ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – First Quarter ended December 31, 2006

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, 2007 (the "Report Date") and describes the operating and financial results of the Company for the three months ended December 31, 2006 (the "first quarter fiscal 2007"). The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the first quarter fiscal 2007. 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 (except per unit amounts) are in thousands of United States dollars unless otherwise stated, and gold production, in fine troy ounces, is referred to as "ounces".

Throughout this MD&A, the Company has used non-GAAP measures including direct mine operating costs, cash operating costs, total cash costs and total production costs, and related unit cost information, because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with 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 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 cost of sales as determined under GAAP. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Orvana, or developments in Orvana's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Orvana cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, all aspects of the possible development of the Upper Mineralized Zone ("UMZ") deposit at Don Mario and of its potential operation and production, mineral resource and mineral reserve estimates, the realization of mineral reserve estimates, estimates of future capital expenditures and timing of development and production and estimates of the outcome and timing of decisions with respect to whether and how to proceed with such development and production, permitting time lines, statements and information regarding future feasibility studies and their results, production forecasts, future transactions, the successful completion of reclamation projects, future gold prices, the ability to achieve additional growth and geographic diversification, future production costs, accounting estimates and assumptions, future tax benefits, the renewal or renegotiation of agreements, future financial performance, including the ability to increase cash flow and profits, future financing requirements, mine development plans, and possible changes in the regulatory, political, social and economic environment in Bolivia. A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include fluctuations in the price of gold; the impact or unanticipated impact of: the need to recalculate estimates of reserves and resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; risks generally associated with mineral exploration and development, including the Company's ability to develop the UMZ deposit if it determines to do so and to acquire and develop mineral properties; the Company's ability to obtain additional financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in Bolivia; general economic conditions worldwide and the risks identified below under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form for a description of additional risk factors. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

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

BUSINESS OVERVIEW AND STRATEGY

The Company

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

The Don Mario Mine

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

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

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

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

Since November 1, 2005, the operation has processed 298,481 tonnes of ore which contained 99,310 ounces of gold and produced 91,728 ounces of gold to December 31, 2006. Since the commencement of commercial production on July 1, 2003, the operation has processed 834,460 tonnes of ore and produced 224,271 ounces of gold to December 31, 2006.

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

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

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

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

Other Mineral Properties in Bolivia
The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia which, until March 16, 2006, included a 40% joint venture interest in the Pederson property, which covers approximately 7,800 hectares. On that date, the Company entered into an agreement to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian") subject to certain future payments and certain exploration spending targets to be met by Castillian within five years. The Company recorded a gain of $160 in fiscal 2006 which was included in interest and other income in the income statement in respect of two payments made by Castillian. On September 20, 2006, Castillian declared force majeure claiming that local community groups which are opposed to any exploration and mining activities in the area including the Pederson property, have prevented Castillian from conducting exploration activities as part of its obligations under the agreement with the Company. The Company will record future receipts called for under the agreement if and when they are received.

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

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

Orvana also holds the mining rights to the Las Palmeras concession, which covers approximately 7,100 hectares located in the Canton of San Ramon, Santa Rosa de la Mina and San Javier, in the Province of 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. Following closure of the mine in 2001, an environmental closure plan, as required by law, was presented to and approved by the mining and environmental ministries. A final report on the effectiveness of the implementation of the closure plan was prepared by an independent consulting firm for the Ministry of Mines and the Ministry of Environment and the report was accepted by both ministries on October 31, 2006. Orvana has no plans to further explore the concession and, in December 2006, the Company gave the Ministry of Mines formal notice of its intention to surrender its mining rights.

Business Strategy

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

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

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 is also undertaking exploration activities consisting of ground geophysics, trenching and drilling on other targets located in three of the eleven contiguous concessions collectively referred to as the Don Mario property. These concessions are Las Tojas, La Aventura and Don Mario Sur and all exploration targets had been identified by previous geophysical surveys and trenching.

In October 2006, the Company announced the completion of a pre-feasibility study on the UMZ conducted by NCL. The UMZ mineral reserves would support a seven-year open pit mine life beyond the life of the existing LMZ. The Company is now considering steps to advance the UMZ deposit towards a production decision and has authorized management to proceed with a full feasibility study. Kappes, Cassiday & Associates ("KCA") has been engaged to complete this study. The Company plans to assess its options with respect to developing the project in the most efficient and risk-effective way possible.

