ORVANA
MINERALS CORP.

Management's Discussion and Analysis
For the three months and six months ended June 30, 2003

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") analyses the results of operations for the three months and six months ended June 30, 2003, and should be read in conjunction with Orvana's consolidated financial statements and related notes for the three months and six months ended June 30, 2003, and with the MD&A and audited financial statements and accompanying notes for the 12-month period ended December 31, 2002.

The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("GAAP"). In 2002, Orvana changed the currency in which it reports its financial results from Canadian dollars to United States dollars. **All dollar amounts in this MD&A are in United States dollars unless otherwise stated.**

Forward-looking Statements

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the precious metals market and economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on them. Statements speak only as of the date on which they are made, and the Company undertakes no obligation to update them publicly to reflect new information or the occurrence of future events or circumstances.

Business Strategy

Orvana is involved in the evaluation, development and mining of precious metal deposits in South America. The Company's primary operation is at the Don Mario gold mine in southeastern Bolivia.

In January 2002, Compania Minera del Sur S.A. ("Comsur") became the controlling shareholder and operating partner of Orvana. Comsur is the largest privately-owned mining company in Bolivia with interests in mining, smelting and refining assets producing base and precious metals, and has 40 years of experience in running low-cost operations in Bolivia.

Orvana's near-term business strategy focuses on the generation of revenue from production at the Don Mario mine. The mine's competitive advantage is expected to be its relatively moderate infrastructure, labour and energy costs. Orvana does not currently intend to hedge its gold production, and expects to repay regularly over an extended period the debt incurred to finance construction of the Don Mario mine. The Company also intends to use a portion of free cash flow to fund underground exploration of the Don Mario property's lower mineralized zone with the intention of developing additional mineral reserves and exploring for and testing precious metals deposits in other areas of South America. The Company's long-term goal is to become a multi-mine producer in South America.

Operations

Don Mario Mine

Construction and commissioning of the Don Mario mine was completed during the second quarter, and production began in late May and early June. Throughout June and July, the Company continued to test operational and metallurgical parameters to optimize gold recovery. This process is ongoing, and increased throughput and head grades are expected to be achieved as normal start-up challenges are overcome.

During the initial two months of operation, (June and July, 2003), 26,887 tonnes of ore grading 5.08 g/t were processed. Gold production at the Don Mario mine during that period was 2,499 ounces. Average gold recovery in July was 84.8%.

Development of the Lower Mineralized Zone continued on schedule during and subsequent to the end of the quarter. In June and July, 21.5 metres of the vertical shaft were completed (for a total of 135 metres completed to date), and 51.8 meters in drifts and crosscuts and 75.5 meters in production and ventilation raises were completed. Installation of the main hoist was completed, and a total of 41,094 tonnes of ore were mined during the months of June and July, 2003.

The Don Mario mine employed 181 staff and 126 contractors as of July 31, 2003.

Operating Results

Revenue

The Company will not record gold sales until the third quarter, and accordingly did not report revenue in the second quarter of 2003. However, the Company did record in inventory the cost of work in process and bullion in the amount of $743,172 as at June 30, 2003.

Expenses

Expenditures relating to the development and construction of the Don Mario Mine, including pre-production costs, up to June 30, 2003 have been capitalized. Subsequent to the end of the quarter, the Company announced production of the first gold doré at the Don Mario mine. The Company will commence recording revenue and expenses from operations at the Don Mario mine from the next quarter commencing July 1, 2003.

Audit, accounting and legal costs increased to $52,675 in the second quarter of 2003, compared with $21,947 in the second quarter of 2002. The increase resulted primarily from higher legal fees and an accrual for audit fees in the second quarter of 2003 as compared with the second quarter of 2002.

General and administrative costs decreased by 37% in the second quarter of 2003 to $30,619, from $48,332 in the second quarter of 2002, due primarily to the head office restructuring which took place in 2002, resulting in reduced costs.

Financing and project costs of $61,570 associated with the completion of construction at the Don Mario mine were accrued during the month of June, 2003 for this quarter. No such costs were incurred in the first two quarters of 2002.

Stock exchange and transfer agent fees increased to $16,094 from $1,897 in the second quarter of the prior year. The increase is due to higher listing fees on the Toronto Stock Exchange resulting from the increase in the Company's market capitalization year-over-year.

In the second quarter of 2003, total expenses decreased by 35% to $173,688, from $266,485 in the second quarter of the prior year. The decrease is primarily due to a lower foreign exchange loss, which totaled $12,730 in the quarter, compared with $192,414 in the second quarter of 2002. As noted earlier, the Company changed its functional and reporting currency from Canadian dollars to United States dollars as of December 31, 2002.

