ORVANA

MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2012

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the financial year ended September 30, 2012.

This MD&A should be read in conjunction with the consolidated audited financial statements of Orvana for the year ended September 30, 2012 and related notes thereto (the "Audited Financials").

The Audited Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The transition to IFRS required a restatement of the Company's fiscal 2011 financial information from its original Canadian GAAP basis such that the fiscal 2011 comparative information presented in the financial statements and the MD&A reflect accounting policies consistent with IFRS. Financial information for periods prior to October 1, 2010 have not been restated for the changes in accounting policies resulting from the adoption of IFRS. For the purposes of this MD&A, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles for the Company before the adoption of IFRS. Readers of the MD&A should refer to "Changes in Accounting Policies" below and to the explanation of the impact of the transition from Canadian GAAP to IFRS on the Company's consolidated financial statements in note 31 to the accompanying Audited Financials.

In this MD&A, all currency amounts (except per unit amounts) are in thousands and, unless otherwise stated, they are in thousands of United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lb". The information presented in this MD&A is as of December 20, 2012, unless otherwise stated.

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

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

Orvana

Orvana is a gold and copper producer with organic growth opportunities. Orvana's producing properties consist of (i) El Valle-Boinás/Carlés Mine (the "EVBC Mine"), a gold-copper-silver mine located in the northern part of Spain; and (ii) Upper Mineralized Zone at the Don Mario Mine (the "UMZ Mine"), a gold-copper-silver mine located in the south-eastern part of Bolivia. In addition, Orvana is in the process of permitting its Copperwood copper project (the "Copperwood Project") located in the Upper Peninsula of Michigan, United States. Orvana's focus is currently on its operations; however, the Company continues to consider growth through value-added opportunities.

Orvana is an Ontario company and its common shares ("Common Shares") are listed on The Toronto Stock Exchange under the symbol TSX:ORV.

2012 Annual Operating and Financial Highlights

- First full year of commercial production at the EVBC Mine and nine months of commercial production at the UMZ Mine.
- Major permitting milestones achieved at the Copperwood Project.

- Production of 55,929 ounces of gold, 15.4 million pounds of copper, 716,280 ounces of silver and 636,126 pounds of lead and sales of 55,052 ounces of gold, 14.7 million pounds of copper, 669,810 ounces of silver and 636,126 pounds of lead. (1)
- Consolidated revenue of $140,917 for fiscal 2012 compared to $25,085 for fiscal 2011, an increase of 462%.
- Net loss of $2,353 for fiscal 2012 compared to a net loss of $21,306 for fiscal 2011.
- Adjusted net income of $15,474 for fiscal 2012 compared to adjusted net loss of $12,671 for fiscal 2011.(2)
- Cash flows provided by operating activities of $41,705 in fiscal 2012 compared to cash flows used in operating activities of $12,623 in fiscal 2011 and cash flows provided by operating activities before changes in non-cash working capital of $33,276 in fiscal 2012 compared to cash flows used in operating activities before changes in non-cash working capital of $2,263 in fiscal 2011. (2)
- Cash and cash equivalents of $13,200 and short-term restricted cash of $16,783 at September 30, 2012.
- New executive management leadership with a new Chief Executive Officer in December 2011, Chief Financial Officer and Bolivia country manager in June 2012, Chief Operating Officer in August 2012 and Spain country manager in September 2012.

Q4 2012 Operating and Financial Highlights

- Production of 15,155 ounces of gold, 4 million pounds of copper, 277,081 ounces of silver and 636,126 pounds of lead and sales of 18,604 ounces of gold, 5.3 million pounds of copper, 289,356 ounces of silver and 636,126 pounds of lead. (1)
- Consolidated revenue of $50,608 in the fourth quarter of fiscal 2012 compared to $10,576 in the fourth quarter of fiscal 2011, an increase of 379%.
- Net loss of $2,007 in the fourth quarter of fiscal 2012 compared to net income of $8,037 in the fourth quarter of fiscal 2011.
- Adjusted net income of $12,325 compared to adjusted net loss of $4,852 in the fourth quarter of fiscal 2011.(2)
- Cash flows provided by operating activities of $29,617 in the fourth quarter of fiscal 2012 compared to cash flows provided by operating activities of $91 in the fourth quarter of fiscal 2011 and cash flows provided by operating activities before changes in non-cash working capital of $14,453 in the fourth quarter of fiscal 2012 compared to cash flows used in operating activities before changes in non-cash working capital of $1,217 in the fourth quarter of fiscal 2011. (2)

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

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

OVERALL PERFORMANCE

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

The Company's operating and financial performance for the fourth quarters ended September 30, 2012 and 2011 and the 2012, 2011 and 2010 fiscal years are summarized in the table below:

	Q4 2012	Q4 2011	2012	2011	2010
Operating Performance [1]					
Gold					
Production (oz)	**15,155**	9,336	**55,929**	19,313	27,751
Sales (oz)	**18,604**	5,520	**55,052**	16,179	28,341
Average realized price / oz [2]	**$1,666**	$1,479	**$1,659**	$1,402	$1,141
Copper					
Production ('000 lbs)	**4,058**	469	**15,366**	1,056	-
Sales ('000 lbs)	**5,259**	504	**14,730**	504	-
Average realized price / lb [2]	**$3.50**	$1.93	**$3.54**	$1.93	-
Silver					
Production (oz)	**277,081**	11,691	**716,280**	11,691	-
Sales (oz)	**289,356**	13,270	**669,810**	13,270	-
Average realized price / oz [2]	**$31.06**	$29.16	**$29.43**	$34.58	-
Financial Performance					
Revenue	**$50,608**	$10,576	**$140,917**	$25,085	$32,344
Mining costs	**$24,738**	$7,503	**$83,574**	$18,290	$21,475
Depreciation and amortization	**$3,958**	$2,706	**$15,017**	$4,079	$3,610
Gross margin	**$21,912**	$367	**$42,326**	$2,716	$7,259
Financial instruments gain (loss)	**($17,493)**	$17,139	**($26,095)**	($13,611)	-
Net income (loss)	**($2,007)**	$8,037	**($2,353)**	($21,306)	($2,431)
Net income (loss) per share (basic and diluted)	**($0.01)**	$0.07	**($0.02)**	($0.18)	$(0.02)
Adjusted net income (loss)	**$12,325**	($4,852)	**$15,474**	($12,671)	$864
Adjusted net income (loss) per share (basic and diluted) [3]	**$0.09**	($0.04)	**$0.11**	($0.11)	$0.01
Operating cash flows	**$29,617**	$91	**$41,705**	($12,623)	($8,644)
Operating cash flows before non-cash working capital changes [3]	**$14,453**	($1,217)	**$33,276**	($2,263)	$2,545
Ending cash and cash equivalents	**$13,200**	$12,244	**$13,200**	$12,244	$11,947
Restricted cash	**$18,399**	$2,275	**$18,399**	$2,275	$753
Capital expenditures (including primary mine development) [4]	**$12,572**	$14,948	**$37,718**	$59,819	$37,497

(1) Metals production and sales are from the EVBC Mine and the UMZ Mine. In addition to gold, copper and silver, during the fourth quarter of fiscal 2012, the Company produced and sold 636,126 pounds of lead.

(2) Realized metal prices are calculated by dividing gross revenue recorded for the period from sales of the particular metal, before deduction of treatment and refinement charges, by ounces of gold or silver or pounds of copper sold during the period.

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

(4) Capital expenditures for fiscal 2012 recorded in the Audited Financials are $37,718. This includes capital expenditures for the EVBC Mine for fiscal 2012 of $31,136 adjusted by an increase for finance lease payments of $1,961 and a decrease of $3,234 for capital expenditures that were incurred but unpaid at September 30, 2012. See "Cash Flows, Commitments and Liquidity - Capital Expenditures".

The EVBC Mine and the UMZ Mine reached commercial production in August 2011 and January 2012, respectively. Accordingly, comparative information, although provided, is not as meaningful in certain circumstances.

Fiscal Year Ended September 30, 2012 Compared to Fiscal Year Ended September 30, 2011

The Company recorded a loss for fiscal 2012 of $2,353 or $0.02 per share, lower by $18,953 compared to the net loss of $21,306 or $0.18 per share in fiscal 2011, impacted significantly by the following factors:

- Revenue for fiscal 2012 increased by $115,832 or 462% to $140,917 on sales of 55,052 ounces of gold, 14.7 million pounds of copper, 669,810 ounces of silver and 636,126 pounds of lead from the EVBC Mine and the UMZ Mine as compared to revenue of $25,085 on sales of 16,179 ounces of gold, 0.5 million pounds of copper and 13,270 ounces of silver from the EVBC Mine and the Don Mario Mine Las Tojas open pit mine for fiscal 2011. Average gold, copper and silver prices realized during the 2012 fiscal year were $1,659 per ounce, $3.54 per pound and $29.43 per ounce, respectively. The increase in revenue resulted from (i) higher average metal prices realized, and (ii) a full year of commercial production at the EVBC Mine and nine months of commercial production at the UMZ Mine during fiscal 2012 compared to only two months of commercial production at the EVBC Mine and production from Las Tojas gold deposit at the Don Mario Mine in fiscal 2011.
- Mining costs increased by $65,284 or 357% from $18,290 to $83,574 and depreciation and amortization increased by $10,938 or 268% from $4,079 to $15,017, primarily due to a full year of operations at the EVBC Mine and nine months of operations at the UMZ Mine in fiscal 2012. Gross margin increased by $39,610 to $42,326 or 30% of revenue for fiscal 2012 compared to $2,716 or 10.8% of revenue for fiscal 2011.
- Expenses before financial instruments loss increased by $2,741 or 20% from $13,708 in fiscal 2011 to $16,449 in fiscal 2012. This increase is primarily due to (i) an increase in finance costs of $4,283, primarily as a result of interest on the EVBC Loan (as hereinafter defined) being capitalized in fiscal 2011 and expensed in fiscal 2012 once the EVBC Mine achieved commercial production and an increase in interest costs paid on the Company's outstanding credit facilities, and (ii) a one-time expense of $3,132 payable in fiscal 2013 on the conversion of an outstanding debenture relating to a royalty associated with the EVBC Mine (the "EVBC Debenture Conversion"). See "Financial Condition Review - Liquidity, Cash Flows and Commitments - Royalties" for additional information relating to the EVBC Debenture Conversion.

  These amounts were partially off-set by (i) a decrease in general and administrative expenses of $4,580 primarily as a result of a one-time stock-based consideration expense of $5,214 recorded in fiscal 2011 for Common Shares issued to the Company's majority shareholder in consideration of amendments to its pre-emptive rights agreement and provision to the Company of a bridge loan, and (ii) higher stock-based compensation expense recorded in fiscal 2011 resulting from the issuance of stock options and restricted share units.
- The financial instruments loss of $26,095 for fiscal 2012 increased by 92% compared to the financial instruments loss of $13,611 for fiscal 2011. This loss resulted from unrealized fair value adjustments relating to the Company's outstanding financial instruments at September 30, 2012 of $20,993 (2011 - $12,336) and cash settlements costs of $5,102 in respect of the financial instruments that matured during fiscal 2012 compared to cash settlement costs of $1,275 in respect of the financial instruments that matured in fiscal 2011. The related deferred income tax recovery was $7,829 (2011 - $4,083). Of the Company's total gold and copper sales in fiscal 2012, 13% and 26%, respectively, were hedged under the gold and copper forwards as required under the EVBC Loan. See "Financial Condition Review - Financial Instruments".
- The provision for income taxes for fiscal 2012 of $2,135 (2011 - tax recovery of $3,297) increased due to greater income from higher metals sales.

The Company recorded adjusted net income of $15,474 for fiscal 2012 or $0.11 per share (2011 adjusted net loss of $12,671 or adjusted net loss per share of $0.11). Adjusted net income excludes the unrealized loss from the revaluation of the Company's financial instruments of $20,993 and the tax recovery associated therewith of $6,298 and the one-time expense associated with the EVBC Debenture Conversion of $3,132. Compared to fiscal 2011, adjusted net income increased by 222% and was significantly impacted by higher revenue from higher metals sales resulting from increased operations and higher realized metals prices, partially off-set by higher operating costs, realized financial instruments settlement costs and finance costs.

