

ORVANA

MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Second Quarter ended March 31, 2007

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on May 11, 2007 (the "Report Date") and describes the operating and financial results of the Company for the three and six month periods ended March 31, 2007. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the same periods. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated, and gold production, in fine troy ounces, is referred to as "ounces".

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

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Orvana, or developments in Orvana's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Orvana cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, all aspects of the possible development of the Upper Mineralized Zone ("UMZ") deposit at Don Mario and of its potential operation and production, mineral resource and mineral reserve estimates, the realization of mineral reserve estimates, estimates of future capital expenditures and timing of development and production and estimates of the outcome and timing of decisions with respect to whether and how to proceed with such development and production, permitting time lines, statements and information regarding future feasibility studies and their results, production forecasts, future transactions, the successful completion of reclamation projects, future gold prices, the ability to achieve additional growth and geographic diversification, future production costs, accounting estimates and assumptions, future tax benefits, the renewal or renegotiation of agreements, future

financial performance, including the ability to increase cash flow and profits, future financing requirements, mine development plans, and possible changes in the regulatory, political, social and economic environment in Bolivia. 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 results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include fluctuations in the price of gold; the impact or unanticipated impact of: the need to recalculate estimates of reserves and 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; risks generally associated with mineral exploration and development, including the Company's ability to develop the UMZ deposit if it determines to do so and to acquire and develop mineral properties; the Company's ability to obtain additional 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 Bolivia; general economic conditions worldwide and the risks identified below under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form for a description of additional risk factors. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

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

BUSINESS OVERVIEW AND STRATEGY

The Company

Orvana is a Canadian gold mining and exploration company based in Toronto, Ontario, involved in the evaluation, development and mining of precious metals deposits in the Americas. The Company's shares are listed on the Toronto Stock Exchange under the symbol ORV. The Company's principal asset is the Don Mario Mine in eastern Bolivia.

The Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. In the first quarter of fiscal 2006, the Company completed and issued the *Technical Report on the Mineral Resource and Reserve Estimation for the Don Mario Gold Mine, Lower Mineralized Zone* dated December 23, 2005 (the "Orvana Technical Report"), which may be found on the Orvana website at www.orvana.com and on SEDAR at www.sedar.com. The Orvana Technical Report, prepared by M.J. Hodgson, with the assistance of NCL Ingenieria y Construccion S.A. ("NCL") of Santiago, Chile, provides an updated mineral resource and mineable reserve estimate in respect of the Lower Mineralized Zone ("LMZ"), which is currently being exploited. The Orvana Technical Report is compliant with the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The Orvana Technical Report updates the mineral resource and mineral reserve estimate undertaken by AMEC (Peru) S.A., a division of AMEC E&C Services Ltd. in July 2003, set out in a report dated July 25, 2003 entitled *Technical Report on the Don Mario Gold Property, Chiquitos Province, Bolivia*, also available on www.sedar.com.

The Don Mario Mine has now been extensively sampled underground to a depth of 350 metres from surface. A summary of the Don Mario Mine Reserves for the LMZ as at November 1, 2005 (the effective date of the Orvana Technical Report), at a 3 grams/tonne ("g/t") gold cut off grade and a \$400/oz gold price is as follows:

| | Tonnes | Au (g/t) | Au (Oz) |
|----------|-----------|----------|---------|
| Proven | 718,948 | 12.50 | 288,839 |
| Probable | 298,556 | 8.33 | 79,995 |
| Total | 1,017,504 | 11.27 | 368,834 |

Since November 1, 2005, the operation has processed 357,058 tonnes of ore which contained 123,440 ounces of gold and produced 114,266 ounces of gold to March 31, 2007. Since the commencement of commercial production on July 1, 2003, the operation has processed 895,307 tonnes of ore and produced 246,809 ounces of gold to March 31, 2007.

The Don Mario Mine Upper Mineralized Zone

On October 20, 2006, the Company announced the completion of a Pre-Feasibility Study on the Upper Mineralized Zone ("UMZ") conducted by NCL and issued a Pre-Feasibility Study 43-101 compliant technical report (the "PFS Technical Report") which estimates UMZ mineral reserves as follows:

| Ore Type | Proven Reserves | | | | | Probable Reserves | | | | | Total Reserves | | | | |
|------------|-----------------|----------|---------------------|----------|---------------------|-------------------|----------|---------------------|----------|---------------------|----------------|----------|---------------------|----------|---------------------|
| | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] |
| Oxides | 664 | 1.43 | 1.75 | 56.5 | 1.19 | 1,513 | 1.51 | 1.77 | 45.6 | 1.22 | 2,177 | 1.49 | 1.77 | 48.9 | 1.21 |
| Transition | 273 | 1.49 | 1.45 | 57.7 | 0.64 | 1,616 | 1.45 | 1.35 | 50.3 | 0.70 | 1,889 | 1.46 | 1.37 | 51.3 | 0.69 |
| Sulphides | 134 | 1.25 | 1.28 | 38.2 | 0.16 | 1,247 | 1.25 | 1.27 | 36.2 | 0.17 | 1,382 | 1.25 | 1.27 | 36.4 | 0.17 |
| Total | 1,071 | 1.42 | 1.62 | 54.5 | 0.92 | 4,377 | 1.42 | 1.47 | 44.6 | 0.73 | 5,448 | 1.42 | 1.50 | 46.6 | 0.77 |

