ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – First Quarter ended December 31, 2005

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 February 13, 2006 (the "report date") and describes the operating and financial results of the Company for the three months ended December 31, 2005 (the "first quarter 2006"). The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the first quarter 2006. The Company 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 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 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 GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other companies. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

This MD&A contains certain forward-looking information and statements relating but not limited to, operations, anticipated or prospective financial performance, results of operations, business prospects and strategies of Orvana. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely" or similar words suggesting future outcomes or statements regarding an outlook or future changes in gold prices, mineral reserves, operating, production and exploration plans, asset retirement obligations and interest rates, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Although Orvana believes it has a reasonable basis for making the forward-looking statements included in this MD&A, readers are cautioned not to place undue reliance on such forward-looking information. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking statements. Some of these factors are described in this MD&A in the section "Risks and Uncertainties". The factors described in the section "Risks and Uncertainties" affecting forward-looking information are not exhaustive. The Company undertakes no obligation, except as required by law, to update publicly or otherwise any forward-looking information, whether as a result of new information, future events or otherwise, or the factors affecting this information.

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.

The Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("Paititi"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. Subsequent to the end of fiscal 2005, the Company completed 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 Minerals Corp. website www.orvana.com and on www.sedar.com. The Orvana Technical Report provides an updated mineral resource and mineable reserve estimate in respect of both the Lower Mineralized Zone ("LMZ"), which is currently being exploited, and the Upper Mineralized Zone ("UMZ"), which is currently the subject of a pre-feasibility study being conducted by NCL Ingenieria y Construccion S.A. ("NCL") of Santiago, Chile. The Orvana Technical Report has been prepared by M.J. Hodgson, Vice President and Chief Operating Officer of Orvana, with the assistance of NCL.

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. ("AMEC") in July 2003, set out in a report dated July 25, 2003 entitled *"Technical Report on the Don Mario Gold Property, Chiquitos Province, Bolivia"* (the "AMEC Technical Report"), also available on www.sedar.com. Since the date of the AMEC Technical Report, the mine has been in full production and has produced 145,665 ounces of gold to December 31, 2005. The mine has now been extensively sampled underground to a depth of 200 metres from surface.

A summary of the Don Mario Mineable Reserves for the LMZ, at a 3 g/t Cut off Grade and $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

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, including a joint venture interest in the Pederson property, which covers approximately 7,800 hectares. As disclosed in detail in the Company's MD&A for fiscal 2005, prior to year end, the Company reached an agreement in principle to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian"). Completion of the sale is subject to certain conditions, including execution of a definitive agreement by the relevant parties. Management expects that a definitive agreement will be signed in the second quarter of fiscal 2006. The Company intends to divest its other non-core Bolivian exploration assets located in the Altiplano region and, following the completion of this sale, the Company intends to enter into negotiations with respect to a possible sale to Castillian of the Company's interests in its remaining exploration properties located in the Altiplano region.

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.

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 and Orvana has no immediate plans to further explore the concession. Following closure of the mine in 2001, an environmental closure plan, as required by law, was presented to the mining and environmental ministries. Following the approval of that plan, reclamation work on the property was undertaken and concluded. A final report on the closure plan and the results of its implementation is being prepared by an independent consulting firm and its report will be presented shortly to the Ministry of Mines and the Ministry of Environment. The Company expects that the authorities will be satisfied with the reclamation work done as they have been inspecting periodically the work undertaken according to the closure plan.

Business Strategy

Orvana's near term business strategy is to complete the development of the LMZ of the Don Mario property and sustain gold production and sales from the Don Mario mine. The Company has commenced a $500 surface drilling program with a view to adding additional tonnage to the LMZ ore reserves.

Following a positive internal economic evaluation of the UMZ, the Company retained NCL to complete a pre-feasibility study on the UMZ. It is expected that the pre-feasibility study will be completed during the third quarter of fiscal 2006 with the expectation that, if results of the pre-feasibility study are favourable, a bankable feasibility study can be completed early in calendar 2007.

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

Immediately prior to its September 30, 2005 year end, the Company prepaid ahead of schedule its remaining long-term debt. Thus, at September 30, 2005, Orvana had no long-term debt and, at December 31, 2005, the Company remained debt-free.

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

Orvana is seeking additional growth and geographic diversification by pursuing 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.

OVERALL PERFORMANCE

Key Performance Factors

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

Revenue and Net Income

The Company's results for the quarter ended December 31, 2005 with comparative figures for the quarter ended December 31, 2004 are summarized in the table below.

