ORVANA
MINERALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS – First Quarter ended December 31, 2004 (Restated)

This MD&A, prepared originally on February 14, 2005, has been restated at June 17, 2005 at the request of the Ontario Securities Commission ("OSC"). There were no restatements of any unaudited interim or audited consolidated financial statements published previously by the Corporation or any financial results included in the MD&A. Amendments to this document as originally filed include a table on selected annual information and related commentary, expanded disclosure of reasons for changes in operating results from period to period, an expanded explanation of the presentation of cash operating costs and production costs and an expanded discussion on liquidity and capital resources.

This management discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Corporation") describes the operating and financial results of the Corporation for the three months ended December 31, 2004 (the "first quarter 2005") and fiscal year ended September 30, 2004. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the first quarter 2005 and audited consolidated financial statements for the fiscal year ended September 30, 2004 ("fiscal 2004"). In 2003, the Corporation changed its financial reporting year end from December 31 to September 30 to coincide with that of Orvana's controlling shareholder, Compania Minera del Sur S.A. ("Comsur"), in order to facilitate more cost-effective reporting. The Corporation prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles (GAAP). In this MD&A, all dollar amounts are in United States dollars unless otherwise stated, and gold production in fine troy ounces are referred to as "ounces".

This MD&A contains forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business and the precious metals market and economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such 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 assistance. The Board of Directors assesses the integrity of Orvana's public financial disclosures through the oversight of the Audit Committee.

Overall Performance

Business Overview and Strategy

Orvana is involved in the evaluation, development and mining of precious metal deposits in Latin America. Through its wholly owned subsidiary, Empresa Minera Paititi S.A. ("Paititi"), the Corporation owns and operates the Don Mario gold mine in eastern Bolivia. At the commencement of construction in March 2002, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, and contained an estimated 414,000 ounces of gold, according to an independent technical report on the Don Mario property prepared by the international consulting firm AMEC E&C Services Ltd., in accordance with National Instrument 43-101 Standards of Disclosure for Mineral

Projects. Commercial production commenced July 1, 2003 and the mill has treated 340,485 tonnes of ore and produced 70,683 ounces of gold during the 18 months ended December 31, 2004.

Orvana’s near term business strategy is to complete the development of the Lower Mineralized Zone (LMZ) of the Don Mario property and sustain gold production and sales from the Don Mario mine. The mine’s competitive advantage is its relatively moderate infrastructure, labour and energy costs. Orvana does not currently intend to hedge its gold production, and expects to repay the debt incurred to finance construction of the mine in accordance with its loan agreements.

The Corporation is using a portion of its free cash flow to fund further exploration of the Don Mario property, with a view to developing additional mineral reserves and resources. The Corporation’s long-term goal is to be a multi-mine producer in Latin America.

Don Mario Mine Production

During the first quarter 2005, the mill treated approximately 41,300 tonnes of development and cut and fill ore from the underground mine and 18,100 tonnes of ore from the mini-pit for a total of 59,400 tonnes of ore treated. Gold production amounted to 14,047 ounces for the period. During the months of December 2004 and January 2005, the region experienced some of the heaviest rainfall in the past decade, which has caused difficult operating conditions and affected the availability of mining equipment and access to certain ore zones, resulting in lower head grades. As a result, gold production was lower in December 2004 at 4,139 ounces compared to an average of 4,954 ounces in the two preceding months.

Don Mario Mine Development

Development work continued during the first quarter 2005 on extending the ramps, deepening the main shaft, and providing access to additional ore shoots in the underground mine. Ore and waste are being hoisted through the main vertical shaft. Development of the main ramp continued and the plan is to reach the bottom of the primary ore zone in calendar 2005, then extend the ramp and explore deeper for possible extensions to the LMZ ore zone. A copy of the mine plan for the underground mine is available at Orvana’s website www.orvana.com.