Cu_T is the total copper assay for the ore type, while Cu_S is the acid soluble copper assay for the ore type

Other Don Mario Concessions

The Don Mario property comprises eleven mineral concessions covering 53,900 hectares that provide opportunities for further exploration.

Other Mineral Properties in Bolivia

The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia which, until March 16, 2006, included a 40% joint venture interest in the Pederson property, which covers approximately 7,800 hectares. On that date, the Company entered into an agreement to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian") subject to certain future payments and certain exploration spending targets to be met by Castillian within five years. At a subsequent date, Castillian declared force majeure claiming that local community groups, which are opposed to any exploration and mining activities in the area including the Pederson property, have prevented Castillian from conducting exploration activities as part of its obligations under the agreement with the Company. The Company will record future receipts called for under the agreement if and when they are received.

The Pederson and other exploration properties are carried at a nominal amount in the Company's consolidated financial statements and related liabilities and expenses are not material.

The Company intends to divest its other non-core Bolivian exploration assets located in the Altiplano region.

Orvana also holds the mining rights to the Las Palmeras concession, which covers approximately 7,100 hectares located in the Canton of San Ramon, Santa Rosa de la Mina and San Javier, in the Province of Nuflo de Chavez. The Puquio Norte open pit gold mine operated within this concession until late 2001, when the ore body was exhausted and the operation was closed. Following closure of the mine in 2001, an environmental closure plan, as required by law, was presented to and approved by the mining and environmental ministries. The reclamation work called for by the closure plan was undertaken and concluded. A final report on the effectiveness of the implementation of the closure plan was prepared by an independent consulting firm for the Ministry of Mines and the Ministry of Environment and was accepted by both ministries on October 31, 2006. Orvana has no plans to further explore the concession and, in December 2006, the Company gave the Ministry of Mines formal notice of its intention to surrender its mining rights.

Business Strategy

The Company's long-term goal is to be a low cost, long-life, multi-mine gold and base metal producer in the Americas.

Orvana's business plan is to use its cash resources and mining capability to achieve additional growth and geographic diversification through projects in other South American countries by acquisition of producing mines with characteristics similar to those of the Don Mario Mine and advanced-stage properties that could potentially be brought into production over the next two to three years. Management is investigating and evaluating possible opportunities in Peru and Argentina.

The Company is also undertaking exploration activities consisting of ground geophysics, trenching and drilling on other targets located in the other eleven contiguous concessions collectively referred to as the Don Mario Property. The largest portion of the current year's budget is allocated to the concessions known as Las Tojas and La Aventura.

Drilling is also being undertaken beneath the LMZ deposit, in line with Orvana's near-term business strategy, which is to complete the development of the LMZ, increase ore reserves and sustain gold production and sales from the Don Mario Mine.

In October 2006, the Company announced the completion of a pre-feasibility study on the UMZ conducted by NCL. The UMZ mineral reserves would support a seven-year open pit mine life beyond the life of the existing LMZ. The Company is now considering steps to advance the UMZ deposit towards a production decision and to this end, Kappes, Cassidy & Associates has been engaged to complete a full feasibility study, which is expected to be completed in the fourth quarter of calendar 2007. The Company plans to assess its options with respect to developing the project in the most efficient and risk-effective way possible.

Orvana does not currently hedge nor does it intend to hedge its gold production.

The Company is long-term debt-free having prepaid its remaining long-term debt immediately prior to its September 30, 2005 year-end.

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the periods ended March 31, 2007 and March 31, 2006 are summarized in the table below:

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$14,984 | \$12,045 | \$26,114 | \$20,564 |
| Net income | 7,679 | 3,801 | 11,470 | 6,500 |
| Earnings per share – basic and fully diluted | \$0.07 | \$0.03 | \$0.10 | \$0.06 |

Tonnes treated in second quarter fiscal 2007 were 60,847 compared to 57,297 in the same quarter a year ago. Gold production for the second quarter fiscal 2007 was 20% higher at 22,538 ounces compared to 18,814 ounces in the second quarter fiscal 2006 due to higher recoveries, higher grades and higher tonnes processed.

