ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – First quarter ended December 31, 2007

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on February 8, 2008 (the "Report Date") and describes the operating and financial results of the Company for the three months ended December 31, 2007. The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2007. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated, and gold production, in fine troy ounces, is referred to as "ounces".

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

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Orvana, or developments in Orvana's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Orvana cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, all aspects of the possible development of the Upper Mineralized Zone deposit at the Company's Don Mario Mine in eastern Bolivia 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 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 Upper Mineralized Zone 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 except as required by law, 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 mining and exploration company based in Toronto, Canada, involved in the evaluation, development and mining of precious and base metals deposits in the Americas. The Company owns and operates the Don Mario Gold Mine in eastern Bolivia. The Company's long-term goal is to become a low cost, long-life, multi-mine gold and base metals producer in the Americas. The Company's shares have been listed on the Toronto Stock Exchange since 1992 under the trading symbol ORV.

The Don Mario Mine – Lower Mineralized Zone

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. In the first quarter of fiscal 2006, the Company completed and issued the *"Technical Report on the Mineral Resource and Reserve Estimation for the Don Mario Gold Mine, Lower Mineralized Zone"* dated December 23, 2005 (the "Orvana Technical Report"), which may be found on the Orvana website at www.orvana.com and on SEDAR at www.sedar.com. The Orvana Technical Report, prepared by qualified person M.J. Hodgson (who was at that time Orvana's Vice President and Chief Operating Officer) 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 complies with the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The Orvana Technical Report updated the mineral resource and mineral reserve estimate undertaken by AMEC (Peru) S.A., a division of AMEC E&C Services Ltd. as set out in a report dated July 25, 2003 entitled *"Technical Report on the Don Mario Gold Property, Chiquitos Province, Bolivia"* prepared by independent qualified persons Ken Brisebois, Miron Berezowsky and John Kiernan also available on www.orvana.com and 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 mineral reserves of the LMZ as at November 1, 2005 (the effective date of the Orvana Technical Report), at a 3 grams per 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 552,937 tonnes of ore which contained 194,214 ounces of gold and produced 180,345 ounces of gold to December 31, 2007. Since the commencement of commercial production on July 1, 2003, the operation has processed 1,088,916 tonnes of ore and produced 312,887 ounces of gold to December 31, 2007.

The Company intends to have an updated technical report completed by the end of fiscal 2008 updating the Orvana Technical Report.

The Don Mario Mine – Upper Mineralized Zone

In October 2006, the Company announced the completion of a pre-feasibility study on the Upper Mineralized Zone ("UMZ") conducted by NCL and released a pre-feasibility study technical report (the "PFS Technical Report"). The PFS Technical Report was prepared by NCL and its associates Edwin Bentzen III, Senior Project Manager and Metallurgist for Resource Development Inc., and Karl M. Kolin, Principal Mine Engineer for Gustavson Associates LLC, both of whom are "qualified persons" independent of the Company within the meaning of NI 43-101. The PFS Technical Report, which is compliant with NI 43-101, estimates UMZ 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	1,248	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

Following the issue of the PFS Technical Report, the Company engaged Kappes, Cassiday & Associates ("KCA") of Reno, Nevada to complete a NI 43-101-compliant full feasibility study on the UMZ. This study was expected to be completed by the end of the 2007 calendar year. However, during their research, KCA identified that the oxide ore noted in the table above also contains zinc in quantities sufficient to affect the process flow sheet of the project. The study must now address the presence of zinc to ascertain the impact on capital and operating costs. It is now expected that the study will be completed in the first half of fiscal 2008. Although the study is not yet complete, recent significant increases in the cost of mining and processing equipment generally, together with recent increases in taxes imposed on mining companies in Bolivia, have raised concerns regarding the viability of the UMZ project.

Other Don Mario Concessions

The Don Mario property comprises eleven mineral concessions covering 53,900 hectares providing opportunities for further exploration. This is discussed in more detail below under the heading "Update on Other Exploration Activities".

