ORVANA

MANAGEMENT DISCUSSION AND ANALYSIS – Third Quarter ended June 30, 2005

This management 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, 2005 (the "third quarter 2005"). The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for third quarter 2005 and audited consolidated financial statements for the fiscal year ended September 30, 2004 ("fiscal 2004"). The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("GAAP"). In this MD&A, all dollar amounts are in United States dollars unless otherwise stated, and gold production, in fine troy ounces, is referred to as "ounces".

In the fourth quarter of fiscal 2004, the Company implemented two changes to its accounting policies, which are described in the notes to the 2004 audited consolidated financial statements, and which affected both the fiscal 2003 and fiscal 2004 financial and operating results. Quarterly and annual financial and operating results for both fiscal years contained in tables in this MD&A have been restated to reflect these two changes in accounting policies.

This MD&A was prepared on August 12, 2005. It 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.

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, a publicly traded company listed on the Toronto Stock Exchange, is involved in the evaluation, development and mining of precious metal deposits in the Americas.

The Don Mario Mine

Through its wholly owned subsidiary, Empresa Minera Paititi S.A. ("Paititi"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. At the commencement of construction in March 2002, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, and contained an estimated 414,000 ounces of gold, 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. Commercial production commenced July 1, 2003 and the mill has treated 457,553 tonnes of ore and produced 105,432 ounces of gold during the two years to June 30, 2005.

Other Don Mario Concessions

The Don Mario property includes eight 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 in Bolivia, including a joint-venture interest in the Pederson property, which covers approximately 7,800 hectares. The Pederson property is located in the Canton of Challapata, in the Abaroa Province. The Pederson project has been on a care and maintenance status since May 1999. Development of the Pederson property could be commercially feasible with gold prices in excess of $400 per ounce. The Company believes that it holds a 50% interest in the Pederson joint venture, subject to such interest being reduced to 35% if the Company fails to issue, within 30 days of being notified that a decision has been made to place the Pederson property into commercial production, 200,000 common shares of the Company plus additional common shares of the Company having a value of $1,500,000 at the time such shares are issued. The Company has been advised that a third party is of the view that such party holds a 15% interest in the Pederson joint venture and that the Company holds a 35% interest, rather than a 50% interest, together with an option to purchase from such party an additional 15% interest in the Pederson joint venture which may be exercised by Orvana issuing 200,000 common shares of the Company plus additional common shares of the Company having a value of $1,500,000 at the time such shares are issued. The Company does not view the Pederson property as a core asset and, as a result, is pursuing opportunities to dispose of it.

Orvana also owns the Las Palmeras concession, which covers approximately 7,100 hectares located in the Canton of San Ramon, Santa Rosa de la Mina and San Javier, in the Province of Ñuflo de Chavez. The Puquio Norte open pit gold mine operated within this concession until late 2001, when the ore body was exhausted and the operation was closed. Very little exploration has been conducted on the Las Palmeras concession, except within the immediate vicinity of the former Puquio Norte operation. The property is in care and maintenance status and Orvana has no immediate plans to further explore it.

Business Strategy

Orvana's near term business strategy is to complete the development of the Lower Mineralized Zone ("LMZ") of the Don Mario property and sustain gold production and sales from the Don Mario mine. The Company is undertaking a drilling program with a view to adding additional tonnage to the LMZ ore reserves.

With regard to the Upper Mineralized Zone ("UMZ"), we intend to hire a third party consultant to complete a pre-feasibility study prior to December 31, 2005 with a view to completing a bankable feasibility study prior to the end of 2006.

The Company intends to divest its non-core Bolivian exploration assets.

Orvana does not currently intend to hedge its gold production.

It is the Company's objective to use a significant portion of its cash flow from operating activities to repay ahead of schedule the debt incurred to finance construction of the mine if favourable prepayment terms can be obtained. To this end, in the third quarter 2005, the Company prepaid $3.0 million of the Banco de Credito loan (see the discussion on Cash Flows below) in addition to a scheduled repayment of $1.0 million in the second quarter 2005.

The Company is also using a portion of its free cash flow to fund further exploration of the Don Mario property, with a view to developing additional mineral reserves and resources.

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

Orvana is seeking additional growth and geographic diversification by pursuing producing mines with characteristics similar to the Don Mario Mine and advanced-stage properties that could potentially be brought into production over the next two to three years.