Revenue for the second quarter fiscal 2007 increased 24% to \$14,984 on 23,201 ounces sold compared to \$12,045 on 21,918 ounces sold in the same quarter a year ago. Higher average gold prices in the second quarter fiscal 2007 accounted for 76% of the increase in revenues while higher ounces sold accounted for 24% of the increase. The quantity of gold sold in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Direct mine operating costs were \$2,662 to produce 22,538 ounces in the second quarter fiscal 2007 compared to \$2,191 to produce 18,814 ounces in the second quarter fiscal 2006. Last year, 26% of the tonnes treated in the quarter came from the minipit stockpile while only 4% came from the stockpile in the second quarter this year, partly explaining the higher mine operating costs. Increases have been experienced in numerous costs including labour, consumables, reagents, maintenance parts and supplies. However, direct mine operating costs per ounce produced increased by only 1.4% to \$118.10 in the second quarter fiscal 2007 due to the favourable impact on unit costs of higher production.

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

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| Direct mine operating costs | \$2,662 | \$2,191 | \$5,370 | \$4,240 |
| Direct mine operating cost per treated tonne | 43.74 | 38.24 | 42.47 | 35.17 |
| Direct mine operating cost per ounce produced | 118.10 | 116.45 | 129.77 | 108.50 |

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

In the second quarter fiscal 2007, general and administration expenses of \$593 were approximately half of the amount of \$1,248 incurred in the second quarter fiscal 2006 due to lower salary and travel expenses and a provision last year for the cost of a termination agreement with the Company's former president.

Exploration expenditures were \$213 in the second quarter fiscal 2007 compared to \$298 in the second quarter fiscal 2006. Management expects exploration spending levels in fiscal 2007 to at least equal those of fiscal 2006. Last year, exploration expenses included costs relating to the UMZ pre-feasibility study which was then in progress. The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is economically feasible and the decision is taken to proceed with development and investment. In the second quarter 2007, the Company capitalized expenditures of \$260 incurred in connection with the UMZ full feasibility study which commenced in the second quarter 2007.

During the first half of fiscal 2006, management was actively investigating certain potential investment opportunities and incurred professional fees and other costs amounting to \$475 including \$48 incurred in the second quarter 2006. These costs are described as business development expenses in the income statement. Most of these expenses related to due diligence activities.

Orvana is committed to the social development and well-being of the communities in which it operates. Community relations expenses amounting to \$131 in the second quarter fiscal 2007 include financial contributions and contributions of know-how by the Company in support of infrastructure and other program initiatives in seven local communities in the vicinity of the Don Mario Mine. Projects supported by Orvana include supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; and maintenance of community roads.

Interest and other income of \$207 in the quarter ended March 31, 2007 is interest income on short-term investments of excess cash.

The effective income tax rate (23.4%) for the six months ended March 31, 2007 is lower than the rate (30.3%) for the same period last year due to the impact on income tax expense of the following items (with the tax impact of each item in brackets): lower losses in certain subsidiaries for which income tax recoveries have not been recorded (\$390); higher exploration expenses subject to a double tax deduction incentive (\$60); and the deduction for tax purposes this year of exploration expenses written off and not claimed for tax purposes in prior years, made possible by the amalgamation of five of the Company's Bolivian subsidiaries (\$300).

Net income for the quarter ended March 31, 2007 was \$7,679 (\$0.07 per share) compared to \$3,801 (\$0.03 per share) for the same quarter last year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the periods ended March 31, 2007 and March 31, 2006:

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|---------------------------------------|-----------------------------|---------|---------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash provided by operating activities | \$5,604 | \$5,441 | \$12,191 | \$8,646 |
| Capital expenditures | (727) | (1,050) | (1,140) | (1,690) |

Cash provided by operating activities

Cash provided by operating activities was only slightly higher in the second quarter fiscal 2007 compared to the same quarter a year ago, largely due to a decrease of \$3,280 in income taxes payable. Under Bolivian tax regulations, there are no periodic income tax instalments throughout

the year. Instead, the Company is required to make a final payment prior to the end of January in respect of the previous fiscal year.

Capital expenditures

For the second quarter fiscal 2007, capital expenditures amounted to \$727 made up of property, plant and equipment (\$237), mine development capitalized (\$230) and the full feasibility study costs capitalized (\$260).

Financial Condition – March 31, 2007 compared to September 30, 2006

The following table provides a comparison of key elements of the Company's balance sheet at March 31, 2007 and September 30, 2006:

| | March 31, 2007 | September 30, 2006 |
|------------------------------------|----------------|--------------------|
| Cash and cash equivalents | \$37,901 | \$26,850 |
| Non-cash working capital (deficit) | 2,459 | (735) |
| Total assets | 65,049 | 54,860 |
| Shareholders' equity | 56,725 | 45,089 |

Cash increased by \$4,877 in the second quarter ended March 31, 2007.