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. On September 20, 2006, Castillian declared force majeure in respect of its obligations under the agreement, 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 the exploration activities contemplated under Castillian's agreement with the Company. The force majeure condition continues. 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.

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 the Americas by acquisition of producing mines with characteristics that best fit with its mine development and operating expertise and advanced-stage properties that could potentially be brought into production within three to five years. Management is investigating and evaluating other possible opportunities in the Americas. Given the limited number of opportunities for investment in producing mines and advanced-stage properties, management is considering exploration projects as an additional way to achieve geographic diversification.

In addition to the feasibility study of the UMZ project, the Company is also undertaking exploration activities consisting of ground geophysics, trenching and drilling on other targets located in the ten concessions contiguous to the concession on which the Don Mario Mine is situated. The largest portion of total exploration spending for fiscal 2007 was incurred on the concessions known as Las Tojas and La Aventura. The Company will continue to focus its exploration efforts on the Don Mario Property on the Las Tojas and La Aventura concessions in fiscal 2008.

In view of the substantial capital investment required to develop the UMZ deposit, 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 was and remains long-term debt-free as of December 31, 2007.

Social and Environmental Policies

The Company is committed to the social development and well-being of the communities in which it operates. To this end, the Company continues to support financially and otherwise local community endeavours associated with that objective. The Company is actively involved within the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to and to improve their standard of living. Projects supported by Orvana included supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; community business development initiatives; and maintenance of community roads.

The Company is committed to developing and operating its projects in full compliance with recognized international and local environmental standards. In furtherance of this commitment, the Company regularly implements programs to protect and enhance natural habitats and sensitive species including reclamation efforts, continuous reforestation efforts and the establishment of water sources for wildlife. The Company has retained an independent engineering firm to monitor and make recommendations on the Company's management of its tailings dam facilities.

OVERALL PERFORMANCE

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

Revenues and Net Income
The Company's results for the three months ended December 31, 2007 and 2006 are summarized in the table below:

	Three months ended December 31	
	2007	2006
Revenues	$16,077	$11,130
Net income	6,865	3,791
Earnings per share – basic and diluted	$0.06	$0.03

Tonnes treated in the first quarter of fiscal 2008 were 66,581 compared to 65,594 in fiscal 2007. Gold production for the first quarter was 12% higher at 21,083 ounces compared to 18,847 ounces during the same period a year ago due primarily to higher grades of ore.

Revenue for the first quarter increased 44% to $16,077 on 20,607 ounces sold compared to $11,130 on 18,358 ounces sold a year ago. Higher average gold prices accounted for 72% of the increase in revenues, while an increase in ounces sold accounted for 28% of the increase. The quantity of gold sold in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Direct mine operating costs were $2,991 to produce 21,083 ounces in the first quarter of fiscal 2008 compared to $2,709 to produce 18,847 ounces in the same quarter of fiscal 2007. Increases have also been experienced in numerous costs including labour, consumables, reagents, maintenance parts and supplies. Total direct mine operating costs decreased slightly on a unit cost per ounce basis to $141.85 for the first quarter of fiscal 2008 compared to $143.72 in the first quarter of 2007, reflecting the favourable impact of higher production on unit costs.

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

	Three months ended December 31	
	2007	2006
Direct mine operating costs	$2,991	$2,709
Direct mine operating cost per treated tonne	$44.92	$41.29
Direct mine operating cost per ounce produced	$141.85	$143.72

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, general and administration expenses of $894 were 65% higher than the $541 incurred in the first quarter of fiscal 2007 mainly resulting from increases in legal and advisory fees, public relations and directors' fees. Also, the Company recorded stock-based compensation expense of $72 in the quarter compared to $107 for the same period last year.

Exploration expenditures were $306 in the first quarter compared to $292 in same quarter a year ago. Management expects exploration spending levels in fiscal 2008 to increase from the levels in fiscal 2007, based on the Company's intention to further explore other concessions within the Don Mario property. 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 further investment. During the quarter the Company capitalized expenditures of $598 relating to the UMZ full feasibility study which commenced in the second quarter 2007. Total UMZ-related costs capitalized from the start of the full feasibility study in fiscal 2007 amount to $1,171.

