ORVANA
MINERALS CORP.

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

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"). The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the first quarter 2005 and 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 was prepared on February 14, 2005. It 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.

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 having a value of $1,500,000 at the time of 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.

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 liabilities	13,598,559	16,878,332

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.

Operating Expenses
Operating expenses consist primarily of costs of sales; depreciation, amortization and reclamation costs; interest on long-term debt; Comsur management fees; production royalties; exploration costs and public company disclosure costs. 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. These calculations represent non-GAAP information, which 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 $479,024 was spent in the first quarter) on continuing mine development, further tailing 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 Historical 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 of $4.3 million in the fourth quarter 2004 includes an expected recovery of Bolivian income taxes of $1.9 million on income tax losses available for carry forward. Furthermore, the quarter ended December 31, 2004 included $0.5 million of future tax expenses.

Losses were incurred in the three 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%.

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

Management is confident that the Corporation will generate sufficient cash flow and working capital to service its future operating requirements, capital expenditures, interest charges and debt repayments.

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 material proposed transactions being considered at this time.

Critical Accounting Estimates
With the exception of estimates described in the audited financial statements for the year ended September 30, 2004, Orvana did not rely on any critical accounting estimates in the recently completed fiscal quarter.

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.

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. Note 2 to the audited consolidated financial statements for the year ended September 30, 2004 provides more information on this new policy. 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.