Non-cash working capital increased by \$3,194 to \$2,459 from fiscal 2006 year-end including a decrease in income taxes payable (\$2,309) (a large final payment of income taxes relating to fiscal 2006), and increases in value-added taxes receivable (\$554) and supplies inventory (\$707), offset by an increase in accounts payable (\$613).

At March 31, 2007 and at the Report Date, the Company was long-term debt-free.

Shareholders' equity increased by \$11,636 to \$56,725 during the six months ended March 31, 2007. No dividends were paid in the three months ended March 31, 2007.

Outlook

During the second quarter fiscal 2007, the mill treated 60,847 tonnes of ore in the production of 22,538 ounces of gold. Barring unforeseen events, management expects the Don Mario Mine will produce between 75,000 and 80,000 ounces in fiscal 2007. Ore will be extracted from ore body "A" of the LMZ. Development of ore body "B" of the LMZ will continue and is expected to be completed by the end of fiscal 2007.

CORPORATE RESOURCES

Management and Staffing

Effective October 1, 2006, Carlos Mirabal was appointed President and Chief Executive Officer and a director of the Company. Mr. Mirabal holds a Bachelor in Mining Engineering from Universidad Tomas Frias in Potosi, Bolivia and a Masters in Metallurgical Engineering from the Colorado School of Mines in Golden, Colorado. He has over 35 years' experience in the mining industry. Prior to joining Orvana, Mr. Mirabal was most recently Vice President of Operations of Sinchi Wayra, (formerly Compania Minera del Sur S.A. ("Comsur")). Comsur provided various management, technical and commercial services to a subsidiary of Orvana from January 2002 to September 2005. As Vice President of Operations of Comsur during that period, Mr. Mirabal was Chief Operating Officer of Orvana and a key member of the management team responsible for the construction and operation of Orvana's Don Mario Mine in Bolivia.

Effective December 4, 2006, Michael Hodgson, Vice President and Chief Operating Officer and Eduardo Rosselot, Vice President, Business Development and Special Projects, resigned under the terms of their employment agreements that provided that, in certain circumstances and subject to certain conditions, they could elect to terminate their employment with the Company and receive 12 months' salary. During the second quarter, the Company reached an agreement with both Messrs. Hodgson and Rosselot. Orvana has no immediate plans to fill either the role of Vice President and Chief Operating Officer or Vice President, Business Development and Special Projects.

Liquidity and Capital Resources

Liquidity and Commitments

As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate, by early fiscal 2008, a new price and natural gas supply contract with a government-owned entity. (see also the section "Risks and Uncertainties" below).

The Company has recorded an asset retirement obligation at a discounted amount of \$1,908 at March 31, 2007 to dismantle the facilities and structures of the Don Mario Mine and to complete environmental reclamation of areas affected by current mining operations including the tailings dam. The Company estimates that the total amount of undiscounted cash flows required to settle the Company's asset retirement obligations is \$2,800. It is expected that this amount will be incurred in approximately equal amounts annually over the years 2009 to 2014.

During the second quarter fiscal 2007, the net increase in cash and cash equivalents, after capital expenditures, was \$4,877. At March 31, 2007, cash and cash equivalents amounted to \$37,901. Provided gold prices remain above \$600 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow throughout the balance of fiscal 2007.

Capital Resources

At March 31, 2007, the Company had no long-term debt and capital resources at that date are represented by shareholders' equity, which amounted to \$56,725.

The Company does not require additional financing in the immediate term and, thus, has not sought to arrange financing facilities.

Shareholders' equity increased by 26% or \$11,636 to \$56,725 (\$0.49 per share) during the six months ended March 31, 2007 compared to \$45,089 (\$0.39 per share) at the end of fiscal 2006.

RESULTS

Results of Operations

Quarter ended March 31 – 2007 compared to 2006

The following table and analysis compare operating results for the periods ended March 31, 2007 and 2006:

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|--|--------------------------------|----------|------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$14,984 | \$12,045 | \$26,114 | \$20,564 |
| Costs and expenses of mining operations | 4,693 | 4,558 | 9,579 | 8,062 |
| Expenses and other income | 736 | 1,619 | 1,561 | 3,170 |
| Net income | 7,679 | 3,801 | 11,470 | 6,500 |
| Earnings per share – basic and fully diluted | \$0.07 | \$0.03 | \$0.10 | \$0.06 |

Revenues

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

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|-----------------|-----------------------------|----------|---------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$14,984 | \$12,045 | \$26,114 | \$20,564 |
| Price per ounce | \$646 | \$550 | \$628 | \$516 |
| Ounces sold | 23,201 | 21,918 | 41,559 | 39,857 |

Revenue for the second quarter fiscal 2007 increased 24% to \$14,984 on 23,201 ounces sold compared to \$12,045 on 21,918 ounces sold in the second quarter fiscal 2006. Higher average gold prices in the second quarter fiscal 2007 accounted for approximately 76% of the revenue improvement while higher ounces sold accounted for the remaining 24%. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Further information on production operations and costs is presented below.