OVERALL PERFORMANCE

Key Performance Factors

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

Revenue and Net Income

The Company's results for the three and nine month periods ended June 30, 2005 with comparative figures for 2004 are summarized in the table below.

	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Revenue	$5,892,124	$5,522,965	$18,913,688	$13,325,035
Net income for the period	321,389	2,140,472	4,436,671	3,568,219
Net income per share – basic and diluted	$0.00	$0.02	$0.04	$0.03

Gold production for the third quarter 2005 and the second quarter 2005 eclipsed all prior quarters' production at 17,404 and 17,345 ounces respectively. But for the timing of a gold shipment and certain one-time unusual charges discussed further below, the third quarter 2005 would have represented the Company's best ever operating results.

Revenue for the third quarter ended June 30, 2005 amounted to $5.9 million on 13,820 ounces sold compared to $5.5 million on 14,037 ounces sold for the third quarter 2004. On the last day of the quarter, the Company shipped an additional 5,631 ounces with an invoice value of $2.4 million, however, title did not pass until early July 2005 and this revenue will be reported in the fourth quarter 2005. This gold shipment is included in gold and ore inventories at a cost of $1.1 million at June 30, 2005.

Tonnes treated in the third quarter 2005 were 58,117 compared to 59,626 in the third quarter of 2004. However, average grades for the third quarter of 2005 were higher, at 10.46 grams per tonne (g/t), compared to 8.54 g/t in the third quarter of 2004. Gold production for the third quarter 2005 was 17,404 ounces compared to 14,643 ounces for the third quarter 2004.

Direct mine operating costs were $1.9 million to produce 17,404 ounces in the third quarter of 2005 compared to $1.4 million to produce 14,643 ounces for the third quarter of 2004. The increase in direct costs per treated tonne to $32.56 in the third quarter 2005 from $23.14 in the third quarter 2004 reflect an increase in the portion of the feed coming from the underground mine with a corresponding reduction in feed from the open pit. Direct costs per treated tonne and per ounce produced are noted in the table below:

	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Direct mine operating costs	$1,892,150	$1,379,589	$4,829,433	$3,780,573
Direct cost per treated tonne	32.56	23.14	27.37	21.24
Direct cost per ounce produced	108.72	94.21	98.97	107.68

Total expenses for the third quarter 2005 were higher by $1.5 million at $4.6 million compared to total expenses of $3.2 million for the third quarter 2004. The most significant element of the increase in expenses was stock-based compensation of $0.9 million, being the estimated value of 3,345,000 stock options granted in the third quarter 2005.

In addition, the Company continues to build its organization and management (see "Management and Staffing" below) and to assume certain management functions that are currently performed by Compania Minera del Sur S.A. ("Comsur") pursuant to a services agreement (see "Transactions with Related Parties" below) and, in doing so, has incurred during the third quarter approximately $0.5 million in certain one-time expenses in connection with the management transition. Finally, corporate salary expense has increased by $160,000 in the third quarter 2005 as new management has joined. It is expected that these additional costs will be partially offset by the elimination of management services fees on the termination on September 30, 2005 of the services agreement with Comsur.

Income taxes were $1.0 million in the third quarter 2005 on income before tax of $1.3 million compared to $0.2 million on income before tax of $2.4 million in the third quarter 2004. The third quarter 2005 includes $1.3 million in non-deductible expenses, including the stock-based compensation charge of $0.9 million. Also, during the third quarter 2005, the Company fully utilized its remaining available Bolivian loss carry forwards for which it had recorded a future income tax asset at the end of the year ended September 30, 2004. However, for the third quarter ended June 30, 2004, income tax expense was limited to $0.2 million, being the minimum mining tax referred to above since the tax benefit of available Bolivian loss carry forwards utilized in that quarter had not previously been recorded in the financial statements.

Net income for the third quarter 2005 was $0.3 million ($0.00 per share) compared to $2.1 million $0.02 per share) for the third quarter 2004.

For the nine months to June 30, 2005, revenue was $18.9 million and net income was $4.4 million ($0.04 per share) compared to revenue of $13.3 million and net income of $3.6 million ($0.03 per share) for the nine months ended June 30, 2004.