Don Mario Upper Mineralized Zone Infill Drilling Program

In June 2004, Orvana initiated spending of approximately $350,000 on an infill drilling program on the Upper Mineralized Zone (UMZ), a source of open pit ore, at the Don Mario property. The purpose of the program is to move the ore resource from inferred to indicated status in order to expand resources and future production. The drilling and trenching work has been completed. The drilling campaign included 43 diamond drill holes and 2,819 metres of drill cores providing 1,844 samples for analysis. In addition, 10 trenches were opened at surface to a depth of one metre to provide an additional 130 samples. Assays are being performed at Chemex ALS’s laboratories in Bolivia and Canada, and metallurgical tests of representative samples are being conducted at CIMM, Tecnologias y Services S.A. laboratories in Santiago, Chile. The consulting firm of Pincock Allen & Holt is working with the Corporation on this program.

Management and Staffing

Paititi has appointed Zenon Bellido to the new position of Manager of Operations. Mr. Bellido has overall responsibility for day-to-day management of the Don Mario mine, including an expanded office in Santa Cruz to perform procurement, accounting, tax, legal and administrative activities in anticipation of growth of operations. This appointment is consistent with Orvana’s objective of assuming management functions in Bolivia that are currently performed by Comsur.

Other Concessions
Orvana owns eight concessions covering 53,900 hectares, which provide opportunities for further exploration.

Other Mineral Properties in Bolivia
The Corporation holds certain joint-venture interests in a number of mineral concessions in Bolivia, including a joint-venture interest in the Pederson property, which covers approximately 7,800 hectares. The Pederson property is located in the Canton of Challapatta, in the Province of Abaroa. The Pederson project has been on a care and maintenance status since May 1999. Development of the Pederson property could be commercially feasible with gold prices in excess of $400 per ounce. The Corporation believes that it holds a 50% interest in the Pederson joint venture, subject to such interest being reduced to 35% if the Corporation fails to issue, within 30 days of being notified that a decision has been made to place the Pederson property into commercial production, 200,000 common shares of the Corporation plus additional common shares of the Corporation having a value of $1,500,000 at the time such shares are issued. The Corporation has been advised that a third party is of the view that such party holds a 15% interest in the Pederson joint venture and that the Corporation holds a 35% interest, rather than a 50% interest, together with an option to purchase from such party an additional 15% interest in the Pederson joint venture which may be exercised by Orvana issuing 200,000 common shares of the Corporation plus additional common shares of the Corporation having a value of $1,500,000 at the time the option is exercised.

Orvana also owns 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 Ñuflo 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. Very little exploration has been conducted on the Las Palmeras concession, except within the immediate vicinity of the former Puquio Norte operation. The property is in care and maintenance status and Orvana has no immediate plans to further explore it.

Potential Acquisitions
Orvana is seeking additional growth and geographic diversification by investigating advanced-stage properties in Latin America that could potentially be brought into production over the next two to three years.

Selected Annual Information and Commentary

Key Financial Data
The following table compares audited financial results for fiscal 2004, the nine-month fiscal period ended September 30, 2003 and the fiscal year ended December 31, 2002:

	Twelve Months ended September 30, 2004	Nine Months ended September 30, 2003	Twelve Months ended December 31, 2002
Revenue	**$19,158,473**	**$2,992,834**	**$16,896**
Net income (loss)	**7,842,036**	**(257,770)**	**537,506**
Net income per share – basic and diluted	**$0.07**	**$0.00**	**$0.00**
Total assets	**$35,300,472**	**$30,643,067**	**$24,522,465**
Total long-term financial liabilities **	**13,455,784**	**16,410,454**	**12,327,840**

** Total long-term financial liabilities include current and long-term portions of loans payable, notes payable and the debenture.

In 2003, the Corporation changed its financial reporting year end from December 31 to September 30 to coincide with that of Orvana's controlling shareholder. As a result, fiscal 2003 was a nine-month period.

Construction of the Don Mario mine commenced in March 2002. Commercial production began July 1, 2003. Consequently, the Corporation's operations changed from construction activities to commercial start-up to full production over the course of these three fiscal periods.