Audit, accounting and legal costs for the first six months of 2003 were $63,454, down from $68,710 in the first six months of 2002. The decrease is due primarily to legal fees associated with the completion of the definitive agreement with Comsur that was completed in the first quarter of 2002.

For the reasons noted above, general and administrative costs decreased by 17% in the first six months of 2003 to $45,085, compared with $54,518 in the first half of 2002. Foreign exchange loss for the first six months of 2003 declined to $6,004, from $185,944 for the corresponding period in the prior year, as a result of the change in the Company's functional and reporting currency. In the first six months of 2003, total expenses decreased by 36% to $205,322, compared with $321,541 in the first six months of the prior year.

Net Income/Loss

Orvana recorded a reduced operating loss of $173,688 in the second quarter of 2003, compared with an operating loss of $266,485 in the second quarter of 2002. The decrease in operating loss was due to the reduction in expenses described above.

In the second quarter of 2002, the Company benefited from an unusual gain on restructuring costs of $839,367 related to the reversal of accruals that had been previously recorded in respect of accounts receivable and value added tax recoverable. In the second quarter of 2003, non-recurring restructuring costs of $92,488 were incurred in respect of the issuance of a debenture to Comsur for the amount of unpaid liabilities exceeding the level established in January, 2002, as described in Note 8(a) to the Consolidated Financial Statements. As a result of these non-recurring restructuring costs, Orvana recorded a net loss of $266,176, or $0.00 per share, in the second quarter of 2003, compared with net income of $577,685, or $0.01 per share, in the second quarter of the previous year.

For the six month period ended June 30, 2003, the Company's operating loss prior to non-recurring restructuring costs decreased to $202,434, from $305,270 in the corresponding period of the prior year. For the first six months of 2003, net loss was $294,922, or $0.00 per share, compared with net income of $534,097, or $0.01 per share, in the first six months of 2002.

Capital Resources and Liquidity

Cash and cash equivalents were $125,438 at June 30, 2003, compared with $1.5 million at December 31, 2002, primarily as a result of capital expenditures for the development of the Don Mario mine, described below.

The Company received $78,371 upon the exercise of stock options in the second quarter of 2003, compared with $110,597 in the second quarter of 2002. At June 30, 2003, there were 1,366,333 in-the-money stock options outstanding, with expiry dates ranging from May 30, 2004 to December 8, 2008.

In the first six months of 2003, $176,666 was received upon the exercise of stock options. This compares with $4.3 million received by the Company for the issuance of common shares in the first six months of 2002, which primarily related to the investment of $4.0 million made in the Company by Comsur during the first quarter of 2002.

During the second quarter, the Company spent $2.8 million on the construction of the Don Mario mine. These expenditures were financed, in part through the borrowing of an additional $700,000 from an $8.0 million loan facility with a Bolivian bank, bringing the total amount drawn on such facility to $7.2 million.

In addition, Comsur made payments to certain suppliers on behalf of Orvana in the amount of $841,088. This amount will be repaid through the Company's loan facility with the Banco de Credito de Bolivia.

Total assets increased to $29.4 million from $24.5 million at December 31, 2002. As previously noted, the Company will commence recording revenue and expenses from operations at the Don Mario mine from the quarter starting on July 1, 2003. Consequently, the Company recorded work in process and bullion in the amount of $743,172 as at June 30, 2003.

Accounts payable and accrued liabilities, as well as amounts payable to Comsur, increased to $3.1 million at June 30, 2003, from $1.2 million at December 31, 2002. This includes interest accrued on the Company's loan facilities, as well as payables associated with development activities at the Don Mario mine. Drawdowns from the Banco de Credito de Bolivia amounted to $3.2 million in the six months ended June 30, 2003. As a result, total liabilities increased to $18.6 million at June 30, 2003, from $13.5 million at December 31, 2002.

Risks and Uncertainties

The Company's business is subject to economic, geological and operating risks and uncertainties which are beyond Orvana's control. These are described in the Company's Annual Information Form and fiscal 2002 MD&A which are filed on SEDAR at www.sedar.com. Through its relationship with Comsur, Orvana has access to a management team which has experience in mining in Bolivia and is capable of helping to minimize risks, uncertainties and their impacts.

Outlook

Financial results in the first half of 2003 reflect construction and development activities leading to gold production at the Don Mario mine. The Company will begin reporting gold sales and revenues in the third quarter, and with relatively moderate operating costs, it is estimated that the mine will process ore at cash costs of approximately $25 to $30 per tonne. Based on current gold prices, the Company expects through gold sales to earn revenues at least equal to its cash costs during the third quarter.