Community relations expenses amounted to $54 in the first quarter of fiscal 2008 and were $105 for the same period last year. Included in these costs were financial donations and expertise contributed by the Company in support of infrastructure and other program initiatives in seven communities in the vicinity of the Don Mario Mine. Orvana supported community infrastructure development projects such as utilities and parks; education and information technology; cultural events; community business development initiatives; and maintenance of community roads.

Interest and other income of $678 for the three months ended December 31, 2007 was primarily generated on the short-term investment of excess cash in investment-grade bank-issued investment certificates.

The effective income tax rate of 28.1% for the three months ended December 31, 2007 is lower than the rate of 30.0% for same quarter last year due to higher exploration expenses subject to a double deduction tax incentive in the first quarter of fiscal 2008. This slight decline in the effective income tax rate would have been somewhat larger but for an increase in the Bolivian corporate income tax rate to 37.5% from 25% for part of the first quarter of fiscal 2008. In addition, a new mining royalty tax came into effect on December 14, 2007 and applied to two of the ten shipments of gold bullion made in the quarter ended December 31, 2007. This new mining royalty tax expense of $117 is included in the income statement under the caption "costs and expenses of mining operations". The effect of these two tax increases, which were only in effect for the latter half of December, was to reduce net income by $456 for the first quarter of fiscal 2008.

Net income for three months ended December 31, 2007 was $6,865 ($0.06 per share) compared to $3,791 ($0.03 per share) for the same period last year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the three months ended December 31, 2007 and 2006:

	Three months ended December 31	
	2007	2006
Cash provided by operating activities	$12,590	$6,587
Capital expenditures	886	413

Cash provided by operating activities
Cash provided by operating activities increased by 91% in the first quarter compared to the first quarter of fiscal 2007, due to an increase in net income, a decrease in accounts receivable from gold sales and an increase in taxes payable.

Capital expenditures
For the first quarter, capital expenditures amounted to $886, (2007 - $413), made up of property, plant and equipment expenditures of $157, mine development costs capitalized of $131 and UMZ full feasibility study costs capitalized of $598.

Financial Condition – December 31, 2007 compared to September 30, 2007
The following table provides a comparison of key elements of the Company's balance sheet at December 31, 2007 and September 30, 2007:

	December 31, 2007	September 30, 2007
Cash and cash equivalents	$67,307	$55,667
Non-cash working capital (deficit)	(2,816)	653
Total assets	90,127	81,153
Shareholders' equity	77,893	70,956

Cash increased by $11,640 for the three months ended December 31, 2007. Non-cash working capital decreased by $3,469 to a deficit of $2,816 from $653 at the end of fiscal 2007, mainly resulting from the collection of gold sales accounts receivable of $1,462 and an increase in taxes payable of $1,725.

The Company's policy is to invest excess cash in highly liquid, highly rated financial instruments. The Company has never invested any funds in non-bank Asset-Backed Commercial Paper.

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

Shareholders' equity increased by $6,937 to $77,893 during the three months ended December 31, 2007, primarily due to net income. No dividends were paid during the quarter.

Outlook

During the first quarter of fiscal 2008, the mill treated 66,581 tonnes of ore in the production of 21,083 ounces of gold. Head grades of ore treated averaged 10.54 g/t, as the Company continued to mine the higher-grade areas of the LMZ.

In the remainder of fiscal 2008, it is expected that head grades may decline somewhat. However, barring unforeseen events, management expects the Don Mario Mine will produce between 75,000 and 80,000 ounces in fiscal 2008.

At the current rate of mining the LMZ, the Company will continue to produce gold until the end of 2009. As discussed later on in this MD&A, drilling results to date on the Las Tojas concession of the Don Mario Property suggest that it is possible that the life of the current Don Mario gold mining operation may be extended to about the end of 2010. The Company intends to acquire a ball mill and additional power generating equipment to process the ore from the Las Tojas concession. The UMZ project, if implemented, would further extend the expected life of the Don Mario Mine operation by about seven years, to the end of 2017.