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

The Company recorded a net loss for the fourth quarter of fiscal 2012 of $2,007 or $0.01 loss per share, a decrease of $10,044 or 125%, compared to net income of $8,037 or $0.07 per share for the fourth quarter of fiscal 2011. The Company's net loss for the fourth quarter of fiscal 2012 was impacted significantly by the following factors:

- Revenue for the fourth quarter of fiscal 2012 increased by $40,032 or 379% to $50,608 on sales of 18,604 ounces of gold, 5.3 million pounds of copper, 289,356 ounces of silver and 636,126 pounds of lead from the EVBC Mine and the UMZ Mine from $10,576 on sales of 5,520 ounces of gold, 0.5 pounds of copper and 13,270 ounces of silver from the EVBC Mine in the fourth quarter of fiscal 2011. Average gold, copper and silver prices realized during the fourth quarter of fiscal 2012 were $1,666 per ounce, $3.50 per pound and $31.06 per ounce, respectively. The increase in revenue resulted from both the EVBC Mine and UMZ Mine being in commercial production during the fourth quarter of fiscal 2012 compared only two months of commercial production from the EVBC Mine in the fourth quarter of fiscal 2011.
- Mining costs increased by $17,235 or 230% from $7,503 to $24,738 and depreciation and amortization increased by $1,252 or 46% from $2,706 to $3,958, primarily due to a full 2012 fourth quarter of commercial production at both the UMZ Mine and EVBC Mine.
- Gross margin increased by $21,545 to $21,912 or 43.3% for the fourth quarter of fiscal 2012 compared to $367 or 3.5% for the fourth quarter of fiscal 2011.
- Expenses before financial instruments gain (loss) increased by $5,407 from $1,951 to $7,358 for the fourth quarter ended September 30, 2012 compared to September 30, 2011. This increase is primarily due to (i) an increase in finance costs as a result of higher expense on the EVBC Loan and other outstanding credit facilities, and (ii) $3,132 payable in fiscal 2013 connection with the EVBC Debenture Conversion.
- The Company recorded a financial instruments loss of $17,493 for the fourth quarter of fiscal 2012 compared to a financial instruments gain of $17,139 for the same period of fiscal 2011. This loss resulted from unrealized fair value adjustments relating to the Company's outstanding financial instruments at September 30, 2012 and 2011 of $16,001 and $18,414, respectively, and cash settlements costs of $1,492 and $1,275 in respect of the financial instruments that matured during the fourth quarter of fiscal 2012 and 2011, respectively. The related deferred income tax recovery was $5,248 compared to a deferred income tax expense at September 30, 2011 of $5,142. Of the Company's total gold and copper sales in the fourth quarter of fiscal 2012, 13% and 15%, respectively, were hedged under the gold and copper forwards as required under the EVBC Loan.
- The recovery for income taxes in the fourth quarter of fiscal 2012 of $932 (tax expense for September 30, 2011 - $7,518) was due to the recovery of deferred taxes on losses in the fourth quarter of fiscal 2012 compared to the deferred tax expense on gains relating to the mark-to-market revaluation of the Company's outstanding financial instruments in the fourth quarter of fiscal 2011 and the higher income in the current year.

The Company recorded adjusted net income of $12,325 for the fourth quarter of fiscal 2012 or $0.09 per share (September 30, 2011 - adjusted net loss of $4,852 or $0.04 per share). This adjusted net income excludes the unrealized losses of $16,001 from the revaluation of the Company's financial instruments and the tax effect thereof and the one-time expense of $3,132 associated with the EVBC Debenture Conversion payable in fiscal 2013.

EVBC Mine

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

The following table includes operating and financial performance data for the EVBC Mine for the third and fourth quarters of fiscal 2012, the fourth quarter of fiscal 2011 and the 2012 and 2011 fiscal years. The EVBC Mine reached commercial production in August 2011.

	Q3 2012	Q4 2012	Q4 2011	2012	2011
Operating Performance [1]					
Ore mined (tones)	161,115	**129,015**	68,595	**558,583**	203,821
Ore milled (tones)	150,711	**118,436**	94,658	**519,690**	177,926
Gold					
Grade (g/t)	3.09	**2.95**	2.04	**2.77**	1.92
Recovery (%)	93.4	**93.2**	87.5	**92.5**	87.0
Production (oz)	13,983	**10,465**	5,439	**42,864**	9,336
Sales (oz)	11,358	**13,457**	5,520	**42,837**	5,520
Copper					
Grade (%)	0.51	**0.37**	0.33	**0.41**	0.41
Recovery (%)	86.5	**82.0**	67.8	**84.1**	66.1
Production ('000 lbs)	1,468	**800**	469	**3,951**	1,056
Sales ('000 lbs)	934	**1,241**	504	**3,951**	504
Silver					
Grade (g/t)	10.43	**8.41**	7.06	**9.17**	8.64
Recovery (%)	78.4	**76.3**	54.5	**76.4**	57.8
Production (oz)	39,621	**24,718**	11,691	**117,113**	28,456
Sales (oz)	36,260	**29,098**	13,270	**106,199**	13,270
Total cash costs (by-product) ($/oz of gold sold) [2]	$806	**$720**	$1,370	**$854**	$1,370
Total production costs (by-product) ($/oz of gold sold) [2] [4]	$982	**$987**	$1,778	**$1,071**	$1,778
Financial Performance [1]					
Revenue	$20,845	**$25,718**	$10,473	**$82,239**	$10,473
Mining costs [3]	$13,664	**$13,156**	$7,242	**$47,615**	$7,242
Depreciation and amortization [4]	$2,730	**$3,971**	$2,754	**$11,754**	$2,754
Financial instruments gain (loss)	$10,621	**($17,493)**	$17,139	**($26,095)**	($13,611)
Income (loss) before tax [2]	$15,100	**($9,961)**	($15,727)	**($6,506)**	($14,519)
Adjusted income (loss) before tax	$2,947	**$6,040**	($2,687)	**$14,487**	($2,184)
Capital expenditures (including primary mine development) [4]	$6,976	**$9,457**	$5,714	**$31,136**	$45,924

(1) The EVBC Mine commenced commercial production on August 1, 2011. Information relating to production and sales for fiscal 2011 includes production and sales for the start-up and commissioning period of May to July 2011. Sales for May to July 2011 were credited against capitalized commissioning costs and sales for August and September 2011 were recorded as revenue.

(2) Total cash costs (by-product) and total production costs (by-product) per ounce of gold sold and adjusted income (loss) before tax are non-IFRS performance measures with no standard definition under IFRS. For further information and a detailed reconciliation, please see the "Other Information - Non-IFRS Measures" section of this MD&A. Adjusted income before tax includes realized expenses in connection with financial instruments settled during the period but does not include the mark-to-market fair value adjustments of the Company's outstanding financial instruments at the end of the period. See also "Other Information - Financial Instruments" below.

(3) The information for the third quarter of fiscal 2012 includes $2,134 of costs that were incurred in the second quarter of fiscal 2012 but were recorded in the third quarter of fiscal 2012.

(4) Capital expenditures include primary mine development expenditures which have been capitalized during the period. In fiscal 2012, the Company capitalized $14,026 in respect of primary mine development expenditures. Depreciation and amortization recorded in the fourth quarter of fiscal 2012 includes an adjustment for depreciation and amortization in respect of the full fiscal 2012. Total production costs (by-product) for the fourth quarter of fiscal 2012 are higher as a result of this higher depreciation adjustment recorded in the period ($85 per sold ounce).

Operating Performance

During fiscal 2012, the EVBC Mine produced 42,864 ounces of gold, 4.0 million pounds of copper and 117,113 ounces of silver compared to 9,336 ounces of gold, 1.1 million pounds of copper and 28,456 ounces of silver in fiscal 2011, as a result of a full year of production from the EVBC Mine in fiscal 2012 and only two months of commercial production in fiscal 2011.

Total cash costs (net of by-product revenue) of $854 per ounce of gold sold in fiscal 2012 were 38% or $516 lower than in 2011 due to increased gold sales, a weaker Euro against the US dollar reducing operating costs, higher realized metals prices on the sale of copper and silver by-products and lower operating costs per milled tonne.

Total production costs (by-product) represent total cash costs (by-product) plus depreciation and amortization costs recorded in the period. Total production costs (net of by-product revenue) of $1,071 per ounce of gold sold were 40% or $707 lower than in fiscal 2011 for the aforementioned reasons, partially off-set by an increase in depreciation of primary mine development costs incurred in fiscal 2011 and 2012.

During the fourth quarter of fiscal 2012, the EVBC Mine produced 10,465 ounces of gold, 0.8 million pounds of copper and 24,718 ounces of silver compared to (i) 5,439 ounces of gold, 0.5 million pounds of copper and 11,691 ounces of silver during the fourth quarter of fiscal 2011 when the EVBC Mine was in commercial production for only two months of the quarter, and (ii) 13,983 ounces of gold, 1.5 million pounds of copper and 39,621 ounces of silver during the third quarter of fiscal 2012.

The decrease in production in the fourth quarter compared to the third quarter of fiscal 2012 is due to a 20% decrease in tonnage mined and milled as a result of certain ground instability issues and power outages that hindered dewatering and a decrease in grade due to higher dilution. The Company has resolved most of these issues by the implementation of alternative bolting methods and the installation of a new pumping system supported by a separate power supply from the surface. The EVBC Mine made further progress during the fourth quarter of fiscal 2012 and into the first quarter of fiscal 2013 in primary mine development advancements in both oxide and skarn areas in order to have sufficient stopes available for mining.

The shaft was commissioned during the fourth quarter of fiscal 2012 and became operational during the first quarter of fiscal 2013. The operation of the shaft was delayed due to modifications of certain designs that were not functionally efficient, work required for certification by regulatory authorities, including security and safety inspections by third party contractors, and necessary regulatory approvals of all training documents and training requirements for the Company's personnel.

Total cash costs (net of by-product revenue) of $720 per ounce of gold sold in the fourth quarter of fiscal 2012 were 47% or $650 lower than in the fourth quarter of fiscal 2011 due to increased gold sales ($334 per ounce, or 51%) and higher realized metals prices on the sale of copper and silver by-products and lower operating costs per milled tonne ($316 per ounce, or 49%) as the EVBC Mine was in commercial production for only two months of the fiscal 2011 fourth quarter.

Total cash costs (net of by-product revenue) of $720 per ounce of gold sold in the fourth quarter of fiscal 2012 were 11% or $86 lower than in the third quarter of fiscal 2012. This decrease is due to lower mining cost of sales per ounce of gold sold as 2,099 ounces of gold sold in the period were from inventory ($47 per ounce, or 55%), higher by-product revenue due to higher sales of copper and higher realized copper and silver prices ($28 per ounce, or 33%) and lower transportation, treatment charges and deductions for the metals sold ($11 per ounce, or 12%).

Total production costs (net of by-product revenue) per ounce of gold sold of $987 were $791 or 44% lower than in the fourth quarter of fiscal 2011. These variances result from an increase in depreciation and amortization expenses recorded in fiscal 2012 due to higher primary mine development expenses incurred and capitalized in fiscal 2012 and 2011.

Financial Performance

Revenue for fiscal 2012 increased by $71,766 or 685% to $82,239 on sales of 42,837 ounces of gold, 3.9 million pounds of copper and 106,199 ounces of silver from $10,473 on sales 5,520 ounces of gold, 0.5 million pounds of copper and 13,270 ounces of silver in fiscal 2011. Average gold, copper and silver prices realized during fiscal 2012 were $1,663 per ounce, $3.56 per pound and $28.55 per ounce, respectively. Mining costs increased by $40,374 or 557% from $7,242 to $47,616, depreciation and amortization increased by $7,060 or 314% from $2,250 to $9,310 and royalties increased by $2,031 to $2,471. These increases resulted from a full year of operations at the EVBC Mine during fiscal 2012 compared to only two months of commercial production operations in fiscal 2011.

Loss before tax for fiscal 2012 was $6,506 compared to a loss before tax of $14,519 in fiscal 2011. Adjusted income before tax was $14,487 in 2012 compared to an adjusted loss of $2,184 in 2011. Adjusted income/loss before tax excludes the loss of $20,993 and $12,336 resulting from the unrealized fair value adjustments relating to the Company's outstanding financial instruments and the related tax recovery at September 30, 2012 and 2011, respectively. Of the total sales of gold and copper in fiscal 2012 from the EVBC Mine, 16% and 79%, respectively, were hedged as required under the EVBC Loan.