Cash Flows

The following table summarizes the principal sources and uses of cash in the third quarter and the nine months ended June 30, 2005, compared to the third quarter and nine month periods of 2004:

	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Cash provided by operating activities	$2,286,803	$2,264,238	$11,608.502	$5,653,929
Repayment of loans and notes payable	3,643,986	433,734	5,367,854	1,422,033
Capital expenditures	1,401,811	478,157	2,733,450	1,186,021

Cash provided by operating activities

For the three months ended June 30, 2005, cash provided by operating activities was $2.3 million compared to approximately the same amount for the third quarter 2004. Non-cash working capital increased during the third quarter 2005 by $0.5 million compared to an increase of $1.0 million for the third quarter 2004.

Capital expenditures

For the third quarter 2005, capital expenditures amounted to approximately $1.4 million for total spending of $2.7 million for the nine months to June 30, 2005. For the nine months, approximately

$0.6 million represented mine development expenditures that were capitalized, while $2.1 million was spent on other capital programs, the largest portion of which was for expansion of the tailings pond. In the third quarter 2005, the decision was taken to accelerate expansion of the tailings pond planned for future years while manpower and equipment was available on site.

Financial Condition – June 30, 2005 compared to September 30, 2004

The following table provides a comparison of key elements of the Company's balance sheet at June 30, 2005 and September 30, 2004:

	June 30, 2005	September 30, 2004
Cash and cash equivalents	$7,380,301	$3,920,752
Working capital (including cash and current portion of long-term debt)	7,643,959	4,576,399
Total assets	36,659,383	35,300,472
Long-term debt, including current portion	8,087,930	13,455,784
Shareholders' equity	24,221,524	18,896,571

Cash increased by $3.5 million in the nine months ended June 30, 2005.

Working capital increased by $3.1 million to $7.6 million at June 30, 2005. Current portion of long-term debt is included in the working capital amounts but, at $3.7 million, remains unchanged from September 30, 2004.

Long-term debt repayments in the nine months ended June 30, 2005 amounted to $5.4 million. This amount includes a prepayment of $3.0 million on the Banco de Credito de Bolivia loan payable bearing interest at LIBOR plus 3.75%. Banco de Credito de Bolivia has agreed to a further prepayment of $2.0 million on August 29, 2005, being the balance of the loan facility.

Shareholders' equity increased by $5.3 million to $24.2 million. The increase included net income in the nine months ended June 30, 2005 of $4.4 million and $0.9 million of contributed surplus arising on the recording of the stock-based compensation described above. An amount of $10,201 was also credited to capital stock on the exercise of 50,000 stock options. A further 50,000 shares were issued to Fabulosa Mines Limited ("Fabulosa") as required under the Definitive Agreement dated September 12, 2001 described in Note 2(d), "Controlling shareholder's rights", to the unaudited consolidated financial statements of the Company for the nine months ended June 30, 2005. No dividends were paid in the nine month period ended June 30, 2005.

Outlook

Management anticipates that the Company will maintain current levels of production and operating efficiencies at the Don Mario Mine for the remainder of the fiscal year ended September 30, 2005. For the nine months to June 30, 2005, the mill has treated 176,000 tonnes of ore and is on track to process approximately 230,000 tonnes during fiscal 2005.

In early July 2005, a brief work stoppage of 6 days occurred as the unionized work force at the Company's Don Mario Mine went on strike. The strike was brief and the settlement reached in a one year agreement is consistent with others reached recently in the Bolivian mining industry. For part of the period of the work stoppage, the mill continued to operate and the Company experienced no material negative impact on production.

The Company expects production for the last quarter of fiscal year 2005 to continue at the levels experienced in the previous two quarters barring unforeseen events.

CORPORATE RESOURCES

Management and Staffing

Orvana continues to build its organization and management to enable it to achieve its objective of having a portfolio of low cost, long-life gold mines in the Americas.

Toronto Office

On April 4, 2005, the Company announced the appointment of T. Sean Harvey as President and Chief Executive Officer. Prior to joining Orvana, Mr. Harvey has held Chief Executive Officer positions with two mining companies and senior management positions with several investment banking firms.

In addition, Mr. Jaime Urjel, was named Deputy Chairman of the Board of Directors.

On July 11, 2005, the Company announced the appointments of three senior officers: Michael Hodgson, Vice President, Technical Services; Eduardo Rosselot, Vice President, Business Development and Special Projects; and Malcolm King, Vice President and Controller. All three individuals have extensive qualifications and experience in their respective professional backgrounds.

Santa Cruz Office

In Bolivia, Orvana is now assuming certain management functions that have in the past been performed by Comsur (see "Transactions with Related Parties" below).

