ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER 2004

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") describes the operating and financial results of the Company for the three months ended June 30, 2004 ("third quarter 2004") and the nine months ended June 30, 2004. This MD&A should be read in conjunction with Orvana's consolidated financial statements and related notes for the third quarter 2004, and with the MD&A and audited financial statements and related notes for the 2003 fiscal period ended September 30, 2003. In 2003, the Company changed its financial reporting year end from December 31 to September 30 to coincide with that of Orvana's controlling shareholder, Compania Minera del Sur S.A. ("Comsur"), in order to facilitate more cost-effective reporting.

The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles. 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 such statements. 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 Overview and Strategy
Orvana is involved in the evaluation, development and mining of precious metal deposits in South America. Through its wholly owned subsidiary, Empresa Minera Paititi S.A., the Company owns and operates the Don Mario gold mine in eastern Bolivia. At the commencement of construction, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, to produce an estimated 414,000 ounces of contained gold during its mine life, according to an independent technical report on the Don Mario property prepared by the international consulting firm AMEC E&C Services Ltd., in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Orvana's near-term business strategy is to complete the development of the lower mineralized zone of the Don Mario property and sustain gold production and revenue from the Don Mario mine. The mine's competitive advantage is its relatively moderate infrastructure, labour and energy costs. Orvana does not currently intend to hedge its gold production, and expects to repay regularly over an extended period the debt incurred to finance construction of the mine. The Company intends to use a portion of free cash flow to fund further exploration of the Don Mario property, with a view to developing additional mineral reserves. The Company's long-term goal is to be a multi-mine producer in Latin America.

Don Mario Mine Production

The Don Mario mine began commercial production on July 1, 2003 and the Company has increased gold production in each of the subsequent quarters. Gold production increased from 11,663 ounces in the second quarter of fiscal 2004 to 14,643 ounces in the third quarter. The head grade of ore mined continues to improve, resulting in lower unit costs for each ounce of gold produced. The table below summarizes the results of operations for the third quarter and for the nine months ended June 30, 2004.

	April to June 2004	October 2003 to June 2004
Ore treated (tonnes)	59,625	177,952
Head grade (grams/tonne)	8.53	7.04
Mill recovery rate	89.5%	87.1%
Gold produced (fine troy ounces)	14,643	35,107
Direct mining cost of production	$1,495,714	$4,224,144
Direct cost per treated tonne	$25.09	$23.74
Direct cost per ounce produced	$102.15	$120.32

During the third quarter, a total of 58,793 tonnes of ore were mined from both the underground mine and the mini-pit. The average head grade of ore extracted from underground mine development and cut and fill stopes improved, as did the head grade of ore mined from lower benches of the mini-pit.

The Don Mario mill treated 59,625 tonnes of ore during the third quarter 2004. The average head grade improved to 8.53 grams per tonne (g/t) and the average mill recovery rate rose to 89.5%, compared to 6.92 g/t and 88.9% respectively in the second quarter 2004. The following table shows the tonnages milled and the grams of gold per tonne treated in each month of the third quarter.

		April 2004	May 2004	June 2004	Third Quarter 2004
Underground mine	tonnes	6,747	13,371	10,642	30,760
	g/t	6.95	8.642	9.61	8.60
Mini-pit	tonnes	12,158	7,033	9,675	28,866
	g/t	8.16	8.637	8.71	8.46
Total	tonnes	18,905	20,404	20,316	59,625
	g/t	7.73	8.64	9.18	8.53

Don Mario Mine Development

During the second quarter 2004, the Company updated the mine plan for the lower mineralized zone. A copy of the mine plan is available at Orvana's website www.orvana.com. Construction of the main vertical shaft has continued to a depth of 200 metres. As at June 30, 2004, 1,014 metres of horizontal drifts and crosscuts and 238 metres of vertical open cut and ventilation raises had been completed. Work proceeds on schedule to develop the ramp to the bottom of the main ore body, and as at June 30, 2004, 671 metres of the ramp had been completed. This ramp provides access to the lower levels of the mine and it is scheduled to be finished in December 2004. The Don Mario property employs 191 full-time employees and 108 contractors.

Upper Mineralized Zone Pre-feasibility Work

The Company commenced an infill drilling program in June 2004 on the upper mineralized zone of the Don Mario property. The program will define indicated ore reserves as part of pre-feasibility work which is expected to take another two months. The estimated cost of the drilling program is $200,000. To date, the Company has completed 23 drill holes and 1,527 metres of drilling.

Financial Results
The Don Mario mine was under construction during the first six months of 2003 and commercial production began July 1, 2003. The mine has been in production for the past twelve months. Consequently, the results of operations for the three month and nine month periods ended June 30, 2004 do not provide meaningful comparisons to those of the same periods a year ago.

Three month financial highlights
The following table compares results for the third quarter 2004 to those of the second quarter 2004 and to the three months ended June 30, 2003.

	3 months ended June 30, 2004	3 months ended March 31, 2004	3 months ended June 30, 2003
Revenue from gold sales	$ 5,522,965	$ 4,693,412	$ 0
Costs and expenses	3,335,816	3,423,929	173,688
Operating income (loss)	2,187,149	1,269,483	(173,688)
Net income (loss)	1,957,325	1,081,380	(266,176)
Net income (loss) per share	0.02	0.01	(0.00)
Cash and cash equivalents, end of period	3,397,876	2,045,529	125,438
Assets	31,452,690	29,960,483	29,474,139
Shareholders' Equity	13,924,292	11,966,967	10,902,600

Nine month financial highlights
The following table compares results for the first nine months of fiscal 2004 to the nine months ended June 30, 2003.