Fiscal 2004 compared to Fiscal 2003
Revenues in fiscal 2004 increased over fiscal 2003 due to both higher gold production and sales and higher average gold prices. Gold sales in fiscal 2004 amounted to 47,431 ounces and revenue of $19.2 million, reflecting twelve months' production, at an average price of $403 per ounce compared to 7,924 ounces and revenue of $3.0 million, reflecting three months' production following the July 1, 2003 start-up of commercial production, at an average price of $377.

During the first six months ended June 30, 2003, operating expenses relating to the development and construction of the Don Mario mine were capitalized. Operating expenses in fiscal 2004 increased to $12.5 million from $3.0 million in fiscal 2003 due primarily to twelve months of production activity in fiscal 2004 compared to three months post start-up in fiscal 2003. Increases in cost of sales, depreciation and amortization and royalties were all the direct result of higher production. However, on a unit cost basis, these expenses declined overall by 15% due to the economies of scale achieved through higher production – 48,227 ounces were produced in fiscal 2004 compared to 8,408 ounces in fiscal 2003. Corporate, general and administration expenses increased by approximately $0.7 million due to a full twelve months of mine administration costs, including the Comsur management fee of $0.4 million, compared to three months in fiscal 2003. Other increases in administration expenses included legal and audit, insurance and stock exchange fees and other public company-related costs that were higher due to both the twelve-month versus nine-month comparative amounts and higher charges incurred for certain of these services compared to fiscal 2003. Exploration expenses incurred in fiscal 2004 amounted to $0.3 million on the UMZ. No exploration spending occurred in fiscal 2003.

Net income in the twelve months ended September 30, 2004 amounted to $7.8 million compared to a net loss of $0.3 million for the nine months ended September 30, 2003. Net income in fiscal 2004 included an expected income tax recovery of $1.9 million on income tax losses available for carry forward. In addition, the income tax provision in fiscal 2004 was reduced by $0.1 million due to the utilization of prior year losses not previously recognized.

Total assets at September 30, 2004 increased by $4.7 million from September 30, 2003 including an increase in cash and cash equivalents of $3.7 million, an increase in accounts receivable of $1.1 million, an increase in supplies inventories of $0.7 million as mining operations reached normal levels and the recording of a future income tax asset of $1.9 million, as noted above. Mineral properties and deferred development costs and mining operations capital assets decreased by $2.8 million reflecting capital expenditures of $1.5 million in fiscal 2004 offset by depreciation and amortization of $4.3 million for the year.

Total long-term financial liabilities decreased by approximately $3.0 million at September 30, 2004 from September 30, 2003 due to scheduled debt repayments. These repayments were financed entirely from cash flow from operating activities amounting to $10.4 million in fiscal 2004.

Fiscal 2003 compared to Fiscal 2002

Amounts shown in the above table for fiscal 2003 are restated to reflect the effect of two changes in accounting policies adopted in fiscal 2004.

Orvana's gold sales for fiscal 2003 were 7,924 ounces resulting in revenue of $3.0 million. These results reflected three months' operating activity following the July 1, 2003 start-up of commercial production. There was no production or sales in fiscal 2002.

Operating expenses in fiscal 2003 amounted to $3.0 million as described above. Construction of the Don Mario mine and its facilities commenced in March 2002. In fiscal 2002, operating expenses amounting to approximately $0.3 million were limited to corporate, general and administration expenses.

A loss of $0.3 million was incurred in the nine-month fiscal period ended September 30, 2003. The net income of $0.5 million in fiscal 2002 resulted from an adjustment of $0.8 million including a reversal to income of previously recorded accruals for restructuring charges that were in excess of amounts ultimately required and the recording of accounts receivable in respect of value added taxes recoverable.