The Company's wholly-owned subsidiary, Paititi, has appointed Zenon Bellido to the new position of Manager of Operations, Bolivia. Prior to joining Paititi, Mr. Bellido held various senior management positions with Comsur and has over 30 years' experience in the mining industry.

Additional staffing in the Santa Cruz office is being added to take over certain services currently provided by Comsur pursuant to a services agreement which is expected to terminate on September 30, 2005, including procurement, accounting, tax, legal and administrative activities. It is expected that these additional costs will be partially offset by the elimination of management services fees on the termination of the services agreement.

Liquidity and Capital Resources

Liquidity

On June 30, 2005, Orvana had contractual obligations represented by long-term debt of $8.1 million. Principal repayments for the remaining three months of fiscal 2005, including the prepayment negotiated with Banco de Credito de Bolivia in the amount of $2.0 million described above, and for the fiscal years ended September 30, 2006 to 2009 are summarized in the following table:

	2005	2006	2007	2008	2009	Total
Loan payable - Banco de Credito de Bolivia	$2,000,000					$2,000,000
Loan payable – Fabulosa Mines Limited	400,000	$1,600,000	$1,600,000	$1,600,000	$666,667	5,866,667
Notes payable	28,601	100,174				128,775
Convertible debenture – Fabulosa Mines Limited		92,488				92,488
Total repayments	$2,428,601	$1,792,662	$1,600,000	$1,600,000	$666,667	$8,087,930

In addition, the Company has included a liability in its balance sheet for an asset retirement obligation in respect of the Don Mario Mine in the amount of $0.6 million, being the discounted amount of the estimated future costs of $1.1 million that it is expected will be incurred over the years 2009 to 2014 to dismantle mine installations and to complete reclamation.

For the nine months ended June 30, 2005, the net increase in cash, after debt repayments and capital expenditures, was $3.5 million. At June 30, 2005, cash and cash equivalents amounted to $7.4 million. The Company has sufficient cash reserves, at the present time, to cover long-term debt repayments and to make further loan prepayments provided satisfactory prepayment terms can be agreed. In addition, provided gold prices remain in the range of $400 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow.

Capital Resources
The table below provides a summary of the Company's current capital sources at June 30, 2005:

	June 30, 2005
Loan payable – LIBOR plus 3.75% - Banco de Credito de Bolivia	$2,000,000
Loan payable LIBOR plus 4.50% – Fabulosa Mines Limited	5,866,667
Notes payable – 5.61% to 8.00%	128,775
Convertible debenture – 6% – Fabulosa Mines Limited	92,488
Total long-term debt	8,087,930
Shareholders' equity	24,221,524
Total capital	$32,309,454

Existing long-term debt was incurred to finance the purchase of the mill and other capital assets and the initial development and start-up of the mine. The Company does not require additional financing at the present time and, thus, has not yet sought to arrange additional facilities. As mentioned above, the remainder of the Banco de Credito de Bolivia loan of $2.0 million will be repaid on August 29, 2005.

On June 30, the Board approved capital commitments totaling $1.6 million for the following: a scooptram and a drilling jumbo, the hiring of third party consultants for a pre-feasibility study on the Upper Mineralized Zone, exploration in and around the Don Mario Mine and information technology upgrades. These latter upgrades are required as part of the transition process and the replacement of certain software applications and related support services that are currently provided by Comsur (see "Transactions with Related Parties" below).

Shareholders' equity increased by 28% or $5.3 million to $24.2 million ($0.21 per share) compared to $18.9 million ($0.17 per share) at the end of fiscal 2004.

RESULTS

Results of Operations

Quarter and Nine Months Ended June 30 – 2005 Compared to 2004
The following table and analysis compare the financial results of the third quarter 2005 to those of the third quarter 2004:

	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Revenue	$5,892,124	$5,522,965	$18,913,688	$13,325,035
Expenses	4,611,272	3,152,669	11,546,518	9,216,537
Net income for the period	321,389	2,140,472	4,436,671	3,568,219
Net income per share – basic and diluted	$0.00	$0.02	$0.04	$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 June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Revenue	$5,892,124	$5,522,965	$18,913,688	$13,325,035
Price per ounce	$426	$393	$431	$402
Ounces sold	13,820	14,037	43,892	33,129

Revenue for the third quarter ended June 30, 2005 amounted to $5.9 million on 13,820 ounces sold compared to $5.5 million on 14,037 ounces sold for the third quarter 2004. On the last day of the quarter, the Company shipped an additional 5,631 ounces with an invoice value of $2.4 million, however, title did not pass until early July 2005 and this revenue will be reported in the fourth quarter 2005. This gold shipment is included in gold and ore inventories at a cost of $1.1 million at June 30, 2005.