As part of its diversification strategy, the Company intends to increase its exploration efforts in Bolivia and elsewhere in the Americas and to increase exploration spending.

On November 23, 2007, the Bolivian Congress approved legislation amending the country's mining and corporate income tax laws. Under Bolivia's constitution, the tax changes become effective on a prospective basis from the date of their enactment, which was December 14, 2007. The tax increases take two forms:

- An income tax rate increase from 25% to 37.5%.
- Effective December 14, 2007, a new mining royalty tax ("Regalia Minera"), calculated as a percentage of the gross invoice value of metals exported is payable in addition to income tax. The mining royalty tax rate will be a function of the particular metal and its market price. For gold, the rate will range from a minimum of 4%, at a gold price of $400, to a maximum of 7%, at a gold price of $700 or more. The new mining royalty tax is deductible in determining income taxes. This new mining royalty tax applied to two of the Company's ten shipments of gold bullion in the first quarter of fiscal 2008 and amounted to $117.
- The combined effect of the increase in the income tax rate and the new mining royalty tax was a reduction in net income of $456 for the first quarter of fiscal 2008.

The combined impact in fiscal 2008 of the anticipated reduction in production, increased exploration expenditures and the increase in taxes will reduce the Company's free cash flow from its Bolivian operation. The adverse impact of the above items will be offset to the extent that the average price of gold is higher than the fiscal 2007 average price of $648 per ounce and gold production continues at current levels.

On November 24, 2007, the Constituent Assembly of Bolivia approved the new constitutional draft in principle. The proposed new constitution, if implemented as currently drafted, could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government would have to control the commercialization of minerals.

CORPORATE RESOURCES

Management and Staffing

On December 3, 2007, the Board of Directors announced the appointment of C. Kent Jespersen as Chairman of the Board and Robert Logan as a director of the Company.

Mr. Jespersen has director experience on many boards of directors in the energy and technology sectors. He is currently Chairman of CCR Technologies Ltd. and serves on the boards of TransAlta Corporation, Axia NetMedia Corporation and Matrikon Inc. He is also past Chairman of North American Oil Sands Corporation and Geac Inc. Mr. Jespersen resides in Calgary, Alberta.

Mr. Logan currently sits on the boards of both public and private companies and holds an Institute of Corporate Directors (ICD.D) designation. Previously, Mr. Logan spent 20 years in investment banking based in New York, Toronto and London. His banking experience focused on funding and risk managing significant growth initiatives for many natural resource companies and projects. Mr. Logan chairs the Business Development Committee of the Board.

During the first quarter of fiscal 2008, the Company commenced a search process to fill as soon as possible the role of senior-level business development officer to head the Company's business growth and diversification activities.

Liquidity and Capital Resources

Liquidity and Commitments

As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate a new natural gas supply contract with a government-owned entity. The financial impact of the new contract on the Company is not yet known. The Company will shortly be meeting with the government to negotiate this contract.

The Company has recorded an asset retirement obligation at a discounted amount of $2,030 at December 31, 2007 to dismantle the facilities and structures of the Don Mario Mine and to complete environmental reclamation of areas affected by current mining operations, including the tailings dam. The Company estimates that the total amount of undiscounted cash flows required to settle the Company's asset retirement obligations is $2,800. If the Don Mario operation is discontinued at the end of 2010, it is expected that this obligation will be settled as follows over the years indicated: 2010 - $1,100; 2011 - $400; 2012 - $500; 2013 - $400; 2014 - $400. However, as described elsewhere in this MD&A, the UMZ represents a major project which would extend the Don Mario operation's life by approximately seven years. If this project proceeds, the scope of the UMZ project and its impact on environmental remediation requirements will necessitate a re-estimation of the amount of the undiscounted obligation and the respective timing of disbursements required to settle that obligation.

During the first quarter of fiscal 2008, the net increase in cash and cash equivalents, after capital expenditures, was $11,640, resulting in total cash and cash equivalents of $67,307 at December 31, 2007. Provided gold prices remain at current levels and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow throughout fiscal 2008.

