal year ended September 30, 2009, primarily due to net income earned by the Company. No dividends were paid in fiscal year 2009.

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.

Fiscal 2009 was a transformational year for Orvana with the depletion of the LMZ deposit of the Don Mario mine and the acquisition of Kinbauri Gold Corp. The company is transforming itself from a single-mine gold producer into a growing multi-mine gold and copper producer

During the fiscal year 2009, the mill treated 331,506 tonnes of ore in the production of 62,644 ounces of gold with average head grades of ore treated at 6.32 g/t. As a consequence of the depletion of higher grade ore from the LMZ and the processing of lower grade ore from the Las Tojas deposit, there will be a year-over-year decline in gold production in fiscal 2010 from the 62,644 ounces produced in fiscal 2009. The Las Tojas deposit is expected to extend gold production into the last quarter of fiscal 2010. While gold production will decline in fiscal 2010, the development of the UMZ project will extend the expected life of the Don Mario Mine operation well into the next decade.

Starting in fiscal 2011, Orvana expects growth in gold and copper production with both the UMZ project and the El Valle-Boinás/Carlés project commencing in 2011 and the Copperwood project's estimated start up in fiscal 2013.

Orvana remains focused on building long-term value for its shareholders through organic growth and further strategic acquisitions that fit with the Company's mine development and operating expertise.

SELECTED ANNUAL INFORMATION

The table below shows selected financial data for the Company's three most recently completed fiscal years:

	Year ended September 30		
	2009	2008	2007
Revenues	\$56,005	\$69,064	\$55,920
Net income	\$13,400	25,707	26,023
Earnings per share – basic and diluted	\$0.12	\$0.22	\$0.23
Total assets	\$140,607	\$120,685	\$81,153
Total long-term financial liabilities	\$4,144	4,245	-
Gold production – ounces	62,644	79,604	86,381
Gold sales – ounces	63,230	79,813	86,322
<i>Non-GAAP measures</i>			
Per ounce data			
- Total cash costs	\$339.60	\$240.63	\$156.53
- Average gold price realized	\$885.74	865.33	\$647.81
Operating statistics			
- Gold ore grade – g/t	6.32	10.38	11.43
- Gold recovery rate - %	93.1	94.2	92.7

Fiscal 2009 compared to Fiscal 2008

Revenues of \$56,005 on 62,644 ounces sold in fiscal 2009 represents a decrease of 19% when compared to \$69,064 on 79,813 ounces sold in fiscal 2008. Lower ounces sold accounted for most of the decline in revenue which was slightly offset by higher average gold prices. Additional to lower revenues, higher cost of sales, depreciation & amortization expenses, exploration expenses, lower interest income, and an increase in the Company's effective income tax rate from 31.6% to 34.1% together resulted in net income declining by \$0.10 per share for the current year when compared to fiscal 2008.

Fiscal 2008 compared to Fiscal 2007

The Company's operating results and financial position continued to strengthen to the end of fiscal 2008. Average gold prices realized were 34% higher year-over-year compared to fiscal 2007, which more than offset the lower production in fiscal 2008 when compared to fiscal 2007. The lower production in fiscal 2008 resulted from lower average ore grades processed versus ore grades in fiscal 2007.

Other factors explaining changes in financial position and results of operations in fiscal 2009 compared to fiscal 2008 are described above under the heading, "Overall Performance".

LIQUIDITY AND COMMITMENTS

Total cash and cash equivalents at the end of September 30, 2009 were \$58,036. Net debt was \$4,144 maturing over the next three years. The Company's primary source of liquidity has been from operating cash flow. Orvana expects to spend approximately \$50,000 over the next two years for pre-production capital on the El Valle-Boinás/Carlés project, \$20,000 on the development of the UMZ project of the Don Mario property and \$4,000 on the engineering studies related to the Copperwood project. These projects will be financed from existing cash reserves and new financing as required.