Total capital expenditures at the EVBC Mine for fiscal 2012 were $31,136 including $14,026 for primary mine development, $11,122 for construction of the shaft and associated facilities, $3,119 for the high wall push-back and $2,869 relating to the tailings dam lift and other sustaining capital.

Revenue from the EVBC Mine for the fourth quarter of fiscal 2012 increased by $15,245 or 146% to $25,718 on sales of 13,457 ounces of gold, 1.2 million pounds of copper and 29,098 ounces of silver from $10,473 on sales of 5,520 ounces of gold, 0.5 million pounds of copper and 13,270 ounces of silver in the fourth quarter of fiscal 2011. Average gold, copper and silver prices realized during the fourth quarter of fiscal 2012 were $1,653 per ounce, $3.53 per pound and $30.45 per ounce, respectively. The increase in revenue resulted from full operations during the fourth quarter of fiscal 2012 compared to only two months of commercial production operations in the fourth quarter of fiscal 2011.

The cost of sales during the fourth quarter was $17,127 including mining costs of $12,331, depreciation and amortization expense of $3,971 and royalties of $825. These costs are higher by $7,131 due to a full fourth quarter of operations in fiscal 2012 compared to two months of ramp-up commercial productions operations in the fourth quarter of fiscal 2011. These higher costs were off-set by a decrease in the Euro (being the currency in which operating costs are incurred) relative to the US dollar combined with improved mine efficiencies and production. This increase was also impacted by higher depreciation and amortization costs due to the additional capitalization of expenditures in fiscal 2012 including primary mine development and an increased depreciation adjustment relating to the full fiscal 2012 recorded in the fourth quarter.

Loss before tax for the fourth quarter of fiscal 2012 was $9,961 compared to a loss before tax of $15,727 for the fourth quarter of fiscal 2011. Adjusted income before tax was $6,040 and excludes the loss before tax of $16,001 resulting from the unrealized fair value adjustments relating to the Company's outstanding financial instruments at September 30, 2012 and the related tax recovery. Of the total gold and copper sales during the fourth quarter of fiscal 2012 from the EVBC Mine, 17% and 99%, respectively, were hedged as required under the EVBC Loan.

Total capital expenditures at the EVBC Mine during the fourth quarter of fiscal 2012 were $9,457 consisting of $3,677 for primary mine development, $3,766 for construction generally related to the shaft and associated facilities and $2,014 relating to mining properties and sustaining capital.

Reserves and Resources Estimates

In February 2012, the Company announced updated resource and reserve estimates, operations, and drill results for the EVBC Mine in the "Technical Report for the El Valle/Boinás-Carlés Gold Deposits: Updated Reserve Estimate and Mine Plan" prepared in accordance with *National Instrument 43-101 - Standards of Disclosure for Mineral Projects* ("NI 43-101"). This report was prepared by Ore Reserves Engineering of Denver, Colorado, under the supervision of A. Noble, P.E., and A. Wheeler, C.Eng., both of whom are independent qualified persons for the purposes of NI 43-101 and W.C. Williams, Ph.D., CPG, President and Chief Executive Officer of the Company, who is a qualified person but not independent for the purposes of NI 43-101. At November 30, 2011, the EVBC Mine contained (i) proven reserves of 1.92 million tonnes at 2.97 grams per tonne gold and 0.65% copper, and (ii) probable reserves of 5.75 million tonnes at 3.40 grams per tonne gold and 0.47% copper, and measured and indicated resources, including reserves, of 2.71 million tonnes at 3.99 grams per tonne gold and 0.75% copper and 5.62 million tonnes at 5.26 grams per tonne gold and 0.60% copper, respectively. The Company expects to update its reserve and resource estimates and will include this information in its annual information form for its 2012 fiscal year to be filed prior to December 29, 2012.

UMZ Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the UMZ Mine in south-eastern Bolivia. Fiscal 2009 marked the last year of production from the Company's low-cost Lower Mineralized Zone underground gold mine at Don Mario with some gold production from the lower-grade satellite deposit, Las Tojas, continuing into fiscal 2010 and 2011. The Company is now mining the UMZ Mine as an open-pit mine. The UMZ Mine reached commercial production in January 2012, thus sales therefrom were recorded as revenue for the full second, third and fourth quarters of fiscal 2012.

A Leach-Precipitation-Flotation ("LPF") circuit, which included conventional flotation circuits, was installed to process the oxide and transition ores from the UMZ Mine. As a result of higher than expected acid consumption, it was realized that the LPF process could not be run on a continuous basis monthly as the sulphuric acid plant could not supply the necessary quantities to operate the mill at high availability. In March 2012, the Company commenced processing the transition ore, which includes both copper in oxide minerals and copper in sulphide minerals, by flotation-only as well as oxides through the LPF process. Processing ore through both the LPF and flotation-only circuits allows the plant to operate at greater than 90% availability. As a result of the LPF low copper recovery, gold-silver doré cannot be produced. The Company is continuing to work on improvement of metal recoveries.

The following table includes operating and financial performance data for the UMZ Mine for the third and fourth quarters of fiscal 2012 and the 2012 and 2011 fiscal years. The UMZ Mine was not in commercial production during the third and fourth quarters of fiscal 2011, accordingly, this comparative information has not been provided.

	Q3 2012	Q4 2012	2012	2011
Operating Performance [1]				
Ore mined (tones)	343,450	**336,772**	**1,178,809**	279,620
Ore milled (tones)	179,923	**191,725**	**594,054**	279,620
Gold				
Grade (g/t)	1.92	**1.55**	**1.75**	1.37
Recovery (%)	39.2	**49.2**	**39.1**	80.1
Production (oz)	4,361	**4,691**	**13,065**	9,977
Sales (oz)	5,484	**5,147**	**12,215**	10,659
Copper				
Grade (%)	1.83	**1.65**	**1.76**	-
Recovery (%)	49.7	**46.7**	**49.4**	-
Production ('000 lbs)	3,612	**3,259**	**11,415**	-
Sales ('000 lbs)	4,520	**4,018**	**10,779**	-
Silver				
Grade (g/t)	87.58	**75.23**	**81.17**	-
Recovery (%)	41.3	**54.4**	**38.6**	-
Production (oz)	209,287	**252,364**	**599,167**	2,218
Sales (oz)	247,975	**260,054**	**563,611**	2,418
Total cash costs (co-product) ($/lb) copper [2]	$2.35	**$1.92**	**$2.39**	-
Total cash costs (co-product) ($/oz) gold [2]	$1,119	**$969**	**$1,143**	1,033
Total cash costs (co-product) ($/oz) silver [2]	$21.20	**$18.69**	**$22.00**	-
Financial Performance				
Revenue	$22,846	**$24,889**	**$58,678**	$14,612
Mining costs	$14,193	**11,581**	**$35,959**	$11,048
Depreciation and amortization [3]	$2,073	**($13)**	**$3,263**	$1,325
Income (loss) before tax	$6,315	**$12,116**	**$17,060**	($253)
Capital expenditures	$197	**$1,164**	**$1,969**	$16,139

(1) The UMZ Mine commenced commercial production on January 1, 2012. Information relating to production and sales for fiscal 2011 includes production and sales from Las Tojas deposit of the Don Mario Mine but does not include production from the UMZ Mine during the start-up and commissioning period. Information relating to production for fiscal 2012 includes production from the UMZ Mine during the start-up and commissioning period in the first quarter of fiscal 2012. Sales for the first quarter of fiscal 2012 from the UMZ Mine were credited against capitalized commissioning costs and sales from January 1, 2012 onwards were recorded as revenue.

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

(3) Depreciation and amortization costs for the fourth quarter of fiscal 2012 include a reduction of $2,234 as a result of higher depreciation and amortization expenses recorded in prior quarters.

Operating Performance

During fiscal 2012, the UMZ Mine produced 13,065 ounces of gold, 11.4 million pounds of copper, 599,167 ounces of silver and 636,126 of lead. The UMZ Mine was not in commercial production in 2011.

Total cash costs (co-product) were $1,143 per ounce of gold, $2.39 per pound of copper and $22 per ounce of silver for fiscal 2012. This does not include the first quarter when the UMZ Mine was not in commercial production.

During the fourth quarter of fiscal 2012, the UMZ Mine produced a high-lead copper concentrate, an oxide cement, a lead concentrate and a talc-rich precious-metals concentrate. The oxide cement is contracted for sale to the end of fiscal 2014 and a contract renewal for the copper concentrate is being finalized. Any lead or talc-rich precious-metals concentrates, if produced in the future, will be sold on a spot basis.

The Company plans to process oxide ore through the LPF circuit for approximately 15 days every quarter followed by approximately 75 days of flotation-only processing of transition ore at throughputs of approximately 1,800 and 2,700 tonnes per day, respectively, and at approximately 90% availability. There was one LPF-process campaign during the fourth quarter of fiscal 2012.

During the fourth quarter of fiscal 2012, the UMZ Mine produced 4,691 ounces of gold, 3.2 million pounds of copper, 252,364 ounces of silver and 636,126 pounds of lead compared to 4,361 ounces of gold, 3.6 million pounds of copper and 209,287 ounces of silver in the third quarter of fiscal 2012. The UMZ Mine was not in commercial production in the fourth quarter of fiscal 2011. Although the tonnes mined in the fourth quarter of fiscal 2012 decreased from the third quarter, there was a 6% increase in the tonnes milled from the use of ore in stockpiles. Production in the fourth quarter compared to the third quarter of fiscal 2012 (i) of gold increased by 7% as a result of a 6% increase in throughput and 20% higher recovery partially off-set by a 24% decrease in grade, (ii) of copper decreased by 11% as a result of 11% lower grade and 6% lower recovery partially off-set by higher throughput of 6%, and (iii) of silver increased by 17% as a result of 6% higher throughput and 24% higher recovery partially off-set by 16% lower grade.

For the fourth quarter of fiscal 2012, total cash costs (co-product) were $969 per ounce of gold or 16% lower, $1.92 per pound of copper or 24% lower and $18.69 per ounce of silver or 14% lower compared to $1,119 per ounce of gold, $2.35 per pound of copper and $21.20 per ounce of silver for the third quarter of fiscal 2012. These decreases are generally due to more stable and optimized plant operations for both the LPF and flotation processes. The decrease in the total cash costs (co-product) from the third quarter to the fourth quarter of fiscal 2012 of $150 per ounce of gold sold and $0.43 per pound of copper sold are also due to lower sales off-set by higher realized metal prices, lower cost of sales attributable to lower volumes sold, one less LPF campaign and lower refinement charges. The decrease of $2.51 per ounce of silver sold is also due to increased sales, higher realized silver prices and by-product revenue from sales of lead in the fourth quarter of fiscal 2012 applied against the mining costs allocated to the silver sales.

Financial Performance

Revenue for fiscal 2012 from the UMZ Mine increased by $44,066 or 302% to $58,678 on sales of 12,215 ounces of gold, 10.8 million pounds of copper, 563,311 ounces of silver and 626,326 pounds of lead from $14,612 on sales of 10,659 ounces of gold and 2,418 ounces of silver from Las Tojas deposit in fiscal 2011. Average gold, copper and silver prices realized during the 2012 fiscal year were $1,645 per ounce, $3.53 per pound and $29.60 per ounce, respectively. The increase in revenue resulted from nine months of operations at the UMZ Mine during fiscal 2012 compared to no commercial operations at the UMZ Mine in fiscal 2011 and commercial operations at Las Tojas deposit for only part of fiscal 2011.

Mining costs increased by $24,911 or 226% from $11,048 to $35,959, depreciation and amortization increased by $1,938 or 146% from $1,325 to $3,263 and royalties increased by 243% to $6,399 for the same reasons. Income before tax for fiscal 2012 was $17,060 compared to a loss before tax of $253 in fiscal 2011.

Total capital expenditures at the UMZ Mine for fiscal 2012 were $1,969 primarily related to the tailings dam lift and the purchase of certain equipment.

Revenue from the UMZ Mine for the fourth quarter of fiscal 2012 was $24,889 on sales of 5,147 ounces of gold, 4 million pounds of copper, 260,054 ounces of silver and 353,000 pounds of lead. The Company did not record any revenue from the UMZ Mine in the fourth quarter of fiscal 2011 as it was not in commercial production during that period. Average gold, copper and silver prices realized during the fourth quarter of fiscal 2012 were $1,700 per ounce, $3.49 per pound and $31.13 per ounce, respectively.