	Three months ended December 31	
	2005	2004
Revenues	$8,519	$6,247
Net income	2,699	1,900
Net income per share – basic and fully diluted	$0.02	$0.02

Tonnes treated in the first quarter 2006 were 63,281 compared to 59,386 in the same quarter a year ago. Gold production for the first quarter 2006 increased 44% to 20,270 ounces compared to 14,047 ounces in the quarter ended December 31, 2004 (the "first quarter 2005") due to both higher grades from the underground mine and improved recoveries but also due to weather conditions in December 2004 that adversely affected production in the first quarter 2005.

Revenue for first quarter 2006 increased 36% to $8,519 on 17,939 ounces sold compared to $6,247 on 14,360 ounces sold in the same quarter a year ago. Higher production and higher gold prices both contributed to the improvement in revenues. Gold dore remaining in inventory at the end of the first quarter increased by 2,331 ounces thus explaining the lower sales in the first quarter 2006 compared to the ounces produced of 20,270 during the quarter. The quantity of gold sales in any period is affected by the timing of shipments which is in turn subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Direct mine operating costs were $2,050 to produce 20,270 ounces in the first quarter 2006 compared to $1,567 to produce 14,047 ounces in the first quarter 2005. Direct costs per ounce decreased by 9% to $101.13 in the first quarter 2006 from $111.52 in same quarter a year ago. Higher gold production, primarily due to higher recoveries and grades, more than offset higher direct mine operating costs. Direct costs reflect the higher cost ore from underground, as ore supply from the minipit is exhausted, as well as increases in certain costs including labour and supplies. Direct costs per treated tonne and per ounce produced are noted in the table below:

	Three months ended December 31	
	2005	2004
Direct mine operating costs	$2,050	$1,567
Direct mine operating cost per treated tonne	32.39	26.38
Direct cost per ounce produced	101.13	111.52

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

General and administration expenses increased $434 to $647 in the first quarter 2006 compared to $213 in the first quarter 2005. Senior management salaries were higher than management fees incurred in the first quarter 2005 by $212 and operating expenses in connection with the establishment of a corporate head office and presence in Toronto accounted for $127. All other general and administration expenses increased by $95.

Exploration and development expenditures charged to expense were higher by $120 due to increased work and a pre-feasibility study on the UMZ. The Company does not capitalize exploration and pre-feasibility study expenditures until study results indicate that a property is economically feasible.

During the first quarter 2006, management was actively investigating potential investment opportunities and incurred professional fees and other costs, described as business development expenses in the income statement, amounting to $427 in connection with related due diligence activities.

The Company is active in supporting infrastructure and other program initiatives in local communities in the vicinity of the Don Mario Mine resulting in expenditures of $126 greater than the comparable amount incurred in the first quarter 2005.

Long-term debt interest was eliminated in the first quarter 2006 compared to $216 in the first quarter 2005 since the Company prepaid all remaining long-term debt just prior to the end of fiscal 2005.

Net income for the first quarter 2006 was $2,699 ($0.02 per share) compared to $1,900 ($0.02 per share) for the first quarter 2005.

Cash Flows

The following table summarizes the principal sources and uses of cash for the quarter ended December 31, 2005 compared to the quarter ended December 31, 2004:

	Three months ended December 31	
	2005	2004
Cash provided by operating activities	$3,205	$3,567
Repayment of long-term debt	-	(400)
Capital expenditures	(640)	(479)

Cash provided by operating activities

For the first quarter 2006, cash provided by operating activities declined by 10% to $3,205 from $3,567 in the first quarter 2005. Cash flow from operations before working capital changes increased by 13% compared to the first quarter 2005, reflecting improved operating results, but this increase was more than offset by an increase in non-cash working capital uses of $821 as accounts payable were reduced.

Capital expenditures

For the first quarter 2006, capital expenditures amounted to $640 compared to $479 for the first quarter 2005.

Financial Condition – December 31, 2005 compared to September 30, 2005

The following table provides a comparison of key elements of the Company's balance sheet at December 31, 2005 and September 30, 2005:

	December 31, 2005	September 30, 2005
Cash and cash equivalents	$7,885	$5,310
Working capital, including cash and current portion of long-term debt	10,756	7,099
Total assets	37,521	35,163
Long-term debt, including current portion	-	-
Shareholders' equity	31,694	28,859

Cash increased by $2,575 on strong performance in the first quarter 2006 despite the increase in non-cash working capital.