Don Mario Mine - Development

After completion of the main shaft to the 115-metre level during fiscal 2006, development work continued during the first half of fiscal 2007 with further deepening of the main ramp. By the end of March 2007, the main ramp had reached the 35-metre level. The plan is to complete the ramp construction to the 5-metre level during the current fiscal year.

Don Mario Mine – Production, Gold Grades and Recoveries

The following table shows the tonnages treated and the head grade in g/t at the Don Mario Mine for the second quarter fiscal 2007 compared to the second quarter fiscal 2006:

| | | Three Months Ended March 31 | | Six Months Ended March 31 | |
|------------------------|--------|-----------------------------|--------|---------------------------|---------|
| | | 2007 | 2006 | 2007 | 2006 |
| Underground mine | tonnes | 58,577 | 42,168 | 122,360 | 89,087 |
| | g/t | 12.74 | 13.01 | 11.35 | 12.42 |
| Minipit & stock pile | tonnes | 2,270 | 15,129 | 4,081 | 31,491 |
| | g/t | 1.91 | 5.86 | 1.83 | 6.80 |
| Total | tonnes | 60,847 | 57,297 | 126,441 | 120,578 |
| | g/t | 12.33 | 11.12 | 11.05 | 10.95 |
| Recovery rate | | 93.4% | 91.9% | 92.2% | 92.1% |
| Gold produced - ounces | | 22,538 | 18,814 | 41,385 | 39,084 |

At March 31, 2007, the Don Mario Mine and Santa Cruz administrative office had a total of 281 employees and 143 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the Don Mario Mine's requirements.

Don Mario Mine – Production Cost Analysis

The following table presents the cash operating costs and total production costs at the Don Mario Mine in producing 22,538 ounces in the second quarter fiscal 2007 and 18,814 ounces in the second quarter fiscal 2006:

| | Three Months Ended March 31 | | | |
|---|-----------------------------|----------|-------------|----------|
| | 2007 | | 2006 | |
| | Costs | Cost/oz. | Costs | Cost/oz. |
| Direct mine operating costs | \$2,662 | \$118.10 | \$2,191 | \$116.45 |
| Third-party smelting, refining and transportation costs | 56 | 2.50 | 57 | 3.06 |
| Cash operating costs | 2,718 | 120.60 | 2,248 | 119.51 |
| Royalties and mining rights | 510 | 22.62 | 454 | 24.08 |
| Total cash costs | 3,228 | 143.22 | 2,702 | 143.59 |
| Depreciation and amortization | 1,483 | 65.82 | 1,421 | 75.55 |
| Total production costs | \$4,711 | \$209.04 | \$4,123 | \$219.14 |
| Gold production | 22,538 ozs. | | 18,814 ozs. | |

* A reconciliation of direct mine operating costs to cost of sales is shown below

Total production costs of \$209.04 per ounce for the second quarter fiscal 2007 decreased slightly from \$219.14 per ounce during the second quarter fiscal 2006 due to the increase in production. However, for the six months ended fiscal 2007, a higher proportion of total tonnes treated coming from underground mining, and less from the minipit stockpile, contributed to the increase in unit costs.

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 41,385 ounces in the first six months of fiscal 2007 and 39,084 ounces in the first six months of fiscal 2006:

| | Six Months Ended March 31 | | | |
|---|---------------------------|----------|-------------|----------|
| | 2007 | | 2006 | |
| | Costs | Cost/oz. | Costs | Cost/oz. |
| Direct mine operating costs | \$5,370 | \$129.77 | \$4,240 | \$108.50 |
| Third-party smelting, refining and transportation costs | 104 | 2.50 | 100 | 2.55 |
| Cash operating costs | 5,474 | 132.27 | 4,340 | 111.05 |
| Royalties and mining rights | 860 | 20.79 | 793 | 20.26 |
| Total cash costs | 6,334 | 153.06 | 5,133 | 131.31 |
| Depreciation and amortization | 3,447 | 83.28 | 2,814 | 72.03 |
| Total production costs | \$9,781 | \$236.34 | \$7,947 | \$203.34 |
| Gold production | 41,385 ozs. | | 39,084 ozs. | |

The difference between direct mine operating costs of \$2,662 and cost of sales of \$2,637 reported in the unaudited consolidated financial statements for the second quarter fiscal 2007 is due to changes in cash costs in gold and ore inventories. A reconciliation of non-GAAP direct mine operating costs with the Company's Canadian GAAP-based statement of income for the three months ended March 31, 2007 and March 31, 2006 is presented in the table below:

| | Three Months Ended March 31 | | Six Months Ended March 31 | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| Cost of sales (GAAP) | \$2,637 | \$2,507 | \$5,266 | \$4,415 |
| Changes in cash costs included in gold inventories and gold in circuit | 25 | (316) | 104 | (175) |
| Direct mine operating costs (non-GAAP measure) | \$2,662 | \$2,191 | 5,370 | \$4,240 |

Update on exploration of the Lower Mineralized Zone ("LMZ")

The drilling program designed to test the northern and southern down dip extensions was completed during fiscal 2006 at a cost of \$459. The intersections have been well defined but the grades and widths recorded are disappointing. A follow-up drill program is in progress from underground with interim results under evaluation. The underground drill program is forecast to be completed by the end of the third quarter of fiscal 2007. However, depending on results, the program may be extended.