The cost of sales during the fourth quarter of fiscal 2012 was $11,568 including mining costs of $9,287, royalties of $2,294 and negative depreciation and amortization of $13. The reduction in depreciation expense of $2,234 in the fourth quarter of fiscal 2012 was due to higher depreciation expenses recorded in prior quarters. These costs are higher than in the fourth quarter of fiscal 2011 as the UMZ Mine was not in commercial production during that period. These costs are lower by 29% compared to the third quarter of fiscal 2012 as a result of a decrease in mining costs and royalties due to one LPF campaign in the fourth quarter compared to two LPF campaigns in the third quarter and lower royalties as a result of lower gold and copper sales. These variations are off-set by the reduction in depreciation and amortization expense recorded in the fourth quarter.

Income before tax for the fourth quarter of fiscal 2012 was $12,116 compared to a loss before tax of $550 in the fourth quarter of fiscal 2011 when the UMZ Mine was not in commercial production and a loss before tax of $6,315 in the third quarter of fiscal 2012, an increase of 92%.

Total capital expenditures at the UMZ Mine during the fourth quarter of fiscal 2012 were $1,164 primarily related to the tailings dam raise and the purchase of certain equipment.

Reserves Estimates

In December 2012, the Company announced, pursuant to an updated resource and reserve estimate for the UMZ Mine prepared in accordance with NI 43-101, that at October 1, 2012, the UMZ Mine contained (i) proven reserves of 1.59 million tonnes at 1.26 grams per tonne gold, 1.23% copper and 40 grams per tonne silver, and (ii) probable reserves of 2.74 million tonnes at 1.27 grams per tonne gold, 1.28% copper and 40 grams per tonne silver. Estimated measured and indicated resources, including reserves, at the UMZ Mine were 1.72 million tonnes at 1.28 grams per tonne gold, 1.23% copper and 39 grams per tonne silver and 3.26 million tonnes at 1.32 grams per tonne gold, 1.32% copper and 39 grams per tonne silver, respectively. This updated estimate was prepared under the supervision of Francisco Alcalde Garmendia of Kminante Consultores in Santiago, Chile, who is a qualified person for the purposes of NI 43-101 and is independent of Orvana. The compilation of production information was prepared by W.C. Williams, Ph.D., CPG, President and Chief Executive Officer of the Company, who is a qualified person but not independent for the purposes of NI 43-101.

Copperwood Project

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

In February 2012, the Company announced results of an NI 43-101-compliant feasibility study completed under the supervision of Joseph Keane, P.E., Steve Milne, P.E., and David List, P.E., each of whom is an independent qualified person for the purposes of NI 43-101, “Feasibility Study of the Copperwood Project, Upper Peninsula, Michigan, USA” (the “Copperwood Technical Report”). The estimated reserves from the Copperwood Technical Report are summarized in the table below:

	Million short tons[1]	Cu %	Cu Million lbs	Ag g/t	Ag Million oz
Proven	23.14	1.46	676	3.98	2.96
Probable	7.09	1.21	173	2.44	0.56
Total Proven & Probable	30.23	1.41	849	3.63	3.52

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

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

Summary of Key Financial Parameters					
Copper prices per pound	$2.50	$2.75	$3.00	$3.25	$3.50
Silver prices per ounce	$17.50	$20.00	$22.50	$25.00	$27.50
Net present value @ 8%, (US $000's)	$30,799	$104,365	$177,587	$246,905	$313,079
IRR (after corporate taxes) [1]	11.0%	17.2%	22.8%	27.9%	32.6%
Payback in years	6.2	5.2	4.6	4.2	3.8

(1) Property tax liabilities are not included since no assessment has been completed.

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

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

The Company has achieved the following major permitting milestones:

- In April 2012, it received its mining permit from the Michigan Department of Environmental Quality ("MDEQ"), as prescribed by Part 632 of the Non-Ferrous Metallic Mining regulation of the State of Michigan. This permit is an important step in obtaining all regulatory approvals for the Copperwood Project and indicates that the State of Michigan considers the project to have met all the necessary criteria to operate a mine in a responsible manner.
- In June 2012, the Wetlands Permit (Clean Water Act Section 404 Permit), the waste-water discharge permit, or National Pollutant Discharge Elimination Systems permit applications were the subject of a public hearing.
- In July 2012, it received the Permit to Install, or Air Quality Permit, from the MDEQ, Air Quality Division.
- In November 2012, it received the National Pollutant Discharge Elimination System permits for treated sanitary and process wastewaters from the MDEQ.

In November 2012, the Company announced, in cooperation with the MDEQ, that it agreed to withdraw the Wetland Permit application in order to provide more time for review by the MDEQ and the Environmental Protection Agency ("EPA"). The permit application was re-submitted at the end of November 2012, with expectations of a final decision before the end of January 2013. As prescribed by Parts 301 and 303 of the State of Michigan regulations, a draft of the Wetland Permit application was submitted in October 2011 and since then the Company and the MDEQ have worked tirelessly to move the application through the review process. The extension allows the EPA more time to review the permit application and its modifications as agreed upon by the Company and MDEQ.

Total capital expenditures in respect of the Copperwood Project during the fourth quarter of fiscal 2012 were $2,597 for a total of $5,842 in fiscal 2012. Orvana is continuing to investigate a variety of possible options to enhance the value of the Copperwood Project to Orvana's shareholders, including financing options such as the sale of an equity interest and debt and equity financing should it determine to proceed to bring the Copperwood Project into production.

Other Exploration Properties

There is certain exploration potential in the concessions adjacent and proximal to each of the EVBC Mine and the UMZ Mine. After review of all available technical data, an experienced consultant recommended drilling of various targets that the Company is currently considering. At the UMZ Mine, four areas of interest were identified for additional surface sampling and possible further drilling. Apart from this exploration potential, the Company was awarded an Investigation Permit on the Lidia prospect in Spain. This area encompasses 2,560 hectares in the Navelgas Gold Belt of northern Spain, 30 kilometres from the EVBC Mine. The Lidia prospect, formerly known as the Linares prospect, is considered prospective for skarn-hosted mineralization and intrusive-related gold mineralization.

Market Review and Trends

Metal Prices

The market prices of gold and copper are the primary drivers of Orvana's earnings and ability to generate free cash flow. During the fourth quarter of fiscal 2012, the gold price experienced continued volatility, with the price ranging from $1,556 to $1,784 per ounce and an average quarterly market price of $1,654 per ounce. Orvana's average gold realized price for the fourth quarter of fiscal 2012 was $1,666 per ounce and $1,659 per ounce for fiscal 2012. Historically, the price of gold has risen when United States short rates are negative. The Company believes this will continue to be the case for the next several years. In the last few years, in the wake of the financial crisis, developed economy central banks relaxed monetary policy resulting in an increase in the demand for hard assets such as gold. Orvana expects a continuation of these trends and a flat mine supply to result in a continued upside for the price of gold.

Copper prices also experienced continued volatility during the fourth quarter of fiscal 2012, trading in a range of $3.32 to $3.81 per pound with an average quarterly market price of $3.50 per pound. Orvana's average copper realized price for the fourth quarter of fiscal 2012 was $3.50 per pound and $3.54 per pound for fiscal 2012. Global copper demand is expected to increase slightly in 2013 including China and decrease slightly excluding demand and usage in China. With some copper mine expansions and project start-ups occurring in 2013, mine production is expected to increase by more than the expected increase in demand resulting in a potential surplus in the year. However, deferrals and delays in projects have postponed most of the anticipated new supply until 2014 and later.

Silver prices do not significantly impact Orvana's current financial results. In the fourth quarter, silver prices traded in a range from $26.67 per ounce to $34.71 per ounce with an average quarterly market price of $29.90 per ounce. Orvana expects prices to remain in this range in the near term. Orvana's average realized silver price for the fourth quarter of fiscal 2012 was $31.06 per ounce and $29.42 per ounce for fiscal 2012.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the US dollar/Euro exchange rate which impacts operating and administration costs of the EVBC Mine. Orvana's cost of sales and expenses in the second and third quarters of fiscal 2012 were positively

impacted by historical lows reached by the Euro against the US dollar. Increased business confidence due to positive economic news from Germany and a possible updated agreement on Greece's long-term debt have caused the Euro to rise recently from historical lows. Orvana expects continued volatility in the near future in the Euro for various reasons including the continuation of the uncertainties surrounding Greece as well as the regional elections in Spain, which may lead to the success of pro-regional independence parties and concerns of Spain's continuation in the European Union.

Orvana has outstanding currency contracts on $65,000 at a contract price of USD/EUR of $1.38 until December 2015 required under the EVBC Loan. See "Financial Condition Review - Financial Instruments". Orvana paid $332 during the fourth quarter of fiscal 2012 and $885 for fiscal 2012 to settle currency forward contracts that matured during these periods. Fluctuations in the US dollar increase the volatility of Orvana's costs, which are primarily incurred in Euros and reported in US dollars, and the amount required to settle Orvana's currency financial instruments.

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

Outlook

Orvana's short-term focus is operational optimization at the EVBC Mine and the UMZ Mine to generate increasing operating cash flows in order to pay down debt as well as possibly advance the development of the Copperwood Project. Fiscal 2012 guidance for production was 60,000 ounces of gold, 16.53 million pounds of copper and 700,000 ounces of silver. Mostly due to the delays related to the commissioning of the EVBC shaft and other operational issues at the EVBC Mine, production for fiscal 2012 was 55,929 ounces of gold, 15.4 million pounds of copper and 716,280 ounces of silver. Fiscal 2013 guidance for production is 75,000 ounces of gold, 18 million pounds of copper and 850,000 ounces of silver.

Fiscal 2012 total EVBC Mine production was 42,864 ounces of gold (guidance of 47,500), 3.95 million pounds of copper (guidance of 4.41 million) and 117,113 ounces of silver (guidance of 125,000). Mine life is projected at 10 years. Beyond 2012, Orvana will continue to work on improving head grade, increasing gold production and reducing total cash costs (net of by-product revenue) per ounce of gold. The shaft should allow for more efficient ore haulage resulting in improved flexibility, increased mine production and cost optimization. Orvana will also investigate alternatives to maximize the mill throughput and enhance recoveries. Fiscal 2013 guidance for production from the EVBC Mine is 63,000 ounces of gold, 6 million pounds of copper and 200,000 ounces of silver.

Fiscal 2012 total UMZ Mine production was 13,065 ounces of gold (guidance of 12,500), 11.42 million pounds of copper (guidance of 11.1 million) and 599,167 ounces of silver (guidance of 575,000). During fiscal 2013, the Company's focus at the UMZ Mine will be on improving recoveries. Fiscal 2013 guidance for production from the UMZ Mine is 12,000 ounces of gold, 12 million pounds of copper and 650,000 ounces of silver.

The Copperwood permitting process continues into fiscal 2013. Orvana is continuing to investigate a variety of possible options to enhance the value of the Copperwood Project to Orvana's shareholders including financing options such as the sale of an equity interest and debt and equity financing should it determine to proceed to bring the Copperwood Project into production.

Orvana's long-term focus is to utilize future cash flow and mining capabilities to build long-term value for its shareholders specifically through organic growth and possibly through certain strategic acquisitions primarily focused on advanced-stage gold and/or copper properties.

Environment, Health, Safety and Social Practices

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

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

Orvana is committed to developing and operating its mines and projects, including reclamation efforts, in full compliance with 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 and reforestation efforts and the establishment of water sources for wildlife. The Company monitors the water and air quality on a frequent basis at the EVBC Mine and the UMZ Mine. Third parties sample and analyze both surface and ground water following protocols established by the applicable regulatory authorities in order to provide the necessary information. Any regulated elements whose values are not in compliance in the subject jurisdictions are quickly located and evaluated. The evaluations are presented to the regulatory authorities and remedial actions approved and executed. To date, although certain parameters have not always been in compliance at the Company's operations, explanations have been provided to the respective regulatory authorities and there are no material outstanding matters. The Company has not been sanctioned for material environmental non-compliance at any of its sites.

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

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 these objectives. The Company has supported the communities surrounding the EVBC Mine by donating funds to the local municipality of Belmonte to re-open the historic exhibition of gold mining in the area and supports other cultural and sporting activities in the communities of Belmonte and Salas. In addition, the Company has funded the re-stocking of fish species into the local rivers surrounding the mines.