Working capital, including cash, increased by $3,657 to $10,756 at December 31, 2005 from $7,099 at September 30, 2005.

All long-term debt was repaid prior to the September 30, 2005 year end. At December 31, 2005, the Company continued to be debt-free.

Shareholders' equity increased from September 30, 2005 by $2,835 to $31,694 at December 31, 2005. No dividends were paid in the first quarter 2006.

Outlook

Barring unforeseen events, management expects the Don Mario Mine will produce in excess of 75,000 ounces in fiscal 2006.

CORPORATE RESOURCES

Management and Staffing

Orvana has substantially completed the development of its organization and management at its corporate office in Toronto and at its offices in Santa Cruz and the Don Mario Mine to support efforts to achieve its objective of having a portfolio of low cost, long-life gold mines in the Americas.

Liquidity and Capital Resources

Liquidity

On October 11, 2002, Paititi signed a seven-year natural gas supply contract at a fixed price for gas supply and transportation based on a maximum contracted volume which can be increased subject to negotiation. The Company has the right to extend this contract on an annual basis. The Company incurred $403 in respect of natural gas purchased under this contract during the last complete fiscal year.

The Company has recorded an asset retirement obligation at a discounted amount of $1,718 at December 31, 2005 relating to the Don Mario Mine to dismantle its facilities and structures and to complete certain environmental reclamation of areas affected by mine 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.

For the first quarter 2006, the net increase in cash, after capital expenditures, was $2,575. At December 31, 2005, cash and cash equivalents amounted to $7,885. Provided gold prices remain in the range of $500 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow in fiscal 2006.

Capital Resources

At December 31, 2005, the Company had no long-term debt and capital resources at that date are represented by shareholders' equity which amounted to $31,694.

The Company does not require additional financing at the present time and, thus, has not sought to arrange additional facilities.

Shareholders' equity increased by 10% or $2,835 to $31,694 ($0.28 per share) at December 31, 2005 compared to $28,859 ($0.25 per share) at the end of fiscal 2005.

RESULTS

Results of Operations
Quarter ended December 31 – 2005 compared to 2004
The following table and analysis compare operating results for the first quarter 2006 to those of the first quarter 2005:

	Three months ended December 31	
	2005	2004
Revenues	$8,519	$6,247
Costs and expenses of mining operations	3,504	3,095
Expenses (other income)	1,551	542
Net income for the period	2,699	1,900
Net income per share – basic and fully diluted	$0.02	$0.02

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 December 31	
	2005	2004
Revenues	$8,519	$6,247
Price per ounce	$475	$435
Ounces sold	17,939	14,360

Revenues for the first quarter 2006 amounted to $8,519 on 17,939 ounces sold compared to $6,247 on 14,360 ounces sold in the first quarter 2005.

Further information on production operations and costs is presented below.

Don Mario Mine - Development
Development work continued throughout the first quarter 2006, mainly on deepening the main ramp and further shaft sinking to provide access to new lower levels. By the end of the first quarter 2006, the main ramp was below the 125-metre level. The underground operation has now been substantially mechanized with the introduction of the new single boom drilling jumbo and two 5-cubic yard scoop trams. The mine plan calls for the main ramp to be completed to the base of the LMZ by the fourth quarter of fiscal 2006 and, at the current rate of advancement, it is expected that it will be completed in this timeframe.

Don Mario Mine – Production, Grades and Recoveries
The following table shows the tonnages treated and the head grade in g/t at the Don Mario Mine for the first quarter 2006 compared to the first quarter 2005:

		Three months ended December 31	
		2005	2004
Underground mine	tonnes	46,919	41,330
	g/t	11.89	8.50
Mini-pit & stockpile	tonnes	16,362	18,056
	g/t	7.68	7.72
Total	tonnes	63,281	59,386
	g/t	10.80	8.26
Recovery rate - %		92.3%	89.0%
Gold produced - ounces		20,270	14,047

The Don Mario Mine has 256 employees and approximately 120 contracted personnel who provide various support services.