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

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

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the quarter ended December 31, 2006 with comparative figures for the quarter ended December 31, 2005 (the "first quarter fiscal 2006") are summarized in the table below:

	Three months ended December 31	
	2006	2005
Revenues	$11,130	$8,519
Net income	3,791	2,699
Net income per share – basic and diluted	$0.03	$0.02

Tonnes treated in first quarter fiscal 2007 were 65,594 compared to 63,281 in the same quarter a year ago. Gold production for the first quarter fiscal 2007 was 7% less at 18,847 ounces compared to 20,270 ounces in the first quarter fiscal 2006 due to somewhat lower recoveries (2% down)and lower grades (9% down), partially offset by higher tonnes processed (4%).

Revenue for the first quarter fiscal 2007 increased 31% to $11,130 on 18,358 ounces sold compared to $8,519 on 17,939 ounces sold in the same quarter a year ago. Higher average gold prices in the first quarter fiscal 2007 accounted for 92% of the increase in revenues while higher ounces sold accounted for the remaining 8%. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Direct mine operating costs were $2,709 to produce 18,847 ounces in the first quarter fiscal 2007 compared to $2,050 to produce 20,270 ounces in the first quarter fiscal 2006. Direct mine operating costs per ounce produced increased by 42% to $143.72 in the first quarter fiscal 2007 compared the same quarter a year ago, in part, due to the impact of lower production on unit costs. However, since mining is now entirely underground, a more relevant comparison is with average mining costs per ounce over the six months ended September 30 of $126.38 indicating an increase of 14% including the impact of lower production on unit costs. Increases have been experienced in numerous costs including labour, consumables, reagents, maintenance parts and supplies.

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

	Three months ended December 31	
	2006	2005
Direct mine operating costs	$2,709	$2,050
Direct mine operating cost per treated tonne	41.29	32.39
Direct mine operating cost per ounce produced	143.72	101.13

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

In the first quarter fiscal 2007, general and administration expenses were $106 or 16% lower than in the first quarter fiscal 2006 due to lower salary and travel expenses.

Exploration expenditures were $292 in the first quarter fiscal 2007 compared to $196 in the first quarter fiscal 2006 reflecting an increase in the exploration program. The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is economically feasible and the decision is taken to proceed with development and investment.

During the first half of fiscal 2006, management was actively investigating certain potential investment opportunities and incurred professional fees and other costs amounting to $427 in the first quarter fiscal 2006. These costs are described as business development expenses in the income statement. Most of these expenses related to due diligence activities and most were incurred in the first quarter.

Orvana is committed to the social development and well-being of the communities in which it operates. Community relations expenses amounting to $105 in the first quarter fiscal 2007 include financial contributions and contributions of know-how by the Company in support of infrastructure and other program initiatives in seven local communities in the vicinity of the Don Mario Mine. Projects supported by Orvana include supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; and maintenance of community roads.

Interest and other income of $220 in the quarter ended December 31, 2006 is interest income on short-term investments of excess cash.

Net income for the quarter ended December 31, 2006 was $3,791 ($0.03 per share) compared to $2,699 ($0.02 per share) for the same quarter last year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the quarter ended December 31, 2006 compared to the quarter ended December 31, 2005:

	Thee months ended December 31	
	2006	2005
Cash provided by operating activities	$6,587	$3,205
Capital expenditures	(413)	(640)

Cash provided by operating activities

Cash provided by operating activities increased over 200% in the first quarter fiscal 2007 from the same quarter a year ago with higher gold prices, an increase in net income and a lower working capital requirement in the current quarter all contributing to the increase.

Capital expenditures

For the first quarter fiscal 2007, capital expenditures amounted to $413 or 34% less than in the first quarter fiscal 2006.

Financial Condition – December 31, 2006 compared to September 30, 2006
The following table provides a comparison of key elements of the Company's balance sheet at December 31, 2006 and September 30, 2006:

	December 31, 2006	September 30, 2006
Cash and cash equivalents	$33,024	$26,850
Non-cash working capital (deficit)	(1,394)	(735)
Total assets	60,022	54,860
Shareholders' equity	48,987	45,089

Cash increased by $6,174 in the first quarter ended December 31, 2006.

Non-cash working capital decreased by $659 to a deficit of $1,394 at December 31, 2006 from a deficit of $735 at September 30, 2006.