In the Chiquitos Province of Bolivia where the UMZ Mine is located, the Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to the improvement of their standard of living. In 2011, Orvana renewed its support of $1,785 to the local communities for a five year period. Projects supported by Orvana include supervision of and financial support for community development projects such as utilities and parks, education and information technology, cultural events, community business development initiatives and maintenance of community roads.

In support of the social and economic well-being of the communities surrounding the Copperwood Project in Michigan, Orvana provides four scholarships each year to Gogebic County high school students to further their education at the university level. In addition, Orvana has made contributions to the local fire departments for the purchase of equipment and has sponsored certain local sporting events.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

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

	September 30, 2012	September 30, 2011
Cash and cash equivalents	**$13,200**	$12,244
Restricted cash (short term)	**16,783**	-
Non-cash working capital (1)	**(626)**	3,227
Total assets	**$286,134**	$239,957
Long-term debt (net of financing fees) (2)	**56,623**	47,817
Obligations under finance leases	**2,044**	4,179

	September 30, 2012	September 30, 2011
Total liabilities	**$160,320**	$112,495
Shareholders' equity	**$125,814**	$127,462

(1) Non-cash working capital represents current assets of $39,491 (not including cash and cash equivalents and short-term restricted cash totaling $29,983) less $40,117 in current liabilities comprised of accounts payable and accrued liabilities and income taxes payable (not including bank debt, short-term debt, current portion of long-term debt, obligations under finance leases and financial instruments).

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

Total assets increased by $46,177 or 19% to $286,134 at September 30, 2012 from $239,957 at September 30, 2011. This increase primarily reflects (i) an increase in property, plant and equipment of $10,275 due to capital expenditures of $37,718 for the construction of the shaft and primary mine development at the EVBC Mine, the capitalization of commissioning costs at the UMZ Mine and expenditures associated with the Copperwood Project off-set by depreciation of $15,017 and an amount of $6,459 recorded in the fourth quarter of fiscal 2012 in respect of an anticipated government subsidy which should be received for the completed EVBC Mine development, (ii) an increase in inventory of $6,124 primarily due to an increase in materials and supplies of $5,203 and an increase of ore in stockpiles, (iii) an increase in concentrate and doré sales receivables of $7,370 as both the EVBC Mine and the UMZ Mine are now in commercial production and an increase in short-term and long-term receivables of $6,465 in respect of the EVBC Mine government subsidy, and (iv) an increase in the current portion of restricted cash of $16,783 which includes cash restricted under the EVBC Loan for two periods principal and interest payments of $8,806, one period of royalty payments of $884 and €5,000 ($6,456) in connection with an environmental bond which may have to be deposited with regulatory authorities in Spain.

Total liabilities increased by $47,825 or 42% to $160,320 at September 30, 2012 from $112,495 at September 30, 2011. This increase is largely due to an increase in (i) the fair value liability associated with outstanding financial instruments of $20,993, (ii) accounts payable and accrued liabilities of $13,095 due to an increase in accounts payable of $7,211 resulting from the EVBC Mine and the UMZ Mine being in commercial production at the end of fiscal 2012, timing differences between the expenditures being incurred and the payment thereof, certain delays in the payment of accounts payable and an increase in accrued liabilities of $5,884 primarily due to the EVBC Debenture Conversion estimated at $3,132 and payable commencing in the second quarter of fiscal 2013, (iii) long-term debt of $8,806 due to an increase in the EVBC Loan, (iv) income taxes payable of $5,209 related to the UMZ Mine, (v) short-term debt of $4,171 due under the Fabulosa Loan (defined below), and (vi) bank debt of $1,164 due to increased borrowings in respect of the UMZ Mine.

Orvana's outstanding credit facilities are set out below:

At September 30, 2012 (1)	Limit	Balance Outstanding
EVBC Loan	$60,438	$60,438
EMIPA short-term credit facilities (2)	8,500	7,581
Fabulosa Loan (3)	$11,500	$4,171

(1) The balance outstanding as at the date of the MD&A under each of the EVBC Loan, the EMIPA short-term credit facilities and the Fabulosa Loan was $57,672, $9,552 and $5,671, respectively. The Company's recorded long-term debt under the EVBC Loan at September 30, 2012 in the Audited Financials was $44,706 and the current portion thereof was $11,917 for a total of $56,623. This represents the balance outstanding under the EVBC Loan at September 30, 2012 of $60,438 net of financing fees.

(2) EMIPA short term credit facilities are with two Bolivian banks and are payable in 60 to 180 days with annual interest ranging from 7.0% to 7.5% with certain of EMIPA's assets pledged as security against these loans (September 30, 2011 - $6,417). The credit facilities are not guaranteed by Orvana. The proceeds were used to finance EMIPA's working capital needs. Excludes bank guarantees of $633 (September 30, 2011 - $1,897) related to refunded value-added taxes and chemical and natural gas purchases.

EVBC Loan

In October 2010, Kinbauri, a subsidiary of the Company, entered into a $50,000 five-year term corporate credit facility (the "EVBC Loan"). The funds were primarily used to complete the construction of the EVBC Mine. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased

by $13,844 including approximately $6,465 (€5,000) to fund an environmental bond that may be required to be posted with governmental authorities in Spain, $3,000 to fund a debt service reserve account to cover one quarter-year's debt service charges and the balance for general corporate purposes. To the extent that the environmental bond is less than €5,000, these funds may be used for general corporate purposes. The Company is currently negotiating certain operational amendments to the EVBC Loan.

The EVBC Loan contains covenants that, among other things, (i) require the deposit of certain cash flows from operating activities into restricted cash for upcoming EVBC Loan repayments, (ii) restrict Orvana's ability to incur additional indebtedness, (iii) restrict Kinbauri's ability to make cash distributions to Orvana in certain circumstances subject to meeting certain covenants, (iv) require additional repayments under the EVBC Loan in certain circumstances from excess cash flows from operating activities, and (v) restrict Orvana's ability to sell material assets or to carry on business other than one related to the mining business. In the first and third quarter of fiscal 2012, Kinbauri was not in compliance with two debt covenants of the EVBC Loan relating to depositing certain funds into royalty and debt service reserve accounts maintained with the lender under the EVBC Loan. Kinbauri subsequently received a waiver from the lender under the EVBC Loan in respect of these events of non-compliance.

The EVBC Loan required gold, copper and US dollars/EUR financial instruments that have already been put in place. See "Financial Condition Review - Financial Instruments" below. Orvana is required to maintain certain financial ratios which calculations exclude the fair value adjustments of the outstanding financial instruments required under the terms of the EVBC Loan. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are guaranteed by Orvana. The cost of the EVBC Loan, including interest and fees but excluding the costs associated with the financial instruments, is expected to average approximately 5% to 6% per annum, based on an interest rate of LIBOR plus 4%. Quarterly principal repayments commenced on July 2, 2012. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan are: 2012-5.3%; 2013-18.7%; 2014-23.3%; 2015-27.6%; and 2016-25.1%. In fiscal 2012, the Company paid $5,792 in principal and interest payments and an additional $8,806 was included in restricted cash under the EVBC Loan at September 30, 2012 for two payments, one made on October 2, 2012 and the other due on January 2, 2013.

Fabulosa Loan - Related Party Transactions

The Company has a secured demand loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 52% shareholder, in the amount of $11,500. The Company is using proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12%, is payable monthly and the Company pays any withholding taxes imposed by Canadian taxing authorities. Subsequent to the end of fiscal 2012, the repayment terms were amended and principal amounts outstanding under the Fabulosa Loan are required to be repaid in the minimum amount of $1,000 per month commencing in May 2013. The Fabulosa Loan also contains covenants that, among other things, require principal repayment in the event of the sale of EMIPA or all or substantially all of its assets. During fiscal 2012, with advance notice to Fabulosa, Orvana did not meet certain of its obligations under the Fabulosa Loan including certain reporting obligations and a cash sweep obligation thereunder. Orvana received a waiver in respect of one of these obligations and has requested a waiver in respect of the others.

The Fabulosa Loan is available for draw down until June 30, 2013 and matures on December 31, 2013. In the event that, prior to March 1, 2013, Fabulosa requests that Orvana add an additional Orvana director nominated by Fabulosa and Orvana does not do so within ten business days, the Fabulosa Loan will convert back to a demand loan. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding all amounts owing by Kinbauri to the Company. See also "Other Information - Fabulosa Related Party Transactions".

Shareholders' Equity

Shareholders' equity at September 30, 2012 was $125,814 representing a decrease of $1,648 or 1% from $127,462 at September 30, 2011 due to minor increases in share capital and contributed surplus offset by the reduction in retained earnings primarily as a result of the net loss of $2,353 for fiscal 2012. The table

below sets out the number of each class of securities of the Company outstanding at September 30, 2012 and as at the date hereof:

	At September 30, 2012
Common shares	136,573,171
Warrants (1)	2,725,000
Stock options (2)	3,451,669

(1) Warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90 and warrants to purchase up to 1,425,000 Common Shares were issued on March 5, 2012 with an exercise price of C$0.97 to Fabulosa. The expiry dates of these warrants range from 2016 and 2017. As a result of the cancellation of certain stock options, warrants to purchase up to 1,818,335 Common Shares were outstanding as of the date of the MD&A of which 400,000 were exercisable. See "Other Information - Fabulosa Related Party Transactions" for additional information relating to these warrants.

(2) Options to purchase 100,000 Common Shares were granted and 725,000 Common Shares expired after the end of fiscal 2012. Accordingly, a total of 2,826,669 Common Shares are issuable on the exercise of outstanding stock options as at the date of the MD&A. The stock options have a weighted average exercise price of $1.73 and expiry dates ranging from 2012 to 2017.

Financial Instruments

The Company has the following outstanding financial instruments at September 30, 2012 as required under the EVBC Loan with one counterparty:

	Contract Prices	Cash Settlement	Contract Amounts
Currency			
USD/EUR forwards (Oct 2012-Dec 2015)	$1.38	Quarterly	$65,000 (1)
Copper			
Copper forwards (Oct 2012-Dec 2015)	$7,260 / tonne	Monthly	9,825.75 tonnes (1)
Gold			
Gold forwards (Oct 2012-Dec 2015)	$1,333.7 / troy oz	Monthly	30,468.75 (1)
Gold collars (Oct 2012-Sep 2015)	Puts - $1,550 / troy oz Calls - $1,855 / troy oz	Monthly	57,600 (2)
Gold collars (Oct 2015-Sep 2016)	Puts - $1,250 / troy oz Calls - $2,270 / troy oz	Monthly	19,200 (2)
Total gold collars (troy oz)			76,800

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

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

During fiscal 2012, 13% of the Company's total gold sales and 26% of the Company's total copper sales were hedged under the gold and copper forwards. The Company made cash payments of $5,102 to settle such financial instruments that matured in the period. At September 30, 2012, the Company's outstanding financial instruments were valued on the balance sheet as follows:

At September 30, 2012	Spot Rate/Price	Contract Rate/Price	Avg. Forward Rate/Price	Fair Value
Fair value of currency contracts (EUR/USD)	$1.26	$1.38	$1.29	($4,334)
Fair value of copper forwards	$8,268/tonne	$7,260/tonne	$8,183/tonne	(9,097)
Fair value of gold forwards	$1,776/oz	$1,333.7/oz	$1,791/oz	(13,942)
Fair value of gold collars	$1,776/oz	-	-	(5,956)
Total fair value of financial instruments at September 30, 2012				($33,329)
Less: current portion				9,482
Total non-current financial instruments				($23,847)

Changes in the fair value of the Company's outstanding financial instruments are recognized through the Company's income statement as non-cash financial instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the financial instruments. The mark-to-market fair value of the Company's outstanding financial instruments is based on independently provided market rates and determined using standard valuation techniques,

including the impact of counterparty credit risk. The liability associated with the Company's outstanding financial instruments at June 30, 2012 was $17,328 compared to a liability of $33,329 at September 30, 2012 resulting in an unrealized financial instruments loss of $16,001 recorded in the fourth quarter of 2012. A cumulative before tax financial instruments loss was recorded for the three months ended September 30, 2012 and during the 2012 fiscal year calculated as follows:

	During Q4 2012	During 2012
Change in unrealized fair value	($16,001)	($20,993)
Realized cash settlements of financial instruments closed	($1,492)	($5,102)
Recorded financial instruments gain (loss)	($17,493)	($26,095)

Sensitivities

The following table sets forth the after-tax impact on the Company's net loss for fiscal 2012 of $2,353 as a result of changes in the fair value of the financial instruments assuming a change in the EUR/USD rate and the market price of copper and gold compared to the rates/prices used in the financial instruments loss calculation set out above with all other variables remaining constant:

At September 30, 2012	Rate/Price Used in Financial Instruments Loss Calculation	Change in Rate/Price	After-Tax Change
EUR/USD (currency contracts)	$1.29	+/- 10%(1.42/1.16)	+/- $4,246
Copper forwards	$8,183/tonne	+/- 10% ($9,001/$7,365)	+/- $5,630
Gold forwards	$1,791/oz	+/- 10% ($1,970/$1,612)	+/- $3,820
Gold collars	-	+ 10%	- $6,235
Gold collars	-	- 10%	+ $5,611

Capital Resources

At September 30, 2012, the Company had cash and cash equivalents of $13,200, restricted cash of $16,783 including $8,806 set aside for debt repayment, and total debt of $72,190. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

	September 30, 2012	September 30, 2011	October 1, 2010
Shareholders' equity	**$125,814**	$127,462	$108,234
Bank debt [(1)]	**7,581**	6,417	3,049
Short-term debt [(1)]	**4,171**	-	-
Long-term debt [(1)]	**60,438**	47,817	2,582
Obligations under finance leases	**2,044**	4,179	2,522
	200,048	185,875	116,387
Less: Cash and cash equivalents	**(13,200)**	(12,244)	(11,947)
Capital employed	**$186,848**	$173,631	$104,440

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. The Company's recorded long-term debt under the EVBC Loan at September 30, 2012 in the Audited Financials was $44,706 and the current portion thereof was $11,917 for a total of $56,623. This represents the balance outstanding under the EVBC Loan at September 30, 2012 of $60,438 net of financing fees.