Capital Resources

At December 31, 2007, the Company had no long-term debt and capital resources represented by shareholders' equity amounting to $77,893.

Shareholders' equity increased by 10% or $6,937 to $77,893 ($0.68 per share) during the three months ended December 31, 2007, compared to $48,987 ($0.43 per share) at December 31, 2006.

RESULTS

Results of Operations

Three months ended December 31, 2007 compared to the three months ended December 31, 2006

The following table and analysis compare operating results for the three months ended December 31, 2007 and 2006:

	Three months ended December 31	
	2007	2006
Revenues	$16,077	$11,130
Costs and expenses of mining operations	5,800	4,886
Expenses and other income	731	825
Net income	6,865	3,791
Earnings per share – basic and diluted	$0.06	$0.03

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	
	2007	2006
Revenues	$16,077	$11,130
Price per ounce	$780	$606
Ounces sold	20,607	18,358

Revenue for the first quarter of fiscal 2008 increased 44% to $16,077 on 20,607 ounces sold compared to $11,130 on 18,358 ounces sold for the same quarter last year. Higher average gold prices accounted for approximately 72% of the revenue improvement while an increase in ounces sold accounted for the remaining 28%. 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
Development work continued during the first quarter with further deepening of the main ramp. Ramp construction was completed to the +5-metre level and will continue to the -55-metre level, its lowest planned level.

The following table shows the tonnages treated and the head grade in g/t gold at the Don Mario Mine for the first quarter of fiscal 2008 compared to in the first quarter of fiscal 2007:

		Three months ended December 31	
		2007	2006
Underground mine	Tonnes	62,808	63,783
	g/t	11.06	10.08
Minipit & stockpile	Tonnes	3,773	1,811
	g/t	1.94	1.72
Total	Tonnes	66,581	65,594
	g/t	10.54	9.85
Recovery rate		93.5%	90.7%
Gold produced – ounces		21,083	18,847

At December 31, 2007, the Don Mario Mine and Santa Cruz administrative office had a total of 251 employees and 151 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the mine's requirements.

Don Mario Mine – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 21,083 ounces in the first quarter of fiscal 2008 and 18,847 ounces in the first quarter of fiscal 2007:

	Three months ended December 31			
	2007		2006	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$2,991	$141.85	$2,709	$143.72
Third-party smelting, refining and transportation costs	55	2.62	47	2.50
Cash operating costs	3,046	144.47	2,756	146.22
Royalties and mining rights	511	24.23	351	18.60
Regalia Minera tax	117	5.55	-	-
Total cash costs	3,674	174.25	3,107	164.82
Depreciation and amortization	2,148	101.91	1,963	104.18
Total production costs	$5,822	$276.16	$5,070	$269.00
Gold production	21,083 ozs.		18,847ozs.	

Total unit production costs increased to $276.16 per ounce for the first quarter of fiscal 2008 from $269.00 per ounce during in the same period of fiscal 2007 due to a number of factors, including higher mining royalties and the new mining royalty tax.

The difference between direct mine operating costs of $2,991 and cost of sales of $3,018 reported in the consolidated financial statements for the first quarter of fiscal 2008 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to the cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	Three months ended December 31	
	2007	2006
Cost of sales (GAAP)	$3,018	$2,629
Changes in gold inventories and gold in circuit	27	80
Direct mine operating costs (non-GAAP measure)	$2,991	$2,709

Update on exploration of the Lower Mineralized Zone ("LMZ")
During fiscal 2006, a drilling program designed to test the northern and southern down dip extensions was completed. Although the intersections were well defined, the grades and widths recorded were disappointing. A follow-up drill program is in progress from underground. Interim results, although still under evaluation, do not indicate significant additional ore.

Update on evaluation of the Upper Mineralized Zone ("UMZ")
On October 20, 2006, the Company announced the completion of a pre-feasibility study ("PFS") on the UMZ conducted by NCL of Santiago, Chile. Refer to the section "The Don Mario Mine - Upper Mineralized Zone" on page 3 of this MD&A and SEDAR for details of this report.