The most significant contractual obligations of the Company are two term credit facilities and the Company's asset retirement obligations with the provision for statutory labour obligations, long-term compensation and purchase obligations related to the acid plant for the Don Mario Mine 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	4,144	2,229	1,915		
Operating leases	78	78			
Purchase obligations	1,500	1,500			
Provision for future labour obligations	1,406			1,406	
Asset retirement obligation*	4,001				4,001
Total Contractual Obligations	11,129	3,807	1,915	1,406	4,001

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

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

The Company has recorded asset retirement obligations at a discounted amount of \$2,323 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 taken the decision to develop the UMZ and mining operations are expected to commence in early fiscal 2011. Management has determined that all existing infrastructure including the mills, processing plant, related structures and tailings dam will be required for mining the UMZ, thus delaying by about 10 years the expected timing of performance of asset retirement activities. In addition, exploitation of the UMZ will affect estimates of the asset retirement obligations. The Company will prepare new estimates of the asset retirement obligations relating to the UMZ and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

The asset retirement obligation at a discounted amount of \$469 at September 30, 2009 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 remediation measures required were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834 was deposited (restricted cash, held in a Spanish financial institution, amounting to \$1,222 at September 30, 2009), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the El Valle-Boinás/Carlés 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%.

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

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

The Company is subject to a 3% NSR royalty on its production from the Don Mario property. This royalty is payable quarterly and amounted to \$1,560 for the year ended September 30, 2009 compared to \$1,910 for the fiscal year 2008.

Prior to its acquisition by Orvana, Kinbauri entered into an agreement in which its Spanish subsidiary granted a 2.5% NSR royalty in return for an advance of Cdn. \$7,500. 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 under the Copperwood project are also subject to a NSR royalty 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 is in production in fiscal 2013.

During the fiscal year 2009, the net decrease in cash and cash equivalents, after capital expenditures, foreign exchanges losses and including the proceeds and repayments of long-term debt incurred, was \$33,918, resulting in total cash and cash equivalents of \$58,036 at September 30, 2009.

CAPITAL RESOURCES

At September 30, 2009, the Company had capital resources of \$114,511 represented by long-term debt of \$4,144 and shareholders' equity amounting to \$110,367.

Shareholders' equity increased by 14% or \$13,505 to \$110,367 (\$0.96 per share) during the year ended September 30, 2009, compared to \$96,862 (\$0.84 per share) at September 30, 2008.

RESULTS OF OPERATION

The following table and analysis compare operating results for the years ended September 30, 2009 and 2008:

	Year ended September 30	
	2009	2008
Revenues	\$56,005	\$69,064
Costs and expenses of mining operations	30,885	26,877
Expenses and other income	4,774	4,581
Net income	13,400	25,707
Earnings per share – basic and diluted	\$0.12	\$0.22

Revenues

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

	Year ended September 30	
	2009	2008
Revenues	\$56,005	\$69,064
Ounces sold	63,230	79,813
Average prices per ounce	\$886	\$865

Revenue for fiscal year 2009 decreased 19% to \$56,005 on 63,230 ounces sold compared to \$69,064 on 79,813 ounces sold prior year. Lower ounces sold accounted for most of the decline in revenue which was slightly 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 – Production Cost Analysis”.

Don Mario Mine and Las Tojas

Ore from the LMZ was exhausted in the last quarter of fiscal 2009 and will be replaced by higher tonnages of lower grade ore from Las Tojas. The following table shows the tonnages treated and the head grade in g/t gold at the Don Mario Mine and Las Tojas for fiscal year 2009 compared to fiscal year 2008:

		Year ended September 30	
		2009	2008
Underground mine	Tonnes	153,212	244,734
	g/t	11.49	10.67
Las Tojas, minipit & stockpile	Tonnes	178,294	8,483
	g/t	1.87	1.94
Total	Tonnes	331,506	253,217
	g/t	6.32	10.38
Recovery rate		93.1%	94.2%
Gold produced – ounces		62,644	79,604

At September 30, 2009, the Don Mario Mine and Santa Cruz administrative office had a total of 221 employees and 225 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the mine’s requirements.