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 20,270 ounces in the first quarter 2006 and 14,047 ounces in the first quarter 2005:

	Three months ended December 31			
	2005		2004	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$2,050	$101.13	$1,567	$111.52
Third-party smelting, refining and transportation costs	42	2.08	46	3.35
Cash operating costs	2,092	103.21	1,613	114.87
Royalties and mining rights	339	16.72	215	15.28
Total cash costs	2,431	119.93	1,828	130.15
Depreciation and amortization	1,394	68.75	1,220	86.85
Total production costs	$3,825	$188.68	$3,048	$217.00

Total production costs of $188.68 per ounce in the first quarter 2006 decreased by 13% or $28.32 per ounce from $217.00 per ounce in the first quarter 2005. This decrease in the unit cost is the combination of improved ore grades and recoveries and an increase in tonnes treated. However, the Company anticipates some increase in unit costs in the future as higher direct mining costs begin to reflect an increase in the portion of the feed coming from the underground mine with a corresponding reduction in feed from the mini-pit. It is expected that ore from the mini-pit will be exhausted by about mid-fiscal 2006.

The difference between direct mine operating costs of $2,050 and the cost of sales of $1,908 reported in the unaudited consolidated financial statements for the first quarter 2006 is due mainly to changes in cash costs in gold and ore inventories. A reconciliation of these non-GAAP costs with the Company's GAAP-based statement of income for the quarters ended December 31, 2005 and 2004 is presented in the table below:

	Three months ended December 31	
	2005	2004
Cost of sales (GAAP)	$1,908	$1,648
Transportation and processing charges included in cost of sales	-	(9)
Changes in cash costs included in gold inventories and gold in circuit	142	(72)
Direct mine operating costs (non-GAAP measure)	$2,050	$1,567

Update on the Lower Mineralized Zone

A $500 surface drilling campaign of 12 holes commenced during the last quarter of fiscal 2005 and continued through the first quarter 2006. The program has been designed to test the northern and down dip extension of the LMZ. The drill spacing is between 100-200 metres spacing, dependent upon results. By the end of the first quarter 2006, approximately 1,850 metres had been completed. This has been a slow rate of progress caused by a combination of mechanical failures and poor ground conditions. By the end of the first quarter 2006, four holes had been completed with one well underway. The Company intends to complete the 12-hole program in the second quarter of fiscal 2006. To date, the results have been mediocre. If the programme shows success, a follow-up drill programme is planned from underground, from the main ramp once it reaches the lower-most planned levels. Current timing on the latter drill program is forecast to be the third quarter of fiscal 2007.

Update on the Upper Mineralized Zone

The Company has received a final Resource Estimate Review and National Instrument 43-101 Technical Report, dated March 11, 2005, on the UMZ prepared by Pincock Allen & Holt (PAH). The Don Mario UMZ, a potential source of open pit ore, has estimated total indicated mineral resources of 5,600,000 tonnes. A summary of mineral resource estimates with respect to the UMZ is set forth in the table below:

	Indicated Resources				
Zone	AuEq Cutoff	Au g/t	Cu %	Ag g/t	Tonnes
Porous	1.00	1.31	1.78	52	443,422
Oxides	1.00	1.57	1.99	49	1,790,670
Transition	1.27	1.41	1.37	57	1,775,430
Sulfides	1.32	1.46	1.42	44	1,568,150
Total		1.47	1.61	50	5,577,672

The PAH report is available on SEDAR (www.sedar.com) and on the Company's website (www.orvana.com).

Following a positive internal economic analysis, the Company retained NCL to complete a pre-feasibility study on the UMZ project. NCL is one of Chile's largest mining engineering consulting companies with particular expertise in this type of deposit. It is expected that the pre-feasibility study will be completed in the third quarter 2006 with the expectation that, if results of the pre-feasibility study are favourable, a bankable feasibility study can be completed early in calendar 2007.

Assuming a positive pre-feasibility study and bankable feasibility study, the Company expects that the UMZ could extend the Don Mario Mine life by up to eight years. Preliminary results indicate that the pre-feasibility study will be positive. Further test work in CIMM, Santiago, Chile is on-going. Based upon preliminary study results obtained to date on capital, operating costs and metallurgical processing alternatives, management's current assessment is that the UMZ has the potential to produce between 80,000 and 100,000 ounces of gold equivalent production per annum assuming a gold price of $400 per ounce, a copper price of $1 per pound and a silver price of $6 per ounce.