Update on evaluation of the Upper Mineralized Zone ("UMZ")

On October 20, 2006, the Company announced the completion of a pre-feasibility study on the UMZ conducted by NCL of Santiago, Chile. The PFS Technical Report estimates mineral reserves as follows:

| Ore Type | Proven Reserves | | | | | Probable Reserves | | | | | Total Reserves | | | | |
|------------|-----------------|----------|---------------------|----------|---------------------|-------------------|----------|---------------------|----------|---------------------|----------------|----------|---------------------|----------|---------------------|
| | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] | Tonnes [kt] | Au [g/t] | Cu _T [%] | Ag [g/t] | Cu _S [%] |
| Oxides | 664 | 1.43 | 1.75 | 56.5 | 1.19 | 1,513 | 1.51 | 1.77 | 45.6 | 1.22 | 2,177 | 1.49 | 1.77 | 48.9 | 1.21 |
| Transition | 273 | 1.49 | 1.45 | 57.7 | 0.64 | 1,616 | 1.45 | 1.35 | 50.3 | 0.70 | 1,889 | 1.46 | 1.37 | 51.3 | 0.69 |
| Sulphides | 134 | 1.25 | 1.28 | 38.2 | 0.16 | 1,247 | 1.25 | 1.27 | 36.2 | 0.17 | 1,382 | 1.25 | 1.27 | 36.4 | 0.17 |
| Total | 1,071 | 1.42 | 1.62 | 54.5 | 0.92 | 4,377 | 1.42 | 1.47 | 44.6 | 0.73 | 5,448 | 1.42 | 1.50 | 46.6 | 0.77 |

Cu_T is the total copper assay for the ore type, while Cu_S is the acid soluble copper assay for the ore type

Highlights of the study, as reported in a news release dated October 20, 2006, are as follows:

- Completion of a mineral reserve estimate for the UMZ deposit, reporting NI 43-101 compliant proven and probable reserves totaling 5.45 million tonnes at average grades of 1.50% copper, 1.42 g/t gold and 46.6 g/t silver.
- The mineral reserves would support a mine life of approximately seven years.
- Payable metal production over the life-of-mine for the UMZ deposit would be approximately 72,500 tonnes (160 million pounds) of copper (with approximately 49% of the copper in the form of copper cathodes, the balance being in the form of copper concentrates), 236,600 ounces of gold and 7,058,800 ounces of silver. Annual payable metal production would average 33,800 ounces of gold, 1,000,000 ounces of silver and 10,300 tonnes (22.7 million pounds) of copper.
- The pre-production capital costs to modify and expand the existing process plant and infrastructure and to develop the new open pit mine are estimated to be approximately \$65.0 million, including engineering design and related activities and a contingency.
- Average mine site direct operating costs are estimated to be approximately \$19.10 per tonne of ore. Unit cash costs (mine site direct operating costs plus general and administrative costs, and transportation, smelting and refining charges) are estimated to average approximately \$25.80 per tonne of ore. Expressed in terms of equivalent metal content, unit cash costs would average approximately \$184.00 per ounce of gold equivalent, or \$0.49 per pound of copper equivalent. The equivalent metal contents were calculated by multiplying the life-of-mine payable quantities of gold, silver and copper by their respective assumed prices (\$1.20 per pound for copper, \$450.00 per ounce for gold and \$7.00 per ounce for silver), summing the results and then dividing the total by the price of gold or the price of copper, as the case may be.
- Project economics, using the metal prices set forth above, are summarized as follows:
 - A 7-year operating life with an estimated after-tax net present value of \$43.1 million at a 10% discount rate.
 - An estimated payback and after-tax internal rate of return of 2.4 years and 30% respectively.
 - As noted above, the board has authorized management to proceed with a full feasibility study. Kappes, Cassiday & Associates of Reno, Nevada has been engaged to prepare the study during fiscal 2007.