Total assets at September 30, 2003 increased by $6.1 million from December 31, 2002 including an increase in accounts receivable of $1.8 million and an increase in mineral properties and deferred development costs and mining operations capital assets reflecting capital expenditures of $5.6 million made in fiscal 2003, as the construction of the mine and mill continued, offset by depreciation and amortization amounting to $0.9 million. Amortization of capital assets in July 2003 commenced on commercial start-up of the Don Mario mining operations. Cash and cash equivalents decreased by $1.3 million to $0.2 million as funds were expended on mine construction.

Total long-term financial liabilities increased by $4.1 million at September 30, 2003 from December 31, 2002 including the borrowing of an additional $4.0 million against an $8.0 million bank facility. This facility was fully drawn at the end of fiscal 2003. These additional funds were used to finance the completion of mine and mill construction.

Results of Operations

First Quarter 2005

The following table lists the tonnes treated and the head grade in grams per tonne treated (g/t) at the Don Mario mine.

		3 months ended Dec. 31, 2004	December 2004	November 2004	October 2004	3 months ended Dec. 31, 2003
Underground mine	tonnes	41,330	15,218	12,418	13,694	32,794
	g/t	8.50	6.69	10.74	8.47	6.90
Mini-pit	tonnes	18,056	5,451	6,053	6,552	26,631
	g/t	7.72	6.91	8.14	8.00	4.13
Total	tonnes	59,384	20,668	18,471	20,245	59,425
	g/t	8.26	6.75	9.89	8.32	5.66
Recovery rate		89.1%	92.3%	89.6%	85.8%	81.3%
Gold produced - ounces		14,047	4,139	5,263	4,645	8,802

The following table and analysis compare the financial results of the first quarter 2005 to those of the first quarter 2004:

	3 months ended December 31	
	2004	2003
Revenue	$ 6,249,028	$ 3,108,658
Operating expenses	3,639,126	2,765,576
Net income	1,899,470	220,730
Net income per share	0.02	0.00
Cash and cash equivalents	6,608,576	1,051,011
Assets	36,849,918	30,204,409
Long-term financial liabilities **	13,041,953	16,370,116

** Total long-term financial liabilities include current and long-term portions of loans payable, notes payable and the debenture.

Revenue

Orvana's sales are determined according to spot gold prices. The Corporation's policy is to not hedge its gold production. Bullion is shipped to a single customer for refining. Orvana sold 14,360 ounces of gold during the three months ended December 31, 2004, generating revenues of $6.2 million. This compares to 7,867 ounces sold for revenues of $3.1 million in the quarter ended December 31, 2003. As noted elsewhere in this MD&A, for the quarter ended December 31, 2004, gold production and sales were adversely affected by weather conditions in the month of December causing operating results to fall below levels that would otherwise have been achieved.

Operating Expenses

Operating expenses consist primarily of cost of sales; depreciation, amortization and reclamation costs; interest on long-term debt; Comsur management fees; production royalties; exploration costs and public company disclosure costs. Except for 350,000 stock options held by one director, the Corporation currently has no stock options, performance incentives, or bonus arrangements with its officers or directors. Major factors affecting higher expenses in the first quarter 2005 was an increase in cost of sales to $1.6 million from $1.0 million in the same quarter of the previous year, due to higher gold production, the replacement of liners in the SAG mill, and unusually high maintenance of access roads and bridges due to excessive precipitation in December 2004.

Net Income

Orvana reported net income of $1.9 million in the first quarter fiscal 2005, compared to $220,730 in the first quarter fiscal 2004. This increase was the result of higher gold sales, partially offset by increased production costs and additional income taxes.

Production Cost Analysis

The following table sets out direct operating costs:

	3 months ended December 31	
	2004	2003
Direct operating costs	$ 1,566,585	$ 1,150,351
Direct cost per treated tonne	26.38	19.36
Direct cost per ounce produced	111.52	130.69

The following table presents the cash operating costs and total production costs at the Don Mario mine in producing 14,047 ounces in the first quarter 2005 and 8,802 ounces in the same quarter of fiscal 2004. The calculations of these costs are based on the industry-recognized Gold Institute Production Cost Standard that has been widely adopted throughout the global gold industry. The purpose of providing this information standard is to give management, shareholders and the financial community a tool to make meaningful comparisons of gold mining companies with production cost information in a uniform format. These calculations represent non-GAAP information, do not have a standardized meaning prescribed by GAAP, should not be construed as an alternative to GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other issuers.