All long-term debt was repaid prior to the September 30, 2005 year end. At December 31, 2006 and at the Report Date, the Company was long-term debt-free.

Shareholders' equity increased by $3,898 to $48,987 at December 31, 2006. No dividends were paid in the three months ended December 31, 2006.

Outlook
During the first quarter fiscal 2007, the mill treated 65,594 tonnes of ore in the production of 18,847 ounces of gold. Barring unforeseen events, management expects the Don Mario Mine will produce between 75,000 and 80,000 ounces in fiscal 2007. Ore will be extracted from ore body "A" of the LMZ. Development of ore body "B" of the LMZ will continue and is expected to be completed by the end of fiscal 2007.

CORPORATE RESOURCES

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

Effective December 4, 2006, Michael Hodgson, Vice President and Chief Operating Officer and Eduardo Rosselot, Vice President, Business Development and Special Projects, resigned under the terms of their employment agreements that provided that, in certain circumstances and subject to certain conditions, they could elect to terminate their employment with the Company and receive 12 months' salary. The Company is currently consulting with legal counsel regarding its obligations under these agreements. Orvana has no immediate plans to fill either the role of Vice President and Chief Operating Officer or Vice President, Business Development and Special Projects.

Liquidity and Capital Resources

Liquidity and Commitments

On October 11, 2002, EMIPA signed a seven-year natural gas supply contract for the Don Mario Mine at a fixed price for gas supply and transportation based on a maximum contracted volume which can be increased subject to negotiation. EMIPA has the right to extend this contract beyond its expiry date on October 11, 2009 on an annual basis. EMIPA incurred $477 in respect of natural gas purchased under this contract during the last complete fiscal year. At present, EMIPA is using about 20% more than the maximum contracted volume on which the price is fixed (see also the section "Risks and Uncertainties" below).

The Company has recorded an asset retirement obligation at a discounted amount of $1,868 at December 31, 2006 to dismantle the facilities and structures of the Don Mario Mine and to complete 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.

During the first quarter fiscal 2007, the net increase in cash and cash equivalents, after capital expenditures, was $6,174. At December 31, 2006, cash and cash equivalents amounted to $33,024. Provided gold prices remain in the range of $500-600 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow throughout the balance of 2007.

Capital Resources

At December 31, 2006, the Company had no long-term debt and capital resources at that date are represented by shareholders' equity, which amounted to $48,987.

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

Shareholders' equity increased by 9% or $3,898 to $48,987 ($0.43 per share) at December 31, 2006 compared to $45,089 ($0.39 per share) at the end of fiscal 2006.

RESULTS

Results of Operations

Quarter ended December 31 – 2006 compared to 2005

The following table and analysis compare operating results for the three months ended December 31, 2006 to those of the first quarter fiscal 2006:

	Thee months ended December 31	
	2006	2005
Revenues	$11,130	$8,519
Costs and expenses of mining operations	4,886	3,504
Expenses and other income	825	1,551
Net income	3,791	2,699
Net income per share – basic and diluted	$0.03	$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:

	Thee months ended December 31	
	2006	2005
Revenues	$11,130	$8,519
Average gold price realized	$606	$475
Gold sales - ounces	18,358	17,939

Revenue for the first quarter fiscal 2007 increased 31% to $11,130 on 18,358 ounces sold compared to $8,519 on 17,939 ounces sold in the first quarter fiscal 2006. Higher average gold prices in the first quarter fiscal 2007 accounted for approximately 92% of the revenue improvement while higher ounces sold accounted for the remaining 8%. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore and security considerations.

Further information on production operations and costs is presented below.

Don Mario Mine - Development

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

Don Mario Mine – Production, Gold Grades and Recoveries

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

		Thee months ended December 31	
		2006	2005
Underground mine	tonnes	63,783	46,919
	g/t	10.08	11.89
Mini-pit & stockpile	tonnes	1,811	16,362
	g/t	1.72	7.68
Total	tonnes	65,594	63,281
	g/t	9.85	10.80
Recovery rate		90.7%	92.3%
Gold produced - ounces		18,847	20,270

At December 31, 2006, the Don Mario Mine and Santa Cruz administrative office had a total of 267 employees and 126 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the Don Mario Mine's requirements.