Don Mario Mine and Las Tojas – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 62,644 ounces in fiscal year 2009 compared to 79,604 ounces in fiscal year 2008.

	Year ended September 30			
	2009		2008	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	\$15,331	\$244.73	\$13,032	\$163.71
Third-party smelting, refining and transportation costs	273	4.36	231	2.90
Cash operating costs	15,604	249.09	13,263	166.61
Royalties and mining rights	1,754	27.99	2,075	26.07
Mining royalty tax	3,916	62.52	3,817	47.95
Total cash costs	21,274	339.60	19,155	240.63
Depreciation and amortization	9,948	158.80	7,736	97.18
Total production costs	\$31,222	\$498.40	\$26,891	\$337.81
Gold production	62,644 ozs.		79,604 ozs.	

Total unit production costs increased by \$160.59 per ounce, a 48% increase, to \$498.40 per ounce for fiscal year 2009 from a unit cost of \$337.81 for fiscal year 2008, due to a 21% decline in production and processing higher volumes of lower grade ore. Higher direct mine operating costs, mining royalty taxes and depreciation and amortization also contributed to the higher unit costs. Direct mine operating costs during the last half of the year included the initial stripping costs related to mining the Las Tojas deposit. They also included the incremental costs of safely mining the remaining areas of the LMZ.

The difference between direct mine operating costs of \$15,331 and cost of sales of \$15,217 reported in the consolidated financial statements for fiscal year 2009 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to the cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	Year ended September 30	
	2009	2008
Cost of Sales	\$15,217	\$13,226
Changes in gold inventories and gold in circuit	114	(194)
Direct mine operating costs (non-GAAP measure)	\$15,331	\$13,032

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended September 30, 2009:

	Quarters ended			
	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008
Revenues	\$13,660	\$11,869	\$16,311	\$14,165
Net income	\$1,574	\$3,218	\$4,694	\$3,914
Earnings per share – basic and diluted	\$0.01	\$0.03	\$0.04	\$0.03
Total assets	\$140,607	\$127,208	\$123,766	\$124,985
Total long-term financial liabilities	\$4,144	\$3,056	\$3,459	\$3,856
Gold production - ozs.	13,768	12,760	18,091	18,025
Gold sales – ozs.	14,383	12,925	18,244	17,678
<i>Non-GAAP measures</i>				
Per ounce data -				
- Total cash costs	\$402.63	\$450.81	\$271.54	\$281.04
- Average gold price realized	\$949.76	\$918.30	\$894.07	\$801.28
Operating statistics -				
- Gold ore grade – g/t	3.51	5.98	10.07	9.24
- Gold recovery rate - %	89.1%	92.6%	95.2%	94.8%

	Quarters ended			
	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007
Revenues	\$15,681	\$18,244	\$19,062	\$16,077
Net income	\$4,605	\$7,135	\$7,102	\$6,865
Earnings per share – basic and diluted	\$0.04	\$0.06	\$0.06	\$0.06
Total assets	\$120,685	\$112,538	\$100,633	\$90,127
Total long-term financial liabilities	\$4,245	\$4,626	\$3,500	-
Gold production - ozs.	17,656	20,877	19,988	21,083
Gold sales – ozs.	18,109	20,453	20,644	20,607
<i>Non-GAAP measures</i>				
Per ounce data -				
- Total cash costs	\$304.85	\$249.38	\$244.80	\$174.25
- Average gold price realized	\$865.96	\$891.97	\$923.40	\$780.15
Operating statistics -				
- Gold ore grade – g/t	9.18	11.12	10.72	10.54
- Gold recovery rate - %	93.6%	95.6%	94.0%	93.5%

Comments on the tables of quarterly results

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.