	3 months ended December 31			
	2004		2003	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct operating costs	$ 1,566,585	$ 111.52	$ 1,150,351	$ 130.69
Third-party smelting, refining and transportation costs	47,081	3.35	25,293	2.87
Cash operating costs	1,613,666	114.88	1,175,644	133.57
Royalties	214,670	15.28	92,930	10.56
Total cash costs	1,828,336	130.16	1,268,574	144.12
Depreciation and amortization	1,219,805	86.84	1,093,599	124.24
Total production costs	$ 3,048,141	$ 217.00	$ 2,362,173	$ 268.37

Total production costs of $217 per ounce in the first quarter 2005 decreased compared to the same quarter last year primarily due to improvement in the average head grades for both the underground mine and the mini-pit, and higher gold production.

The difference between direct operating costs of $1,566,585 in the first quarter 2005 and the cost of sales of $1,647,949 reported in the unaudited consolidated financial statements is due mainly to changes in gold and ore inventories. The following is a reconciliation of the two amounts:

	3 months ended December 31	
	2004	2003
Cost of sales (GAAP)	$ 1,647,949	$ 1,019,386
Processing charges included in cost of sales	(9,510)	(18,244)
Changes in gold and ore inventories	(71,854)	149,209
Direct operating costs (non-GAAP measure)	$ 1,566,585	$ 1,150,351

Analysis of Cash Flow
The following table summarizes the principal sources and uses of cash in the first quarter 2005, compared to the same quarter of the previous year.

	3 months ended December 31	
	2004	2003
Cash provided by operating activities	$ 3,580,679	$ 1,063,772
Repayment of loans and notes payable	(413,831)	(40,338)
Capital expenditures	(479,024)	(220,606)

Capital Expenditures
Orvana's fiscal 2005 budget calls for capital expenditures of approximately $1.9 million (of which $0.5 million was spent in the first quarter) on continuing mine development, further tailings pond development and major overhauls/replacements of mine and mill equipment.

Foreign Exchange
A high percentage of the Corporation's revenues, costs and assets are denominated in U.S. dollars, and the remainder are primarily denominated in Bolivian and Canadian currencies. The

Corporation is exposed to foreign currency fluctuations; however, management does not expect these fluctuations to have a significant impact on the Corporation's financial position or results.

Summary of Quarterly Results

The following tables include results for the past eight quarters ended December 31, 2004.

Revenue and net income increased in each quarter of fiscal 2004 as operating efficiency and gold production generally improved at the Don Mario mine.

Net income in the quarter ended December 31, 2004 was $2.4 million lower than in the quarter ended September 30, 2004 due to a future income tax expense of $0.5 million in the December 31, 2004 quarter and to the inclusion in the September 30, 2004 quarter of an expected recovery of Bolivian income taxes of $1.9 million on income tax losses available for carry forward. In addition, adverse weather conditions in the month of December 2004 affected mining operations and caused gold production in the December 31, 2004 quarter and therefore operating results, to fall below levels that would otherwise have been achieved.

Losses were incurred in the two quarters ended June 30, 2003 due to construction and initial start-up activities of the Don Mario mine.