Don Mario Mine – Production Cost Analysis
The following table presents the cash operating costs and total production costs at the Don Mario Mine in producing 18,847 ounces in the first quarter fiscal 2007 and 20,270 ounces in the first quarter fiscal 2006:

	Thee months ended December 31			
	2006		2005	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$2,709	$143.72	$2,050	$101.13
Third-party smelting, refining and transportation costs	47	2.51	42	2.08
Cash operating costs	2,756	146.22	2,092	103.21
Royalties and mining rights	351	18.60	339	16.72
Total cash costs	3,107	164.82	2,431	119.93
Depreciation and amortization	1,963	104.18	1,394	68.75
Total production costs	$5,070	$269.00	$3,825	$188.68

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

Total production costs of $269.00 per ounce for the first quarter fiscal 2007 increased $80.32 or 21% from $188.68 per ounce during the first quarter fiscal 2006. Increased labour costs under a labour agreement signed subsequent to the first quarter fiscal 2006 and increased costs of reagents, consumables and other supplies account for a significant portion of the difference. A higher proportion of total tonnes treated coming from underground mining contributed to the increase in unit costs as did the impact on unit costs of lower gold production (7%). Higher royalties due to higher gold prices and increased amortization expense also contributed to the increase in unit costs.

The difference between direct mine operating costs of $2,709 and cost of sales of $2,629 reported in the unaudited consolidated financial statements for the first quarter fiscal 2007 is due to changes in cash costs in gold and ore inventories. A reconciliation of non-GAAP direct mine operating costs with the Company's GAAP-based statement of income for the three months ended December 31, 2006 and 2005 is presented in the table below:

	Thee months ended December 31	
	2006	2005
Cost of sales (GAAP)	$2,629	$1,908
Changes in cash costs included in gold inventories and gold in circuit	80	142
Direct mine operating costs (non-GAAP measure)	$2,709	$2,050

Update on exploration of the Lower Mineralized Zone ("LMZ")
The drilling program designed to test the northern and southern down dip extensions was completed during fiscal 2006 at a cost of $459. The intersections have been well defined but the grades and widths recorded are disappointing. A follow-up drill program is planned from underground from the main ramp, once it has been completed to its lowest planned depth. The

underground drill program is forecast to be completed by the end of the third quarter of fiscal 2007.

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

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

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

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

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

- Completion of a mineral reserve estimate for the UMZ deposit, reporting NI 43-101 compliant proven and probable reserves totaling 5.45 million tonnes at average grades of 1.50% copper, 1.42 g/t gold and 46.6 g/t silver.
- The mineral reserves would support a mine life of seven years at a maximum production rate of 875,000 tonnes per annum (tpa).
- Payable metal production over the life-of-mine for the UMZ deposit would be approximately 72,500 tonnes (160 million pounds) of copper (with approximately 49% of the copper in the form of copper cathodes, the balance being in the form of copper concentrates), 236,600 ounces of gold and 7,058,800 ounces of silver. Annual payable metal production would average 33,800 ounces of gold, 1,000,000 ounces of silver and 10,300 tonnes (22.7 million pounds) of copper.
- The pre-production capital costs to modify and expand the existing process plant and infrastructure and to develop the new open pit mine are estimated to be approximately $65.0 million, including engineering design and related activities and a contingency.
- Average mine site direct operating costs are estimated to be approximately $19.10 per tonne of ore. Unit cash costs (mine site direct operating costs plus general and administrative costs, and transportation, smelting and refining charges) are estimated to average approximately $25.80 per tonne of ore. Expressed in terms of equivalent metal content, unit cash costs would average approximately $184.00 per ounce of gold equivalent, or $0.49 per pound of copper equivalent. The equivalent metal contents were calculated by multiplying the life-of-mine payable quantities of gold, silver and copper by their respective prices ($1.20 per pound for copper, $450.00 per ounce for gold and $7.00 per ounce for silver), summing the results and then dividing the total by the price of gold or the price of copper, as the case may be.
- Project economics, using the metal prices set forth above, are summarized as follows:
    - A 7-year operating life with an estimated after-tax net present value of $43.1 million at a 10% discount rate.
    - An estimated payback and after-tax internal rate of return of 2.4 years and 30% respectively.

As noted above, the board has authorized management to proceed with a full feasibility study. KCA of Reno, Nevada has been engaged to prepare the study during fiscal 2007.