	9 months ended June 30, 2004	9 months ended June 30, 2003
Revenue from gold sales	$ 13,325,035	$ 0
Costs and expenses	9,702,289	174,004
Operating income (loss)	3,622,746	(174,004)
Net income (loss)	3,082,467	(266,492)
Net income (loss) per share	0.03	(0.0)
Cash and cash equivalents, end of period	3,397,876	125,438
Assets	31,452,690	29,474,139
Shareholders' Equity	13,924,292	10,902,600

The following analysis generally compares the results for the third quarter of 2004 to the second quarter of 2004.

Revenue
Orvana sold 14,037 fine troy ounces of gold during the three months ended June 30, 2004, generating revenues of $5.5 million. This compares favorably to 11,225 ounces sold for revenues of $4.7 million in the three month period ended March 31, 2004.

Expenses
During the three months ended June 30, 2003, operating expenses relating to the development and construction of the Don Mario mine were capitalized. Following commencement of commercial production on July 1, 2003, operating costs were expensed. Expenses in the third quarter 2004 consisted primarily of cost of sales of $1.6 million, and $1.1 million of depreciation, amortization and reclamation costs, compared to $1.5 million and $1.1 million, respectively, in the second quarter 2004.

Production Cost Analysis
The following table presents the cash and total costs of producing 14,643 ounces in the third quarter 2004 and 35,107 ounces in the nine month period ended June 30, 2004 at the Don Mario mine. The calculations of these costs are based on the industry-recognized Gold Institute Production Cost Standard.

	April to June 2004		October 2003 to June 2004	
	Costs	Cost/ounce	Costs	Cost/ounce
Direct operating costs	$ 1,495,714	$ 102.15	$ 4,224,144	$ 120.32
Third-party smelting, refining and transportation costs	27,367	1.87	66,458	1.51
Cash Operating Costs	**1,523,081**	**104.01**	**4,290,602**	**121.83**
Royalties and production taxes	418,562	28.58	995,592	22.66
Total Cash Costs	**1,941,643**	**132.59**	**5,286,194**	**144.49**
Depreciation, depletion and reclamation costs	1,105,224	75.48	3,343,308	76.11
Total Production Costs	**$ 3,046,867**	**$ 208.07**	**$ 8,629,502**	**$ 220.60**

The total production costs amounted to $208 per ounce in the third quarter 2004, compared to $250 per ounce in the preceding three months ended March 31, 2004. This represents an improvement in costs of $42 per ounce, due primarily to increases in the average head grade.

The difference between the direct operating cost of $1,495,714 and the cost of sales of $1,595,467 as recorded in the Consolidated Interim Financial Statements is due to changes in gold and ore inventories.

Net Income
Orvana reported net income of $1.96 million in the third quarter 2004, compared to $1.08 million in the second quarter 2004. This increase was primarily due to improvements in head grade and mill recoveries in the third quarter.

VAT Recoverable
The $3.5 million of accounts receivable and prepaid expenses as at June 30, 2004, included $2,838,505 of value-added taxes recoverable from the Bolivian tax administration on the exports of gold bullion. The Company expects to receive a refund payment of $775,000 before the end of August 2004.

Capital Resources and Liquidity
During the third quarter 2004, Orvana generated $3.1 million in cash flow from operating activities (before changes in non-cash working capital). The cash flow generated in the first nine months of 2004 amounted to $6.4 million.

Cash and cash equivalents were $3.4 million as at June 30, 2004, compared to $2.0 million at the end of March 2004. This represents an increase in cash position of $1.4 million during the third quarter 2004 after the Company made three monthly payments on a loan owing to Comsur.

As at June 30, 2004, Orvana had total long-term debt and notes payable of $14.9 million. Principal repayments by fiscal year are summarized in the following table.

	Banco de Credito de Bolivia	Comsur	Notes Payable	Total Payments
Fourth Quarter 2004	$ 1,000,000	$ 533,333	$ 57,201	**$ 1,590,534**
Fiscal 2005	2,000,000	1,600,000	114,402	**3,714,402**
Fiscal 2006	2,000,000	1,600,000	114,402	**3,714,402**
Fiscal 2007	2,000,000	1,600,000	53,994	**3,653,994**
Fiscal 2008		1,600,000		**1,600,000**
Fiscal 2009		666,667		**666,667**
Total	**$ 7,000,000**	**$ 7,600,000**	**$ 339,999**	**$ 14,939,999**

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

Risks and Uncertainties

The Company's business is subject to economic, political, geological and operating risks and uncertainties which are beyond Orvana's control. These are described in the Company's Annual Information Form, which is available 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

Management anticipates that it will maintain current levels of production and operating efficiencies at the Don Mario mine during the balance of the fiscal year ending September 30, 2004. Average mill throughput is in the range of 670 to 700 treated tonnes per day, and management estimates that Orvana will process approximately 235,000 tonnes of ore during the 2004 fiscal year.

The Company expects to record positive net income and cash flow from operating activities in fiscal 2004. Orvana intends to re-invest part of its free cash flow into further exploration of both the lower and upper mineralized zones and conduct surface exploration at the Don Mario property. In addition, the Company intends to set aside funds for the potential exploration and acquisition of other properties in Latin America.