(2) See "Financial Condition Review - Balance Sheet Review".

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

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and current outlook of the business and industry in general. The Company's alternatives to fund future capital needs include cash flows from operating activities, debt or equity financing, adjustments to capital spending, or sale of

assets. The capital structure and these alternatives are reviewed by management and the board of directors of the Company on a regular basis to ensure the best mix of capital resources to meet the Company's needs.

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of its EVBC Mine, the UMZ Mine and the Copperwood Project. Information is regularly provided to the board of directors of the Company.

Cash Flows, Commitments and Liquidity

Cash Flows

Total cash and cash equivalents as at September 30, 2012 were $13,200 primarily denominated in US dollars representing an increase of $2,106 and $956 from June 30, 2012 and September 30, 2011, respectively. Short-term restricted cash was $16,783 (September 30, 2011 - Nil) and includes $8,806 for the next two quarters principal and interest payments under the EVBC Loan, $6,465 in respect of a potential future reclamation bond payment and $884 in respect of a royalty reserve for future royalty payments.

In the past, Orvana's primary source of liquidity has been from operating cash flows. Orvana generated cash flows from operating activities of $41,705 in fiscal 2012 and $29,617 in the fourth quarter of fiscal 2012 compared to cash used in operating activities of $12,263 and $91 in the same prior year periods, respectively. The higher cash flows provided by operating activities in fiscal 2012 resulted primarily from higher revenue and operating income from a full year and nine months of commercial production operations at the EVBC Mine and the UMZ Mine, respectively, compared to two months of commercial production operations at the EVBC Mine and minimal production at the Don Mario Mine in fiscal 2011. Increases in accounts payable and income taxes payable were partially off-set by increases in concentrate and doré receivables and inventory. Cash flows from operating activities before changes in non-cash working capital were $33,276 and $14,453 in fiscal 2012 and the fourth quarter of fiscal 2012, respectively, compared to cash used in operating activities before non-cash working capital changes of $2,263 and $1,217 in the same prior year periods, respectively.

Cash flows from financing activities in 2012 were $13,191, a decrease of $68,366 compared to cash flows from financing activities of $81,557 in 2011. This variation in 2012 resulted from the Company drawing down $7,664 on its short-term facilities and $13,000 under the EVBC Loan off-set by repayment of short-term and long-term debt of $6,817. This compares in 2011 to cash flows from the draw-down under the EVBC Loan of $50,000 and proceeds from the issue of common shares by the Company of $33,053 in connection with the development of the EVBC Mine.

Cash outflows in respect of financing activities for the fourth quarter 2012 were $6,990 primarily as a result of the Company making principal and interest payments under the EVBC Loan and the Fabulosa Loan, compared to cash flows from financing activities of $17,801 in the fourth quarter of fiscal 2011.

Cash used in investing activities totaled $53,873 in 2012, a decrease of $14,681 or 21% compared to cash used in investing activities of $68,554 in 2011. This variation is primarily due to a decrease in capital expenditures of $22,101 as a result of the EVBC Mine having achieved commercial production in the last quarter of fiscal 2011 off-set by an increase in restricted cash of $7,420.

Cash used in investing activities totaled $20,483 in the fourth quarter of fiscal 2012, a decrease of $1,780 compared to cash used in investing activities of $22,263 in the fourth quarter of fiscal 2011, primarily due to a decrease in capital expenditures.

The following table summarizes the principal sources and uses of cash for 2012 and 2011:

	2012	2011
Cash provided by (used in) operating activities	**$41,705**	($12,623)
Cash from financing activities	**13,191**	81,557
Cash used by investing activities (capital expenditures and restricted cash) (1)	**(53,873)**	(68,554)
Change in cash	**$1,023**	$380

(1) Includes capital expenditures outflows and cash deposited into restricted cash. Capital expenditures include the payments made for assets under finance leases of $1,961 and exclude $3,234 in respect of unpaid capital expenditures incurred in fiscal 2012 which will be paid in fiscal 2013. See “Capital Expenditures” below.

Capital Expenditures

The following table sets forth Orvana’s capital expenditures for the fourth quarters of fiscal 2012 and 2011 as well as the 2012 and 2011 fiscal years for the EVBC Mine, the UMZ Mine and the Copperwood Project:

	Q4 2012	Q4 2011	2012	2011
UMZ Mine	**$1,164**	$1,900	**$1,969**	$16,139
EVBC Mine (1)	**9,457**	11,564	**31,136**	37,492
Copperwood Project	**2,597**	1,423	**5,842**	5,686
Corporate	**24**	61	**44**	502
Subtotal capital expenditures (1)	**$13,242**	$14,948	**$38,991**	$59,819
Adjustments:				
EVBC - finance lease payments	**1,961**		**1,961**	
EVBC - accounts payable adjustment	**(2,631)**		**(3,234)**	
Total capital expenditures (1) (2)	**$12,572**	$14,948	**$37,718**	$59,819

(1) Capital expenditures for fiscal 2012 recorded in the Audited Financials are $37,718. This includes capital expenditures for the EVBC Mine for fiscal 2012 of $31,136 adjusted by an increase for finance lease payments of $1,961 and a decrease of $3,234 for unpaid capital expenditures which will be paid in fiscal 2013.

(2) For further discussion relating to capital expenditures, see “Cash Flows, Commitments and Liquidity - Liquidity”.

Other Commitments

At September 30, 2012, the Company’s contractual obligations included: bank debt; term credit facilities; obligations under finance leases; operating leases; decommissioning liabilities; purchase obligations related to certain operating activities at the EVBC Mine and the UMZ Mine; provision for statutory labour obligations; and long-term compensation. Contractual obligations are summarized in the following table below:

		Payment Due by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Bank debt - UMZ Mine (1)	$7,581	$7,581	-	-	-
Short-term debt - Fabulosa Loan (1)	4,171	4,171	-	-	-
Long-term debt - EVBC Loan (1)	60,438	11,917	32,480	16,041	-
EVBC Debenture Conversion (1)	3,132	3,132	-	-	-
Obligations under finance leases (2)	2,044	1,486	558	-	-
Operating leases	713	225	450	38	-
Decommissioning liabilities (3)	11,474	-	-	-	11,474
Reclamation bond (4)	6,465	6,465	-	-	-
Purchase obligations	11,871	8,963	2,908	-	-
Provision for statutory labour obligations (5)	2,832	700	1,199	-	933
Long-term compensation	486	313	86	-	87
Total contractual obligations (6) (7)	$111,207	$44,953	$37,681	$16,079	$12,444

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

(2) During fiscal 2010 and 2011, finance leases were entered into for the purchase of underground mining equipment for the EVBC Mine. Under each finance lease agreement, 15% to 40% of the purchase price of the equipment was paid in cash at the time of delivery with the balance financed over a three-year lease term. Lease payments are payable quarterly with interest at rates of 5.5% to 6.6% per annum. Obligations under finance leases totaled $2,044 at September 30, 2012.

(3) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for reclamation bonds amounted to approximately $9,647 at September 30, 2012 (2011 - $10,074). Decommissioning liabilities are discussed below under “Other Information - Critical Accounting Estimates - Decommissioning Liabilities”.

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

(5) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month’s wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. In accordance with IFRS, this obligation was fair valued at September 30, 2012 using an actuarial valuation to determine the present value of the future payments related to this obligation.

(6) Production from the EVBC Mine and the UMZ Mine is subject to certain royalties which amounts have not been included in total contractual obligations at September 30, 2012. The Copperwood Project will also be subject to royalties when in production. For a description of such royalties and amounts payable, see “Royalties” below.

(7) The Company has outstanding financial instruments required under the EVBC Loan that mature monthly or quarterly until 2016. Using forward gold, copper and currency prices for the applicable period, at September 30, 2012 the Company estimated payments of $9,482 in less than one year, $19,923 for the period greater than one year and less than three years and $3,924 for the period greater than three years and less than five years. The Company incurred $5,102 to settle financial instruments that matured in fiscal 2012.

As at September 30, 2012, the Company had restricted cash of $16,873 designated to cover a portion of the Company’s commitments due in less than one year of $44,953 including two quarters of principal and interest payments under the EVBC Loan and the reclamation bond which may have to be deposited but which the Company is challenging. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flows from operating activities. In fiscal 2012, the Company generated cash flows from operating activities of $41,705 with twelve months of ramp-up operations at the EVBC Mine including certain operational challenges experienced in the fourth quarter of fiscal 2012 which have now been addressed and nine months of ramp up commercial production operations at the UMZ Mine including certain operational challenges experienced in the first and second quarter of fiscal 2012 which have now been addressed.

Royalties

Production from the EVBC Mine is subject to a 3% net smelter return royalty (“NSR”), referred to herein as the EVBC Royalty, payable quarterly. The EVBC Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. The royalty holder’s advance of C$7,500 in 2008 is evidenced by a convertible debenture in the same principal amount settled through payments calculated in the same manner as the EVBC Royalty as sales are made.

In the event that the rate of production from the EVBC Mine is less than a specified amount within the 2012 calendar year, the royalty holder may exercise its conversion right under the debenture in respect of the outstanding principal amount, if any, of the debenture at December 31, 2012. The Company expects that the royalty holder will convert the debenture resulting in the EVBC Debenture Conversion. As a result, the Company’s Audited Financials includes a charge of $3,132 in the fourth quarter of fiscal 2012, which is an estimate of the EVBC Debenture Conversion as at December 31, 2012. The Company expects to finance and repay the EVBC Debenture Conversion at a rate of 12% over six equal installments commencing on January 31, 2013 and ending on June 30, 2013.

In addition, during the period commencing on December 31, 2012 and ending on January 31, 2013, if the aggregate amount of payments paid as at December 31, 2012 under the EVBC Royalty is less than C$7,500, the royalty holder may require that the remaining outstanding balance of the debenture be paid to it as a pre-payment of future EVBC Royalty payments. The Company expects that this pre-payment right will be financed until January 1, 2014 at a rate of 12%, with all royalty payments made between January 1, 2013 and December 31, 2013 serving to reduce such amount. To the extent that any pre-

payment is due and paid on January 1, 2014, it will serve to reduce future royalty payments. The EVBC Royalty expense totaled $2,471 for fiscal 2012 (2011 - $440).

Production from the UMZ Mine is subject to a 3% NSR payable quarterly. This expense totaled $1,634 for fiscal 2012. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the UMZ Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $4,564 for fiscal 2012. The NSR and the mining royalty tax are referred to herein as the "UMZ Royalties".