Update on Other Exploration Activities
The Company is also actively exploring other targets within the contiguous concessions referred to collectively as the Don Mario property with the objective of identifying additional LMZ type ore that could feed the current gold plant. Progress of the exploration program on each target is as follows:

- **Las Tojas**
  - A ground geophysical survey was extended based on favourable initial results which enhanced earlier geochemical and airborne magnetic surveys. Follow-up trenching confirmed a mineralized structure and, based on those results, a 10-drill hole program of selected targets with a total of 2,300 metres has been planned. The drilling program started in September 2006 and was expected to be completed by the end of the first quarter of fiscal 2007. However, due to structural problems in the rock in some drill holes, the program will be extended towards the end of the second quarter 2007.
  - To the end of December 2006, six drill holes with a total of 1,772 metres were completed. Three drill holes intersected a mineralized structure with true widths ranging between 2.5 and 10 metres. Grades were between 1.3 and 5.8 g/t. The widest intersection (10 metres) was also the one reporting the highest grade (5.8 g/t).
  - Two drill holes were completed in January 2007. Both intersected the structure with disappointing results.
  - After completing the designed campaign and depending on results, results of the program will be assessed and the program will either continue or be stopped.

- **La Aventura**
  - A geochemical sampling program consisting of 1,352 samples was completed.
  -
  - The next stage of exploration work in the area will include trenching and magnetometry and these are planned to be undertaken during the first half of fiscal 2007.

Summary of Quarterly Results

The following two tables include results for the past eight quarters ended December 31, 2006:

	Quarters ended			
	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006
Revenues	$11,130	$13,219	$11,092	$12,045
Net income	3,791	5,268	3,914	3,801
Net income per share – basic and fully diluted	$0.03	$0.05	$0.03	$0.03
Total assets	$60,022	$54,860	$48,106	$42,648
Total long-term financial liabilities	-	-	-	-
Gold production - ozs.	18,847	21,611	19,333	18,814
Gold sales – ozs.	18,358	21,587	18,177	21,918
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$164.82	$140.96	$154.11	$143.59
- Average gold price realized	606.28	612.34	610.22	549.54
Operating statistics -				
- Gold ore grade – g/t	9.85	10.57	9.85	11.12
- Gold recovery rate - %	90.7	93.5	93.4	91.9

	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	2,215
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

Comments on the tables of quarterly results

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

Average gold prices realized during each of the four quarters ended December 31, 2006 ranged from $550 to $612 per ounce resulting in high quarterly net incomes in the four most recently completed quarters with net income for the quarter ended September 30, 2006 being the highest on the greatest number of ounces sold over these four quarters.

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

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

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

RISKS AND UNCERTAINTIES

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

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that while "nationalization" will not occur, the government does intend to increase taxes on mining companies. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. It is expected that taxes will increase, but the amount of any such increases is not yet known. If the Company's Don Mario property were to be nationalized, the Company would cease to have any producing assets. If taxes on mining companies in Bolivia are increased, such increases could have a material adverse effect on Orvana's results of operations or financial condition. Other changes in governmental regulation or governmental actions such as those described above could also have a material adverse effect on the results of operations or financial condition of Orvana. Orvana's management is monitoring the situation closely.

The Bolivian government has also announced its intention to increase the minimum wage. While this in itself would not have a financial impact on the Company, this announcement and other measures and statements by members of the government may fuel labour unrest and increase the expectations of the Company's labour union and other mining unions.

The Company's supply and transportation of natural gas are fixed up to a maximum contracted volume for a further three years based upon a contract entered into in October 2002. At present, consumption of gas is approximately 20% above the maximum volume on which the price is fixed. Although the Company has a fixed price contract in place on a substantial portion of its requirements, it is uncertain what if any impact the recently announced nationalization of the energy sector may have on the price charged to the Company. In addition, any political or civil instability and labour unrest arising from the government's move to nationalize energy could cause an interruption in the supply of gas to the Don Mario Mine.

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

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

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves

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

Net realizable values of property, plant and equipment

At December 31, 2006, the net book value of property, plant and equipment amounted to $20,097. Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining proven and probable reserves, gold prices and cash operating costs. Based upon current estimates of reserves, gold prices in excess of $400 per ounce and total cash costs of approximately $144 per ounce, net realizable values are in excess of net book value of property, plant and equipment.

Asset retirement obligations

The Company has estimated the present value of estimated future costs to decommission the Don Mario Mine (asset retirement costs) to be $1,868 at December 31, 2006. 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 $107 in the first quarter fiscal 2007 based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

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

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

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

Other Information
Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

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

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