Average gold prices realized during each of the eight quarters ended September 30, 2009 ranged from \$780 to \$950 per ounce. Higher average gold prices in fiscal 2009, particularly the third and fourth quarters, did not translate into higher net income in fiscal 2009 compared to fiscal 2008 due to lower production volumes and higher production costs. The higher cash costs in the third quarter of fiscal 2009 were due to additional costs incurred during the period for pre-stripping of the overburden materials on the Las Tojas property. Lower gold sales in fiscal 2009 were due to lower production and lower head grades of ore processed.

FOURTH QUARTER

The most significant event during the fourth quarter of fiscal 2009 was the acquisition of Kinbauri for the aggregate purchase price of \$45,068 including \$44,483 paid in cash for the common shares of Kinbauri and transaction costs relating to the acquisition of \$2,615 less \$2,030 of cash acquired.

Tonnes treated during the fourth quarter of fiscal 2009 were 136,929 at average gold grades of 3.51 g/t compared to 63,884 tonnes at grades of 9.18 g/t treated during the last quarter of fiscal 2008. The higher volumes treated during the current year were mainly due the processing of the lower grade ore from the Las Tojas deposit and the depletion of the richer grades from the UMZ. Revenues for the fourth quarter of fiscal 2009 were \$13,660 on 14,383 ounces sold compared to \$15,681 on 18,109 ounces sold for the same period in fiscal 2008 with the lower volumes sold contributing to the decline, slightly offset by higher average gold prices realized.

RISKS AND UNCERTAINTIES

The Company holds the rights to mineral concessions in Bolivia and as such is subject to the laws governing the mining industry in that country. In view of: the new constitution approved in the national referendum held on January 25, 2009; 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 in Bolivia 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 changes to governmental regulation with respect to such matters as repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership. 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 Bolivian subsidiary.

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that "nationalization" will not occur. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. If the Don Mario Mine were to be nationalized, the Company would cease to have any producing assets. Other changes in

governmental regulation or governmental actions such as those described above could also have a material adverse effect on the results of operations or financial condition of Orvana.

The Bolivian government has indicated that it intends to amend the mining code to require that, in the future, Corporacion Minera de Bolivia (“COMIBOL”), the state-owned mining company, will control Bolivian land subject to the grant of mineral concession rights. Under these amendments, an application will have to be made for new mineral concessions in the future and all concessions granted may result in some form of joint venture with COMIBOL or another government entity in the exploitation of any minerals found.

Additional recent proposed modifications to the mining code have been published by the government. One such proposal would see mineral concessions revert to the state in a time-frame depending on the length of time since any exploration work was undertaken ranging from immediate reversion for concessions not worked for more than five years to reversion after one year for concessions not worked for four years and so on.

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. Production volumes and costs can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, shortages or interruptions in supply of natural gas, water or fuel, unusual or unexpected geological formations and work interruptions. 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. Unusual or unexpected

geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages, shortages or interruptions in supply of natural gas, water or fuel, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. In addition, social unrest in areas adjacent to the Company's properties could have a material adverse effect on the Company's activities

Beyond 2010 and in the absence of new operations or reserves being added, the Company's revenue stream will depend on production from the UMZ project of the Don Mario Mine, the Copperwood project and the El Valle-Boinás/Carlés project. The UMZ project will be brought on stream following the processing of the remaining ore from the LMZ and Las Tojas projects. For any of its projects, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing.

The Company's business, results of operations and financial condition, and the trading price of its common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits; metal prices; labour costs and the supply and price of energy and other consumables; exploration; development and operating risks; natural gas; water and fuel supply; production estimates; mineral reserves and resources; title matters; reclamation costs; gold price volatility; competition; additional funding requirements; insurance; currency fluctuations; conflicts of interest and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

A high percentage of the Company's revenues, costs and assets are denominated in United States dollars, and the remainder is primarily denominated in Bolivian and Canadian currencies and, with the recent acquisition of the El Valle-Boinás/Carlés project, Euros. The Company is exposed to foreign currency fluctuations; however, management does not expect these fluctuations to have a significant impact on the Company's financial position or results.