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

Liquidity

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

The Company experienced certain initial start-up difficulties and delays in the production of saleable concentrates from the UMZ Mine in the first and second quarter of fiscal 2012. As a result, the Company's Bolivian subsidiary required additional short-term financing for working capital purposes at that time resulting in a draw-down by the Company under the Fabulosa Loan. Operations at the UMZ Mine were stabilized during the second quarter of fiscal 2012 and the UMZ Mine was self-financing in the third and fourth quarters of fiscal 2012 and this is expected to continue. Bank loans with certain Bolivian banks total approximately $9,552 at the date hereof and are short term ranging from 60 to 180 days. Although in the past, EMIPA's lenders have agreed to renew these loans in the ordinary course, new loans replacing those maturing may not be obtained. In the event that certain of these loans are not renewed, cash flows from operating activities from the UMZ Mine will be used for working capital purposes and less cash flows therefrom will be available for distribution to Orvana.

With unanticipated environmental bonding requirements in respect of the EVBC Mine, additional capital costs and lower initial operating cash flows than had been anticipated, the Company obtained a $13,844 increase in the EVBC Loan in the second quarter of fiscal 2012. The EVBC Loan requires the deposit of certain cash generated from operating activities into restricted cash to be used for future EVBC Loan repayments and restricts the distribution of cash in certain circumstances from Kinbauri to Orvana unless certain covenants are met. Therefore, Orvana may report positive cash balances, but may be restricted in its ability to make use of certain of this cash.

The Company experienced certain operational and financing issues at the EVBC Mine during the fourth quarter of fiscal 2012 which required additional short-term financing for working capital purposes. Consequently, the EVBC Mine required and will continue to require financial support from Orvana in order to meet certain working capital obligations resulting from timing delays between production of the product and the sale and receipt of funds for such product. This timing delay is expected to impact the revenue that Orvana will be able to recognize from the EVBC Mine in the first quarter of fiscal 2013. To date, Orvana has financed and will continue to finance these obligations from revenues generated by the UMZ Mine and by drawing on the Fabulosa Loan. The Company has resolved most of these operational issues including making further progress during the fourth quarter of fiscal 2012 and into the first quarter of fiscal 2013 in primary mine development advancements in both oxide and skarn areas in order to have sufficient stopes available for mining. The Company is working to resolve the financing matters and anticipates that the EVBC Mine will become self-financing again by the end of the second quarter of fiscal 2013.

Orvana has made principal and interest payments under both the EVBC Loan and the Fabulosa Loan in fiscal 2012. See "Financial Condition Review - Balance Sheet Review". At the date of the MD&A, the Company had the ability to draw approximately $5,700 under the Fabulosa Loan.

As at September 30, 2012, the Company had restricted cash of $16,873 designated to cover a portion of the Company's commitments due in less than one year, including two quarters of principal and interest payments under the EVBC Loan and the reclamation bond for the EVBC Mine which may have to be deposited. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flows from operating activities. In fiscal 2012, the Company generated cash flows from operating activities of $41,705 with twelve months of ramp-up operations at the EVBC Mine

including certain operational challenges experienced in the fourth quarter of fiscal 2012 which have now been primarily addressed and nine months of ramp up of commercial production operations at the UMZ Mine including certain operational challenges experienced in the first and second quarter of fiscal 2012, which have now been addressed.

The Company's capital expenditures in fiscal 2012 totalled $37,718 which included expenditures of $11,122 in connection with the construction of the shaft and primary development of $14,026 at the EVBC Mine as well as $2,869 in respect of certain sustaining activities. As a result of these activities having been completed in fiscal 2012, the Company expects that its expenditures on the Company's capital projects and operating requirements in respect of the EVBC Mine and the UMZ Mine will be lower in fiscal 2013 by approximately $10,000. Although the majority of the Company's fiscal 2013 planned capital expenditures have not been committed, the majority of such planned expenditures are important for the continued sustainability and development of the Company's operations.

Orvana is continuing to investigate a variety of possible options to enhance the value of the Copperwood Project for Orvana's shareholders including financing options such as the sale of an equity interest and debt and equity financing should it determine to proceed to bring the Copperwood Project into production.

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

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended September 30, 2012:

	Quarters ended			
	Sept 30, 2012 IFRS (1)	**June 30, 2012 IFRS (1)**	**March 31, 2011 IFRS (1)**	**Dec 31, 2011 IFRS (1)**
Revenue	**$50,608**	$43,691	$31,245	$15,373
Net income (loss)	**($2,007)**	$12,118	($7,959)	($4,505)
Earnings (loss) per share - basic and diluted	**($0.01)**	$0.09	($0.06)	($0.03)
Total assets	**$286,134**	$274,254	$266,558	$249,390
Total long-term financial liabilities (2)	**$62,482**	$66,652	$74,171	$55,136

	Quarters ended			
	Sept 30, 2011 IFRS(1)	**June 30, 2011 IFRS(1)**	**March 31, 2011 IFRS(1)**	**Dec 31, 2010 IFRS(1)**
Revenue	$10,576	$1,752	$6,330	$6,427
Net income (loss)	$8,037	($6,304)	($1,640)	($21,399)
Earnings (loss) per share – basic and diluted	$0.06	($0.05)	($0.01)	($0.18)
Total assets	$239,957	$223,884	$202,199	$199,251
Total long-term financial liabilities (2)	$56,008	$55,095	$54,598	$54,358

(1) Prepared using accounting policies consistent with IFRS.

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

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

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

Market Risks - Currency Risk

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

Certain cash and cash equivalents are held in other foreign currencies, primarily Euros and Canadian dollars. At September 30, 2012, sensitivity to a 10% decrease in the Euro versus the US dollar would increase cash balances by approximately $33 and a 10% increase in the Euro versus the US dollar would decrease cash balances by approximately $27. Sensitivity to a 10% decrease in the Canadian dollar versus the US dollar would increase cash balances by approximately $47 and a 10% increase in the Canadian dollar versus the US dollar would decrease cash balances by approximately $39.

For the US dollars/Euro contracts outstanding at September 30, 2012, if the forward rates of the US dollar against the Euro weakened or strengthened by 10% than those used in the financial instruments loss calculation while all other variables remained constant, the net loss for fiscal 2012 would have been $4,246 higher or lower as a result of changes in the fair value of these financial instruments.

Market Risks - Commodity Price Risks

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

Gold Prices - The net loss of $2,353 for fiscal 2012 would be impacted by changes in average realized gold prices on gold ounces sold. A 10% increase/decrease in average realized gold prices would affect the net loss by an increase/decrease of approximately $5,777 for fiscal 2012. This excludes the impact of changes in the fair value of outstanding gold financial instruments.

For the gold forwards financial instruments outstanding at September 30, 2012, if the forward market prices of gold had been 10% lower or higher than those used in the gold forwards financial instruments loss calculation while all other variables remained constant, the net loss for fiscal 2012 would have decreased or increased by approximately $3,820 as a result of changes in the fair value of these financial instruments.

At September 30, 2012, if the forward market prices of gold had been 10% lower than those used in the gold collars financial instruments loss calculation while all other variables remained constant, the net loss for fiscal 2012 would have decreased by approximately $5,611 as a result of changes in the fair value of these financial instruments. If the forward market prices of gold had been 10% higher than those used in the gold collars financial instruments loss calculation while all other variables remained constant, the net loss for fiscal 2012 would have increased by approximately $6,235 as a result of changes in the fair value of these financial instruments.

Copper Prices - The net loss of $2,353 for fiscal 2012 would be impacted by changes in average realized copper prices. A 10% increase/decrease in average realized copper prices would affect the net loss by an increase/decrease of approximately $3,254 for fiscal 2012. This excludes the impact of changes in the fair value of outstanding copper financial instruments.

For the copper forwards outstanding at September 30, 2012, if the forward market prices of copper had been 10% lower or higher than those used in the copper financial instruments loss calculation while all other variables remained constant, the net loss for fiscal 2012 would have decreased or increased by approximately $5,630 as a result of changes in the fair value of these financial instruments.

Market Risks - Interest Rate Risk

The Company's cash flows interest rate risk arises from short and long-term borrowings. During fiscal 2012 and 2011, although a significant portion of the Company's borrowings and investments were at variable rates, variable rates such as LIBOR have not varied materially in the last two years and are not expected to do so in the near future.

At September 30, 2012, if interest rates had been 10 basis points higher/lower with all other variables held constant, the net loss for fiscal 2012 would have been approximately $40 lower/higher primarily as a result of higher/lower interest expenses on floating rate borrowings.

Credit Risk

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

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

Liquidity and Financing

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

Other Risks

Development and Operation of Mines

Mine development and operations 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 and commission mining and processing facilities at a particular site. Currently, the Company's revenue stream depends on production from the EVBC Mine and the UMZ Mine. These projects have limited operating histories upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. It is not unusual in the mining

industry for new mining operations to experience unexpected problems during the start-up phase and the ramp-up period following commencement of commercial production, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company's estimates. Risks associated with 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, iron sponge, lime, water or fuel; labour disruptions; social unrest in adjacent areas; equipment failure, fires; explosions; failure of tailings impoundment facilities; 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.

Mineral Resources and Reserves

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

Production Estimates

No assurance can be given that production estimates will be achieved. The Company's actual production may vary from estimates for a variety of reasons including: attributes of the material mined varying from those used in estimations of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to mineral resources; risks and hazards associated with mining; inclement weather conditions; natural disasters, including floods, drought and earthquakes; and unexpected labour shortages or disruptions. Also, operations may not meet expectations due to unanticipated technical issues or shutdowns.

Production Costs and Metals Prices

The economics of mining mineral deposits are affected by many factors, including variations in the grade of ore mined or milled, the cost of operations and fluctuations in the sales price of products. The value of the Company's mineral properties is heavily influenced by metal prices, particularly the prices of copper, gold and silver. Metal prices can and do change significantly over short periods of time and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably. Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production. The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results or past production. 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 the 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.

Regulatory Requirements

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

Political and Related Risks

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

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

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

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

Global Economic Issues

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

Other Risk Factors

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

OTHER INFORMATION

Critical Accounting Estimates

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

Net Realizable Amounts of Property, Plant and Equipment

At September 30, 2012, the net book value of the property, plant and equipment in respect of the UMZ Mine and the EVBC Mine amounted to $32,659 and $146,102, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

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

Exploration and development expenditures are capitalized once management of the Company has determined that there is a reasonable expectation of economic extraction of minerals from the property. At September 30, 2012, the capitalized costs for the Copperwood Project amounted to $18,521. The Company continues to move the Copperwood Project through permitting as discussed under "Overall Performance - Copperwood Project" and is investigating a variety of means to finance the estimated development capital expenditures should Orvana determine to bring this project into production.

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

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of the EVBC Mine and the UMZ Mine at September 30, 2012. These estimates were prepared by management with the use of independent third party experts.

At September 30, 2012	Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mine [(1)]	$5,918	5.7%	$3,691
UMZ Mine [(1)]	5,556	2.8%	4,160
Total	$11,474		$7,851

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

Stock-based compensation

The Company recorded stock-based compensation expense of $43 for the fourth quarter of fiscal 2012 and $558 for fiscal 2012 compared to $218 and $1,272, respectively, for the same periods of the prior year. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

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

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

Impairment

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

Management of the Company has assessed its CGUs to be each country that it operates in (EVBC Mine, UMZ Mine and the Copperwood Project), which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of the EVBC Mine and the UMZ Mine using forecasted production and costs per the life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at September 30, 2012 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total market capitalization of the Company's publically listed common shares declined to below the carrying amount of Orvana's net assets at September 30, 2012 of $126,000, following the completion of an impairment test in respect of each CGU, the Company estimates that the net recoverable amounts are greater than the carrying values of such assets and, as such, there has been no impairment of such carrying values.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. Based on a review of internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at September 30, 2012.

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

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

Future Changes in Accounting Standards

IFRS 9 Financial Instruments

In November 2009, the International Accounting Standards Board issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* ("IFRS 9") as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2016.

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

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement* ("IFRS 13"). IFRS 13, which is to be applied prospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when the following two benefits accrue to the entity from the stripping activity: (i) useable ore that can be used to produce inventory, and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting with the Company's interim financial statements for the quarter ended December 31, 2013. The Company is currently assessing the impact of adopting IFRIC 20 on its financial statements.

Other

In June 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*, effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. The

Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities.* These new standards are effective for the Company's interim financial statements for the quarter ended December 31, 2013. The Company does not believe the changes resulting from these new standards are relevant to its financial statements.

In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 19 *Employee Benefits*, effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In December 2011, the IASB issued amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures* related to offsetting of financial assets and financial liabilities. These amendments are effective for the Company's interim financial statements for the quarter ended December 31, 2014. The Company does not believe the changes resulting from these amendments will have a significant impact on its financial statements.