As noted above, a full feasibility study by KCA is in progress, which will update the key estimates contained in the PFS technical report relating to metallurgical processes, metal prices and capital cost estimates. This study was expected to be completed by the end of the calendar year 2007. However, during its research, KCA identified that the oxide ore, noted in the table set out on page 3 of this MD&A also contains zinc in quantities sufficient to affect the process flow sheet of the project. The study must now address the presence of zinc to ascertain the impact on capital expenditures and operating expenses of process flow sheet modifications. It is now expected that the study will be completed in the first half of fiscal 2008. Although the study is not yet complete, recent significant increases in the cost of mining and processing equipment generally, together with recent increases in taxes imposed on mining companies in Bolivia, have raised concerns regarding the viability of the UMZ project.

In the first quarter of fiscal 2008, $131 was incurred and capitalized in mineral properties and deferred development costs in the preparation of the full feasibility study.

Update on Other Exploration Activities
The Company is also actively exploring other targets within the contiguous concessions referred to collectively as the Don Mario Property with the objective of identifying additional LMZ-type ore that could feed the current gold plant. The most comprehensive program is being conducted in the Las Tojas concession of the Don Mario Property, located approximately 12 kilometers north of the Don Mario Mine. Progress of the exploration programs on the two targets on which most spending has occurring thus far this fiscal year is as follows:

- **Las Tojas**
    - During fiscal 2007, the Company completed 51 diamond drill holes on the Las Tojas property, 31 of which intersected gold mineralization on two-thirds of the target area. Detailed results of drilling completed thus far are contained in a

press release dated October 19, 2007 and accessible on the Company's website, www.orvana.com and on SEDAR at www.sedar.com .
  - The Company will complete an on-going in-fill drilling campaign on the remaining third of the Las Tojas project area during the second quarter of fiscal 2008, to fully define the extent of this mineralization.
  - The Las Tojas mineralization has the same mineralogical characteristics as the LMZ ore and can be put through the existing gold processing facilities at the Don Mario Mine. The grades are not as high as the LMZ, which is being mined underground, but the Las Tojas operation will likely be an open pit mine.
  - Las Tojas has the potential of extending the current Don Mario gold mining operation (the LMZ and Las Tojas taken together) from about the end of 2009 to the end of 2010.
  - Potential for still other regional exploration exists in the Las Tojas concession along the Eastern schist belt.

- **La Aventura**
  - A geochemical sampling program consisting of 1,352 samples has been completed.
  - The next stage of exploration work in the area will include trenching and magnetometry.
  - Due to a small area of this concession falling within a Controlled Area of Environmental Management, permits for further exploration work are pending approval from the authorities.

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

Summary of Quarterly Results

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

	Quarters ended			
	Dec. 31, 2007	Sept 30, 2007	June 30, 2007	Mar. 31, 2007
Revenues	$16,077	$14,183	$15,623	$14,984
Net income	6,865	6,944	7,609	7,679
Earnings per share – basic and diluted	$0.06	$0.06	$0.07	$0.07
Total assets	$90,127	$81,153	$73,859	$65,049
Total long-term financial liabilities	-	-	-	-
Gold production - ozs.	21,083	21,571	23,425	22,538
Gold sales – ozs.	20,607	20,991	23,771	23,201
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$174.25	$158.82	$160.54	$143.22
- Average gold price realized	$780.15	$675.67	$657.25	$645.83
Operating statistics -				
- Gold ore grade – g/t	10.54	11.99	11.64	12.33
- Gold recovery rate - %	93.5	93.2	93.4	93.4

	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
Earnings per share – basic and diluted	$0.03	$0.06	$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	$602.28	$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

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, 2007 ranged from $646 to $780 per ounce resulting in high quarterly net income in the four most recently completed quarters with net income for the quarter ended March 31, 2007 being the highest over these four quarters. For the quarter ended December 31, 2007 higher average gold prices were offset by higher production costs, lower ore grades and higher taxes. At the September 30, 2007 year end, the Company had unshipped gold dore inventory of 2,150 ounces and this accounted for the decline in net income in this quarter compared to the quarter ended June 30, 2007.