Update on Other Exploration Activities

The Company is also actively exploring other targets within the contiguous concessions referred to collectively as the Don Mario Property with the objective of identifying additional LMZ type ore that could feed the current gold plant. The most comprehensive program is being conducted in the Las Tojas concession of the Don Mario Property located approximately 15 kilometers north of the Don Mario Mine. Progress of the exploration program on each target is as follows:

- **Las Tojas**

- A ground geophysical survey was extended based on favourable initial results which enhanced earlier geochemical and airborne magnetic surveys. Follow-up trenching confirmed a mineralized structure and, based on those results, an initial 10-drill hole program of selected targets of 2,300 metres was planned.
- To the end of December 2006, six drill holes with a total of 1,772 metres were completed. Three drill holes intersected a mineralized structure with true widths ranging between 2.5 and 10 metres. Grades were between 1.3 and 5.8 g/t. The widest intersection (10 metres) was also the one reporting the highest grade (5.8 g/t).
- Recent drilling results indicated the possibility of a mineralized structure. To test for a down plunge continuation of this structure, a program of 26 drill holes of a total of 7,600 metres is in progress.
- The initial drill hole spacing was 100 to 200 metres. An infill drilling program to delineate size and economics of this structure is now in progress with 25 to 50-metre spacing. It is expected that the program will be completed in the fourth quarter fiscal 2007.
- Potential for still other regional exploration exists in the Las Tojas concession along the Eastern schist belt.

- **La Aventura**

- A geochemical sampling program consisting of 1,352 samples was completed.
- The next stage of exploration work in the area will include trenching and magnetometry and these were planned to be undertaken during the first half of fiscal 2007, however, heavy rains during the last quarter have delayed this work.

In addition to the above-mentioned exploration, a regional geochemical sampling program will be conducted within all concessions.

Summary of Quarterly Results

The following two tables include results for the past eight quarters ended March 31, 2007:

| | Quarters ended | | | |
|---|----------------|---------------|----------------|---------------|
| | Mar. 31, 2007 | Dec. 31, 2006 | Sept. 30, 2006 | June 30, 2006 |
| Revenues | \$14,984 | \$11,130 | \$13,219 | \$11,092 |
| Net income | 7,679 | 3,791 | 5,268 | 3,914 |
| Earnings per share – basic and fully diluted | \$0.07 | \$0.03 | \$0.05 | \$0.03 |
| | | | | |
| Total assets | \$65,049 | \$60,022 | \$54,860 | \$48,106 |
| Total long-term financial liabilities | | - | - | - |
| | | | | |
| Gold production - ozs. | 22,538 | 18,847 | 21,611 | 19,333 |
| Gold sales – ozs. | 23,201 | 18,358 | 21,587 | 18,177 |
| | | | | |
| <i>Non-GAAP measures</i> | | | | |
| Per ounce data - | | | | |
| - Total cash costs | \$143.22 | \$164.82 | \$140.96 | \$154.11 |
| - Average gold price realized | 645.83 | 606.28 | 612.34 | 610.22 |
| | | | | |
| Operating statistics - | | | | |
| - Gold ore grade – g/t | 12.33 | 9.85 | 10.57 | 9.85 |
| - Gold recovery rate - % | 93.4 | 90.7 | 93.5 | 93.4 |

| | Quarters ended | | | |
|---|----------------|---------------|----------------|---------------|
| | Mar. 31, 2006 | Dec. 31, 2005 | Sept. 30, 2005 | June 30, 2005 |
| Revenues | \$12,045 | \$8,519 | \$10,436 | \$5,892 |
| Net income | 3,801 | 2,699 | 4,484 | 321 |
| Earnings per share – basic and fully diluted | \$0.03 | \$0.02 | \$0.04 | \$0.00 |
| | | | | |
| Total assets | \$42,648 | \$37,521 | \$35,163 | \$36,659 |
| Total long-term financial liabilities | - | - | - | 7,959 |
| | | | | |
| Gold production - ozs. | 18,814 | 20,270 | 19,963 | 17,404 |
| Gold sales – ozs. | 21,918 | 17,939 | 24,381 | 13,820 |
| | | | | |
| <i>Non-GAAP measures</i> | | | | |
| Per ounce data - | | | | |
| - Total cash costs | \$143.59 | \$119.93 | \$116.36 | \$127.97 |
| - Average gold price realized | 549.54 | 474.89 | 428.04 | 426.34 |
| | | | | |
| Operating statistics - | | | | |
| - Gold ore grade – g/t | 11.12 | 10.80 | 11.58 | 10.46 |
| - Gold recovery rate - % | 91.9 | 92.3 | 93.5 | 89.1 |

Comments on the tables of quarterly results

The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Average gold prices realized during each of the four quarters ended March 31, 2007 ranged from \$610 to \$646 per ounce resulting in high quarterly net incomes in the four most recently completed quarters with net income for the quarter ended March 31, 2007 being the highest on the greatest number of ounces sold over these four quarters.