	Quarter ended Dec. 31, 2004	Quarter ended Sept. 30, 2004	Quarter ended June 30, 2004	Quarter ended Mar. 31, 2004
Revenue	$ 6,249,028	$ 5,833,438	$ 5,522,965	$ 4,693,412
Operating expenses	3,639,126	3,238,926	3,152,699	3,298,292
Net income	1,899,470	4,273,817	2,140,472	1,207,017
Net income per share	0.02	0.04	0.02	0.01

	Quarter ended Dec. 31, 2003	Quarter ended Sept. 30, 2003	Quarter ended June 30, 2003	Quarter ended Mar. 31, 2003
Revenues	$ 3,108,658	$ 2,989,946	$ 0	$ 2,888
Operating expenses	2,765,576	2,779,029	202,583	60,529
Net income (loss)	220,730	94,942	(295,071)	(57,641)
Net income (loss) per share	0.00	0.00	(0.00)	(0.00)

Liquidity and Capital Resources

During the first quarter 2005, Orvana generated $3.6 million in cash flow from operating activities before changes in non-cash working capital. Cash and cash equivalents were $6.6 million at December 31, 2004, an increase of $2.7 million from September 30, 2004.

Working capital was $7.3 million as at December 31, 2004, compared to $4.6 million as at September 30, 2004.

Accounts receivable at the end of the first quarter 2005 included $2.6 million of value-added taxes recoverable from the Bolivian tax administration on the export of gold bullion. The Corporation expects to receive refunds totaling this amount over the course of the next year.

Shareholders' equity increased by $1.9 million to $20.8 million ($0.18 per share) compared to $18.9 million ($0.17 per share) at the end of fiscal 2004.

The Corporation's capital resources at the end of December 2004 consisted primarily of:

- Capital stock of 114.2 million shares with a stated value of $74.7 million,
- A $6.0 million loan from a Bolivian bank with an average interest rate of LIBOR plus 3.75%,
- A $6.7 million loan from Comsur with an average interest rate of LIBOR plus 4.5%.

The Corporation has no significant commitments for capital expenditures or other spending plans beyond normal mine development and capital replacement requirements.

Existing long-term debt was incurred to finance the purchase of the mill and other capital assets and the initial development and start-up of the mine. The Corporation does not require additional financing at the present time and, thus, has not yet sought to arrange additional facilities.

On December 31, 2004, Orvana had long-term debt of $13.6 million including discounted debt relating to the asset retirement obligations. Principal repayments for the fiscal years ended September 30 are summarized in the following table:

	2005	2006	2007	2008	2009 and beyond	Total
Loan payable - Banco de Credito de Bolivia	$2,000,000	$2,000,000	$2,000,000			$6,000,000
Loan payable - Comsur	1,200,000	1,600,000	1,600,000	$1,600,000	$666,667	6,666,667
Notes payable	100,571	114,402	67,825			282,798
Asset retirement obligations (undiscounted estimate)					1,120,000	1,120,000
Total repayments	$3,300,571	$3,714,402	$3,667,825	$1,600,000	$1,786,667	$14,069,465

For the three months ended December 31, 2004, the net increase in cash, after debt repayments and capital expenditures, was $2.7 million. At December 31, 2004, cash and cash equivalents amounted to $6.6 million. The Corporation has sufficient cash reserves, at the present time, to cover long-term debt repayments for the balance of fiscal 2005 and for most of the year ending September 30, 2006 as well. In addition, provided gold prices remain in the range of $400 per ounce and provided no unforeseen events arise, it is expected that the Corporation will continue to generate significant cash flow.

Off-Balance Sheet Arrangements
Orvana has not entered into any off-balance sheet arrangements.

Transactions with Related Parties
All transactions with related parties have occurred in the normal course of operations or pursuant to the agreement between Orvana, certain of its subsidiaries and Comsur pursuant to which Comsur acquired its controlling interest in Orvana, or a management services agreement between Paititi, a subsidiary of Orvana which owns the Don Mario mine, and Comsur dated October 1, 2003. Under the management services agreement, Comsur provides management services to Paititi in consideration for fees of $420,000 per year. Paititi also reimburses Comsur for certain out-of-pocket expenses which Comsur incurs in providing such services.

Proposed Transactions

There are no proposed transactions of a material nature being considered at this time.