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

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 new constitutional draft approved by the Constituent Assembly on November 24, 2007 and new mining policy and mining tax changes that have been implemented and that are being proposed by the current government in Bolivia and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions in Bolivia that adversely affect the Company.

On November 23, 2007, the Bolivian Congress approved legislation amending the country's mining and income tax laws. Under Bolivia's constitution, the tax changes became effective on a prospective basis from the date of their enactment, which was December 14, 2007. The tax increases are discussed in more detail under the "Outlook" section of this MD&A.

On November 24, 2007, the Constituent Assembly of Bolivia approved the new constitutional draft in principle. The proposed new constitution, if implemented as currently drafted, could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government would have under the constitution to control the commercialization of minerals.

There could also be changes to governmental regulation with respect to such matters as repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership. There could also be shifts in the political stability of the country and labour unrest. In May 2006, the Bolivian government moved to increase its share of the country's oil and gas sector by imposing a profit-sharing arrangement in which the government receives a 50% share in operating profits of companies operating in the sector. Similar actions on the part of the government have also been taken in the mining sector with the recent increase in income taxes. Any of the foregoing actions or regulatory changes could materially adversely affect the Company.

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 "nationalization" will not occur. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. If the Don Mario Mine were to be nationalized, the Company would cease to have any producing assets. 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 indicated that it intends to amend the mining code to require that, in the future, Corporacion Minera de Bolivia ("COMIBOL") will control Bolivian land subject to the grant of mining concession rights. Under these amendments, an application will have to be made for new mining concessions in the future and all concessions granted may result in some form of joint venture with COMIBOL in the exploitation of any minerals found. The government has stated that this new law will not affect mining concessions that have already been granted, however, the proposals have yet to be passed into law and remain unclear.

As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate a new natural gas supply contract with a government-owned entity. The financial impact of such new contract is not yet known, but it is possible that increases in gas prices under such contract or other terms of the contract could have an adverse effect on the results of operations or financial condition of Orvana.

Beyond 2011 and in the absence of new operations or reserves being added, the Company's revenue stream will depend on production from the UMZ base metal project of the Don Mario Mine. The Company anticipates that, if undertaken, the UMZ project may be brought on stream following the processing of remaining ore from the LMZ project. Given the extent of changes to taxation and to other laws affecting the mining industry and the political uncertainties in the country, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing for the UMZ. The 2006 pre-feasibility study estimated capital expenditure requirements of approximately $65,000 plus working capital requirements. These estimated financing requirements are preliminary and are subject to the completion of detailed estimates as part of the full feasibility study that is in progress currently.

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

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

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves
As of November 1, 2005, the proven and probable reserves of the LMZ were estimated in the Orvana Technical Report 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), the LMZ is expected to be in production through late 2009. This estimated time-frame excludes a possible favourable impact of exploration drilling results on the Las Tojas concession as discussed above.

Net realizable values of property, plant and equipment
At December 31, 2007, the net book value of property, plant and equipment amounted to $16,369. 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 $191 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 obligations) to be $2,030 at December 31, 2007. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be $2,800 on an undiscounted basis. If the Don Mario operation is discontinued at the end of 2010, it is expected that this obligation will be settled approximately as follows over the years indicated: 2010 - $1,100; 2011 - $400; 2012 - $500; 2013 - $400; 2014 - $400. Estimates of these closure costs and the expected timing of their incurrence are reviewed

periodically. These estimates are based on expected remediation requirements relating to the LMZ and will change if the Company proceeds with the UMZ base metal project.

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 $72 for the three months ended December 31, 2007 compared to $107 for the same period a year ago. The stock-based compensation expense is 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 3,135,000 stock options outstanding at the Report Date with a weighted average exercise price of Cdn. $0.99. Stock options outstanding have expiry dates ranging from 2008 to 2012.

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

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their 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.