Changes in Accounting Policies - IFRS

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

The adoption of IFRS resulted in changes to the Corporation's accounting policies. The accounting policies described in note 3 to the accompanying Audited Financials have been applied consistently to all periods presented in the financial statements and in the preparation of an opening IFRS balance sheet as at October 1, 2010, except for the application of certain first-time adoption exemptions. The impact of the transition from Canadian GAAP to IFRS is explained in detail in note 31 to the accompanying Audited Financials. The changes in accounting policy have not been applied to any information within this MD&A for periods prior to October 1, 2010 IFRS transition point.

Changes in Accounting Policies Resulting from the Adoption of IFRS

The adoption of IFRS resulted in changes to the Company's accounting policies and has resulted in changes to the recognition and measurement of transactions and balances. The impact of adopting IFRS on the Company's financial statements is described in detail in note 31 to the Audited Financials and in the tables below. Details of the adjustments are described in the "Explanatory Notes" section below.

	Note		September 30, 2011 Canadian GAAP		Adjustments		September 30, 2011 IFRS
Assets							
Current assets							
Cash and cash equivalents		$	12,244	$	-	$	12,244
Concentrate and dore sales receivable			2,682		-		2,682
Value added taxes receivable and prepaid expense			12,078		-		12,078
Inventory			10,280				10,280
			37,284		-		37,284
Long term value-added taxes receivable			2,756		-		2,756
Restricted cash			2,275		-		2,275
Reclamation bonds			10,074		-		10,074
Property, plant and equipment	(i)		187,513		55		187,568
		$	239,902	$	55	$	239,957
Liabilities							
Current liabilities							
Bank debt		$	6,417	$	-	$	$6,417
Accounts payable and accrued liabilities			21,778		-		21,778
Income taxes payable			35		-		35
Short term loan			-		-		-

	Note	September 30, 2011 Canadian GAAP	Adjustments	September 30, 2011 IFRS
Current portion of long-term debt		9,346	-	9,346
Current portion of obligations under finance leases		2,002	-	2,002
Current portion of financial instruments		1,717	-	1,717
		41,295	-	41,295
Long-term debt		38,471	-	38,471
Obligations under finance leases		2,177	-	2,177
Decommissioning liabilities	(i)	8,099	(199)	7,900
Financial instruments		10,619	-	10,619
Provision for statutory labour obligations	(iv)	1,549	800	2,349
Deferred income tax liability	(ii)	7,216	1,418	8,634
Long-term compensation		1,050		1,050
		110,476	2,019	112,495
Shareholders' equity				
Share capital		115,930	-	115,930
Contributed surplus	(iii)	2,648	(182)	2,466
(Deficit) retained earnings		10,848	(1,782)	9,066
		$ 129,426	$ (1,164)	$ $128,262
		$ 239,902	$ 55	$ 239,957

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

	Note	Year ended September 30, 2012	Year ended September 30, 2011
Comprehensive income (loss) under Canadian GAAP		$ **(2,415)**	$ (20,653)
Accretion on decommissioning liabilities	(i)	**-**	254
Deferred taxes on non-monetary assets and liabilities in foreign operations	(ii)	**-**	(1,050)
Forfeiture estimate for share-based payments	(iii)	**62**	143
Comprehensive income (loss) under IFRS		$ **(2,353)**	$ (21,306)

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

	Note	September 30, 2012	September 30 2011	October 1, 2010
Shareholders' equity under Canadian GAAP		**$124,189**	$129,426	$109,402
Accretion on decommissioning liabilities	(i)	**-**	254	-
Deferred taxes on non-monetary assets and liabilities in foreign operations	(ii)	**-**	(1,418)	(368)
Valuation of statutory labour obligations	(iv)	**(933)**	(800)	(800)
Shareholders' equity under IFRS		**$123,256**	$127,462	$108,234

Explanatory Notes

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

(i) The effect of the change in accounting policy to measure decommissioning liabilities using a discount rate based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

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

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

(iv) The effect of the change in accounting policy to incorporate the actuarial valuation on the statutory labour obligations.

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

Mineral Properties under Exploration

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

Mineral Properties under Development

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

Impairment of Non-Financial Assets

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

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

Decommissioning Liability (Asset Retirement Obligations)

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

The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred. Under Canadian GAAP, the discount rate used is the credit adjusted risk-free rate. On adoption of IFRS, the Company has changed the discount rate used to measure decommissioning liabilities, resulting in an increase in the decommissioning liabilities.

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

Share-Based Payments

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

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

Accounting for Income Taxes

IFRS requires the recognition of deferred taxes on the temporary differences in the accounting and tax basis of non-monetary assets and liabilities of foreign operations arising from exchange rate fluctuations. Deferred taxes were not recognized on these types of temporary differences under Canadian GAAP. The Company has changed its accounting policies to reflect this difference, resulting in an increase in deferred tax liabilities at October 1, 2010.

Non-IFRS Measures

Unit Costs

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

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

Starting in the third quarter fiscal 2012 MD&A, the Company reported Total Cash Costs (net of by-product revenue) per gold ounce sold rather than per ounce produced for the periods presented in order to conform its presentation of unit costs for the EVBC Mine with other gold producers. The following table reconciles the Total Cash Costs (by-product) per gold ounce sold for the EBVC Mine to the most directly comparable IFRS measures for each quarter of fiscal 2012 and fiscal 2012:

EVBC Mine	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**2012**
Cost of sales (1)	**$13,156**	$13,664	$8,288	$12,507	**$47,615**
Adjusted cost of sales (2)	**$13,156**	$11,530	$10,422	$12,507	**$47,615**
Transportation, treatment charges and deductions	**$1,799**	$1,757	$1,982	$555	**$6,093**
Gross by-product credits	**($5,272)**	($4,129)	($4,942)	($2,764)	**($17,107)**
Total Cash Costs	**$9,685**	$9,158	$7,462	$10,298	**$36,601**
Divided by: gold ounces sold	**13,457**	11,358	9,747	8,276	**42,838**
Total Cash Costs per gold ounce sold	**$720**	$806	$765	$1,244	**$854**
Depreciation and amortization per gold ounce sold (3)	**$267**	$176	$199	$215	**$217**
Total Production Costs per gold ounce sold	**$987**	$982	$964	$1,459	**$1,071**

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

(2) Adjusted by $2,134 in the third quarter of fiscal 2012 relating to cost of sales that were incurred and reflected in inventory in the second quarter of fiscal 2012 but were recorded as cost of sales in the third quarter of fiscal 2012.

(3) Total production costs (by-product) for the fourth quarter of fiscal 2012 include a depreciation and amortization adjustment recorded in the period in respect of fiscal 2012 representing approximately $85 per ounce of gold sold.

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

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

The following table reconciles the Total Cash Costs (co-product) per pound of copper and per ounce of gold and silver sold for the UMZ Mine to the most directly comparable IFRS measures for each quarter of fiscal 2012 and fiscal 2012:

UMZ Mine (1)	Q4 2012	Q3 2012	Q2 2012	2012
Cost of sales (2)	**$11,581**	$14,194	$10,108	**$35,958**
Transportation, treatment charges and deductions	**$6,321**	$7,823	$2,308	**$16,452**
Gross by-product credits	**(343)**	-	-	**(343)**
Total Cash Costs	**$17,559**	$22,017	$2,416	**$52,067**
Total Cash Costs (co-product) for copper	**$7,711**	$10,620	$8,077	**$25,717**
Divided by: copper pounds sold	**4,018**	4,520	2,240	**10,778**
Total Cash Costs (co-product) per copper pound sold	**$1.92**	$2.35	$3.61	**$2.39**
Total Cash Costs (co-product) for gold	**$4,989**	$6,139	$2,514	**$13,960**
Divided by: gold ounces sold	**5,147**	5,484	1,584	**12,215**
Total Cash Costs (co-product) per gold ounce sold	**$969**	$1,119	$1,587	**$1,143**
Total Cash Costs (co-product) for silver	**$4,859**	$5,258	$1,825	**$12,390**
Divided by: silver ounces sold	**260,054**	247,975	55,282	**563,311**
Total Cash Costs (co-product) per silver ounce sold	**$18.69**	$21.20	$33.00	**$22.00**

(1) The UMZ Mine was not in commercial production in the first quarter of fiscal 2012.

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

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

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

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

The following table provides a reconciliation of adjusted net income (loss) and adjusted net income (loss) per share to the Audited Financials:

	Q4 2012	Q4 2011	2012	2011
Net income (loss) per consolidated financial statements	**($2,007)**	$8,037	**($2,353)**	($21,306)
Less tax-adjusted unrealized (gains) losses on financial instruments	**$11,200**	($12,889)	**$14,695**	$8,635
EVBC Debenture Conversion	**$3,132**	-	**$3,132**	-
Adjusted net income (loss)	**$12,325**	$4,852	**$15,474**	($12,671)
Weighted average shares outstanding (000s)	**136,642**	120,852	**136,852**	120,853
Adjusted net income (loss) per share (basic and diluted)	**$0.09**	($0.04)	**$0.11**	($0.11)

Fabulosa Related Party Transactions

As at the date of the MD&A, Fabulosa held 70,915,027 Common Shares, representing 51.9% of the outstanding Common Shares.

Prior to May 2011, an agreement between Fabulosa and the Company granted Fabulosa certain rights, including a pre-emptive right to acquire additional Common Shares in certain circumstances. In May 2011, this agreement was terminated and a new agreement was entered into (the "Fabulosa Agreement") under which Fabulosa's existing pre-emptive rights were revised and Fabulosa agreed to provide Orvana

with a six-month, secured convertible $15,000 bridge loan (the "2011 Bridge Loan"). In exchange, Orvana issued to Fabulosa 1,969,999 Common Shares, increasing Fabulosa's ownership interest from 51.6% to 52.4%, and agreed to issue to Fabulosa five-year warrants to purchase up to 2,725,000 Common Shares. The warrants are exercisable only upon the issuance of, and in equal numbers to, Common Shares issuable upon the exercise of Orvana's outstanding stock options as of May 2011. In September 2011, 1,300,000 of such warrants were issued, with an exercise price of C$1.90 per Common Share, and, in March 2012, 1,425,000 of such warrants were issued, with an exercise price of C$0.97 per Common Share. As a result of the cancellation of certain stock options previously outstanding in May 2011, warrants to purchase up to 1,818,335 Common Shares were outstanding as of the date of the MD&A of which 400,000 were exercisable. Orvana also agreed to approve the implementation of a normal course issuer bid, at Fabulosa's request and subject to TSX approval, the purpose of which would primarily be to acquire Common Shares to mitigate the dilutive effect of Common Shares issued upon the exercise of stock options granted under Orvana's stock option plan after May 2011.

In June 2011, the Company entered into the 2011 Bridge Loan and, upon closing of its public offering of Common Shares in August 2011, all amounts outstanding under the 2011 Bridge Loan were repaid in full through the issuance of 7,319,969 Common Shares to Fabulosa at the offering price of C$2.00 per Common Share. Concurrently, Fabulosa exercised its pre-emptive right to acquire, in the aggregate, the same number of Common Shares as were issued in the public offering and, consequently, purchased an additional 1,180,031 Common Shares by way of a private placement at C$2.00 per Common Share. As a result, Fabulosa acquired, in the aggregate, 8,500,000 Common Shares at that time.

See also "Financial Condition Review - Balance Sheet Review - Fabulosa Loan - Related Party Transactions" for details relating to the Fabulosa Loan. Concurrent with the Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding Common Shares, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest is of the Common Shares.

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.

Cautionary Statements - Forward-Looking Information

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

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

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to

be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at the EVBC Mine, the UMZ Mine or the Copperwood Project being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; sales being realized as contemplated; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward-looking statements. Some of these risks, uncertainties and factors include fluctuations in the prices of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; risks generally associated with mineral exploration and development, including the Company's ability to develop and operate the EVBC Mine, the UMZ Mine or the Copperwood Project; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to obtain financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the jurisdictions in which the Company operates; general economic conditions worldwide; and the risks identified in 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.

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

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

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

Mineral Reserves and Resources

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

Qualified Person: The technical disclosure in this MD&A has been reviewed by W.C. Williams, Ph.D., CPG, President and Chief Executive Officer of the Company, who is a qualified person, but not independent, for the purposes of NI 43-101.