Critical Accounting Estimates

The preparation of financial statements in accordance with 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 reserves, the net realizable values and recoverable amount of deferred property costs and asset retirement obligations.

Mineral reserves

At the commencement of construction in March 2002, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, and contained an estimated 414,000 ounces of gold, according to an independent technical report on the Don Mario property prepared by the international consulting firm AMEC E&C Services Ltd., in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. Commercial production commenced July 1, 2003 and the mill has treated 340,485 tonnes of ore and produced 70,683 ounces of gold during the 18 months ended December 31, 2004.

Mine development work done to date supports the original estimates of mineral reserves and contained gold.

Net realizable values of deferred property costs

At December 31, 2004 the net book value of mineral properties and deferred development costs and mine development, plant and equipment amounted to $22.2 million. 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 at $400 per ounce and cash operating costs of $130 per ounce, net realizable values are in excess of net book value of mineral properties and deferred development costs and mine development, 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 $0.6 million at December 31, 2004. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be $1.1 million on an undiscounted basis and that these costs will be incurred over the years 2009 to 2014 (See note 8 to the audited consolidated financial statements for the year ended September 30, 2004). 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.

In the latest review of the Company's estimates with respect to its asset retirement obligations, no new information has come to light that would suggest that a revision is required to the provision for asset retirement obligations.

Changes in Accounting Policies
In fiscal 2004, the Corporation implemented two changes to its accounting policies, which are described in the notes to the 2004 audited consolidated financial statements, and which affected both the fiscal 2004 and fiscal 2003 financial and operating results. Quarterly and annual financial and operating results for both fiscal periods have been restated to reflect these changes in accounting policies.

Effective September 30, 2003, the Corporation adopted the provisions of CICA 3110 in accounting for its asset retirement obligations. The new accounting policy is described in Notes 2 and 8 to the audited consolidated financial statements for the year ended September 30, 2004.

In accordance with GAAP, the Corporation adopted the practice of capitalizing mine development expenditures and amortizing these expenditures over the life of the mine. The table below shows the amounts of mine development expenditures capitalized each quarter up to September 30, 2004. No amortization was recorded in fiscal 2003, and commencing in the first quarter 2004, amortization has been calculated based on the remaining life of the mine.

Quarters ended	Mine Development Expenditures Capitalized
September 30, 2003	$ 264,109
December 31, 2003	189,373
March 31, 2004	138,042
June 30, 2004	195,552
September 30, 2004	203,841

Financial and Other Instruments
In the recently completed quarter, the Corporation did not use any hedging or other financial instruments.

Disclosure of Outstanding Share Data
Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at January 25, 2005, there were 114,172,507 common shares outstanding with a stated value of $74.7 million, and 1,568,331 stock options outstanding with a weighted average exercise price of CAD$3.16, expiring from 2005 to 2008.

Risks and Uncertainties
The Corporation's business is subject to economic, political, geological and operating risks and uncertainties which are beyond Orvana's control. These are described in the Corporation's Annual Information Form, which is filed on SEDAR. The Corporation's business, results of operations, financial condition, and the trading price of its common shares are subject to a number of risks, including risks related to development of mineral deposits, production costs and metal prices, exploration, development and operating risks, environmental and other regulatory requirements, international operations, water supply, new operation, production estimates, mineral reserves and resources, title matters, gold price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility.

Outlook
Management anticipates that the Corporation will maintain current levels of production and operating efficiencies at the Don Mario mine during the fiscal year ending September 30, 2005. Average mill throughput is approximately 700 treated tonnes per day, and management

estimates that Orvana will process approximately 230,000 tonnes of ore during the 2005 fiscal year.

The Corporation expects to record positive net income and cash flow from operating activities in fiscal 2005. Orvana intends to re-invest part of its free cash flow into further exploration of both the Lower Mineralized Zone and Upper Mineralized Zone. In addition, the Corporation intends to set aside funds for the potential exploration and acquisition of other properties in Latin America.

Other Information

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