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. It is expected that mining of the UMZ will extend the life of mine well into the next decade.

Net realizable amounts of property, plant and equipment

At September 30, 2009, the net book value of the Don Mario property, plant and equipment amounted to \$3,336 (excluding UMZ feasibility study costs capitalized of \$681 and the

Copperwood project costs of \$3,692). 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.

Asset retirement obligations

Asset retirement obligations amounting to \$2,323 relate 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 taken the decision to develop the UMZ and mining operations are expected to commence in early fiscal 2011. Management has determined that all existing infrastructure including the mills, processing plant, related structures and tailings dam will be required for mining the UMZ, thus, delaying by about 10 years the expected timing of performance of asset retirement activities. In addition, exploitation of the UMZ will affect estimates of the asset retirement obligations. The Company will prepare new estimates of the asset retirement obligations relating to the UMZ and will record the estimated liability and associated asset retirement cost in its financial statements at the time of mine start-up.

The asset retirement obligation of \$469 at September 30, 2009 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 remediation measures required were completed. On Kinbauri's acquisition of El Valle a reclamation bond of Euros 834 was deposited (restricted cash, held in a Spanish financial institution, amounting to \$1,222 at September 30, 2009), as required by Spanish mining regulations. The undiscounted amount of the estimated cash flows required to settle the Company's current obligations with respect to the El Valle-Boinás/Carlés sites is \$1,201. It is expected that this amount will be incurred in 2022. The credit-adjusted, risk-free interest rate used to discount estimated cash flows is 7.5%.

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

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

Stock-based compensation

The Company recorded stock-based compensation expense of \$474 for the year ended September 30, 2009 compared to \$199 for last year. The stock-based compensation expense is based on an estimate of the fair value of the options issued during the period, as well as Deferred Share Units ("DSU") and Restricted Share Units ("RSU") issued. The accounting for

stock options required estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

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

Also effective on October 1, 2008 the company established an RSU plan for designated executives with each RSU having the same value as an Orvana common share. Under the RSU plan certain senior executives may be awarded a portion of their bonus compensation in RSUs. The first award of RSUs under the Plan may be made in fiscal 2010 in respect of the year ended September 30, 2009 and a provision was accrued as September in respect of this.

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 the Report Date, there were 115,233,173 common shares outstanding with a stated value of \$74,777. There were also 3,191,667 stock options outstanding at the Report Date with a weighted average exercise price of Canadian \$0.89. Stock options outstanding have expiry dates ranging from 2010 to 2014.

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 September 30, 2009. 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 Gold Corp. 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 September 30, 2009. Kinbauri Gold Corp.'s net assets acquired at September 30, 2009 were \$45,068.

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

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

International Financial Reporting Standards("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will also be required to provide IFRS comparative information for the previous year. The transition from Canadian GAAP to IFRS will be applicable for the Company for its first quarter ended December 31, 2011 of fiscal 2012 when the Company will prepare both current and comparative financial information using IFRS.

The conversion to IFRS from Canadian GAAP is a significant undertaking. The implementation project consists of three primary phases.

- Initial diagnostic phase: This phase involves performing a high-level impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase was ranked as having a high, moderate or low impact on financial reporting.
- Impact analysis, evaluation and solution development phase: This phase involves the selection of IFRS accounting policies by senior management and the review by the audit committee; the quantification of the impact of the changes to existing polices on the opening balance sheet; and the development of the draft IFRS financial statements. This phase would also include the development of IFRS training programs and the identification of the changes to internal controls over financial reporting and business process and procedures
- Implementation and review phase: This phase involves the delivery of training programs to key personnel and the board members and the implementation of the required changes to information systems and business policies and procedures identified in the previous phase of the project.

The Company has completed a high level diagnostic phase during the current year and will be focusing on the impact analysis, evaluation and solution development phase during fiscal 2010, including the analysis of the elections available upon first-time adoption of IFRS that could have a significant impact on the Company's financial statements.

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.