Summary of Quarterly Results
The following two tables include results for the past eight quarters ended December 31, 2005:

	Quarters ended			
	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005	Mar. 31, 2005
Revenues	$8,519	$10,436	$5,892	$6,775
Net income	2,699	4,484	321	2,216
Net income per share – basic and fully diluted	$0.02	$0.04	$0.00	$0.02
Total assets	$37,521	$35,163	$36,659	$37,635
Total long-term financial liabilities	-	-	7,959	11,492
Gold production - ozs.	20,270	19,963	17,404	17,345
Gold sales – ozs.	17,939	24,381	13,820	15,712
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$119.93	$116.36	$127.97	$98.32
- Average gold price realized	474.89	428.04	426.34	431.14
Operating statistics -				
- Gold ore grade – g/t	10.80	11.58	10.46	10.30
- Gold recovery rate - %	92.3%	93.5	89.1	88.8

	Quarters ended			
	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	Mar. 31, 2004
Revenues	$6,247	$ 5,796	$ 5,523	$ 4,693
Net income	1,900	4,274	2,140	1,207
Net income per share – basic and fully diluted	$0.02	$0.04	$0.02	$0.01
Total assets	$36,850	$35,300	$32,512	$30,871
Total long-term financial liabilities	12,759	13,456	15,032	15,466
Gold production - ozs.	14,047	13,120	14,643	11,663
Gold sales – ozs.	14,360	14,302	14,037	11,225
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$130.15	$120.59	$109.01	$125.02
- Average gold price realized	434.96	405.26	393.46	418.08
Operating statistics -				
- Gold ore grade – g/t	8.26	8.70	8.54	6.93
- Gold recovery rate - %	89.0	83.5	89.5	88.9

Comments on the tables of quarterly results
The quantity of gold sales in any period is affected by the timing of shipments which is in turn subject to weather conditions, timing of smelting to produce gold dore and security considerations. In the first quarter 2006, gold production amounted to 20,270 ounces while gold sales were 17,939 ounces. Gold dore remaining in inventory at the end of the first quarter increased by 2,331 ounces thus explaining the lower sales in the first quarter 2006 compared to the ounces produced during the quarter.

Revenues for the fourth quarter ended September 30, 2005 amounted to $10,436 on 24,381 ounces sold compared to $5,796 on 14,302 ounces sold for the fourth quarter of fiscal 2004. 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 fourth quarter 2005. Costs of $1,059 relating to this shipment that had been included in inventory at the end of the third quarter 2005 were charged to cost of sales and depreciation and amortization in the fourth quarter.

Net income for the fourth quarter of fiscal 2005 amounted to $4,484 compared to $4,274 for the fourth quarter of fiscal 2004 but results for the fourth quarter of fiscal 2004 included an anticipated income tax recovery of $1,913 from prior years' tax losses.

Revenues and net income were both lower in the quarter ended June 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 as title had not passed and related costs of production and sale of $1,059 relating to this shipment were inventoried at the end of June 2005. 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. Operating 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 the quarter.

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

Net income in the quarter ended December 31, 2004 was $2,374 lower than in the quarter ended September 30, 2004 due to the inclusion in the September 30, 2004 quarter of an expected recovery of Bolivian income taxes of $1,913 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 that quarter, and therefore operating results, to fall significantly below levels that would otherwise have been achieved.

RISKS AND UNCERTAINTIES

The Company holds mining properties mainly in Bolivia and as such is exposed to the laws governing the mining industry in that country. The Bolivian government has historically been supportive of the mining industry, but particularly in view of the recent change in government in Bolivia and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental action with respect to such matters as taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership, as well as shifts in the political stability of the country and labour unrest, any of which could adversely affect the Company and its exploration and production activities in the country.

The Company's business, results of operations, financial condition, and the trading price of its common shares are also subject to a number of other risks, including risks related to development of mineral deposits, production costs and metal prices, the supply of energy and other consumables, exploration, development and operating risks, water supply, 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.

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 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 reserve of the LMZ has been estimated by the Company 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 ounces per annum) and assuming no further exploration success, the LMZ is expected to be in production for a further five years.

Net realizable values of property, plant and equipment
At December 31, 2005, the net book value of property, plant and equipment amounted to $23,364. 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 $120 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 $1,718 at December 31, 2005. 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 $126 in the first quarter 2006 based on an estimate of the fair value of the options on the grant date. 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 quarter ended December 31, 2005 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 114,693,173 common shares outstanding with a stated value of $74,741. There were also 4,682,998 stock options outstanding with a weighted average exercise price of Cdn. $1.76. These stock options have expiry dates ranging from 2006 to 2010.

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