In the quarter ended December 31, 2005, gold production amounted to 20,270 ounces while gold sales were 17,939 ounces. Gold dore of 2,331 ounces remained in inventory at the end of the quarter. This situation reversed in the quarter ended March 31, 2006, with gold dore inventory declining to 913 ounces at the end of the quarter and with sales of 21,918 ounces exceeding production in the quarter by 3,104 ounces.

Revenues for the quarter ended September 30, 2005 amounted to \$10,436 on 24,381 ounces sold compared to \$5,892 on 13,820 ounces sold for the quarter ended June 30, 2005. On the last day of the June 2005 quarter, the Company shipped 5,631 ounces with an invoice value of \$2,477, however, title did not pass until early July 2005 and this revenue was therefore not reported until the quarter ended September 30, 2005. Costs of \$1,059 relating to this shipment that had been included in inventory at the end of the quarter ended June 30, 2005 were charged to cost of sales and depreciation and amortization in the September 2005 quarter.

Revenues and net income were both lower in the quarter ended June 30, 2005 than in the quarter ended September 30, 2005 due to several factors. As noted above, revenue of \$2,477 on a gold shipment on the last day of the June 30, 2005 quarter was not recognized until the following quarter. The result was that reported income before tax for the June 2005 quarter was \$1,418 lower than it would have been had the sale been recorded in June. General and administration expenses were also higher in the quarter ended June 30, 2005 due primarily to a charge of \$878 in the quarter for stock-based compensation expense and special bonus awards of \$400 also accrued in that quarter.

RISKS AND UNCERTAINTIES

The Company holds mining properties in Bolivia and as such is subject to the laws governing the mining industry in that country. In view of the policy changes that have been put in place and that are being proposed by the current government in Bolivia and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions in Bolivia that affect the Company. Recent political developments and statements by the Bolivian government indicate that there are likely to be changes in the taxation of mining companies, and that there may be changes with respect to such matters as the repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership. There could also be shifts in the political stability of the country and labour unrest. In May 2006, the Bolivian government moved to increase its share of the country's oil and gas sector by imposing a profit-sharing arrangement in which the government receives a 50% share in operating profits of companies operating in the sector. On February 9, 2007, the Bolivian President signed a decree nationalizing the Vinto tin smelter, which is owned indirectly by Glencore International AG. The smelter was a government-owned asset until its privatization in 2000.

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that while "nationalization" will not occur, the government does intend to increase taxes on mining

companies. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. It is expected that taxes will increase, but the amount of any such increases is not yet known. If the Company's Don Mario property were to be nationalized, the Company would cease to have any producing assets. If taxes on mining companies in Bolivia are increased, such increases could have a material adverse effect on Orvana's results of operations or financial condition. Other changes in governmental regulation or governmental actions such as those described above could also have a material adverse effect on the results of operations or financial condition of Orvana. Orvana's management is monitoring the situation closely.

As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate, by early fiscal 2008, a new price and natural gas supply contract with a government-owned entity. The financial impact of a new contract is not yet known.

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

A high percentage of the Company's revenues, costs and assets are denominated in U.S. dollars, and the remainder are primarily denominated in Bolivian and Canadian currencies. The Company is exposed to foreign currency fluctuations, however, management does not expect these fluctuations to have a significant impact on the Company's financial position or results.

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves

The proven and probable reserves of the LMZ were estimated by the Company on November 1, 2005 to be 1,017,500 tonnes at an average grade of 11.3 g/t gold, containing 368,000 troy ounces of gold, using a 3 g/t cut-off grade and \$400/oz gold price. Based on current planned levels of production (approximately 75,000 to 80,000 ounces per annum) and assuming no further exploration success, the LMZ is expected to be in production through late 2009.

Net realizable values of property, plant and equipment

At March 31, 2007, the net book value of property, plant and equipment amounted to \$19,243. Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining proven and probable reserves, gold prices and cash operating costs. Based upon current estimates of reserves, gold prices in excess of \$400 per ounce and total cash costs of approximately \$144 per ounce, net realizable values are in excess of net book value of property, plant and equipment.

Asset retirement obligations

The Company has estimated the present value of estimated future costs to decommission the Don Mario Mine (asset retirement costs) to be \$1,908 at March 31, 2007. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be \$2,800 on an undiscounted basis and that these costs will be incurred in approximately equal amounts annually over the years 2009 to 2014. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically.

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

Stock-based compensation

The Company recorded stock-based compensation expense of \$59 in the second quarter fiscal 2007 based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Financial and Other Instruments

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

Off-Balance-Sheet Arrangements

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

Outstanding Share Data

Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at the Report Date, there were 115,233,173 common shares outstanding with a stated value of \$74,777. There were also 4,449,998 stock options outstanding at the Report Date with a weighted average exercise price of Cdn. \$1.68. Stock options outstanding have expiry dates ranging from 2007 to 2011.

Other Information

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

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 completed his evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

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.