Further information on production operations and costs is presented below.

Don Mario Mine - Development
Development work continued during the third quarter 2005 on extending the ramps, deepening the main shaft, and providing access to additional ore shoots in the underground mine. Ore and waste are being hoisted through the main vertical shaft. With the transition of the Don Mario Mine's Lower Mineralized Zone to a fully underground mine by mid 2006, management plans to accelerate underground development to secure future production targets. In connection with this development, the Board has approved the purchase of a four-yard scooptram and a drilling jumbo. Management is currently updating the mine plan taking into account the new mobile equipment expected on site in late August 2005.

Don Mario Mine – Production, Grades and Recoveries
During the third quarter 2005, the mill treated approximately 36,437 tonnes of development and cut and fill ore from the underground mine and 21,680 tonnes of ore from the mini-pit for a total of 58,117 tonnes of ore treated. Gold production amounted to 17,404 ounces for the period. The monthly breakdown of tonnes treated, head grades and mill recovery rates in the third quarter of fiscal 2005 is as follows:

		3 months ended June 30, 2005	June 2005	May 2005	April 2005	3 months ended June 30, 2004
Underground mine	tonnes	36,437	12,989	14,436	9,012	30,760
	g/t	12.23	14.18	9.69	13.48	8.60
Mini-pit & stockpile	tonnes	21,680	6,579	5,921	9,180	28,866
	g/t	7.47	2.94	8.89	9.81	8.46
Total	tonnes	58,117	19,568	20,357	18,192	59,626
	g/t	10.46	10.4	9.46	11.63	8.54
Recovery rate		89.1%	86.1%	89.0%	92.1%	89.5%
Gold produced - ounces		17,404	5,631	5,510	6,263	14,643

During the third quarter 2005, head grades realized from the underground mine were significantly higher than average grades processed to date. As a result, treated tonnage from the mini-pit production was reduced in May and June 2005 and material from a stockpile of lower grade ore was treated in preference.

Ore grades can vary significantly from month to month as mining progresses in both the underground and mini-pit. Ores from different parts of the mine are blended with low grade ore from the stockpile to achieve an optimal grade to maximize gold recovery.

The following table shows the tonnages treated and the head grade in grams per tonne treated (g/t) at the Don Mario mine for the third quarter and year-to-date ended June 30, 2005 compared to the same periods in fiscal 2004:

		Three Months Ended June 30		Nine Months Ended June 30	
		2005	2004	2005	2004
Underground mine	tonnes	36,437	30,760	115,913	89,629
	g/t	12.23	8.60	10.98	7.43
Mini-pit & stockpile	tonnes	21,680	28,866	60,541	88,324
	g/t	7.47	8.46	7.14	6.65
Total	tonnes	58,117	59,626	176,454	177,953
	g/t	10.46	8.54	9.67	7.04
Recovery rate		89.1%	89.5%	89.0%	87.2%
Gold produced - ounces		17,404	14,643	48,796	35,108

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 17,404 ounces in the third quarter 2005 and 14,643 ounces in the third quarter of fiscal 2004. The calculations of these costs are based on the industry-recognized Gold Institute Production Cost Standard that has been widely adopted throughout the global gold industry. The purpose of providing this information standard is to give management, shareholders and the financial community a tool to make meaningful comparisons of gold mining companies with production cost information in a uniform format. These calculations represent non-GAAP information, do not have a standardized meaning prescribed by 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 issuers. A reconciliation of these non-GAAP costs and unit costs with the Company's GAAP-based statement of operations is presented in the third table below.

	Three Months Ended June 30			
	2005		2004	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$1,892,150	$108.72	$1,379,589	$94.21
Third-party smelting, refining and transportation costs	31,209	1.79	27,367	1.87
Cash operating costs	1,923,359	110.51	1,406,956	96.08
Royalties and mining rights	303,861	17.46	189,292	12.93
Total cash costs	2,227,220	127.97	1,596,248	109.01
Depreciation and amortization	1,193,737	68.59	1,106,392	75.56
Total production costs	$3,420,957	$196.56	$2,702,640	$184.57

Total production costs of $196.56 per ounce in the third quarter of fiscal 2005 increased by $11.99 per ounce from $184.57 per ounce in the third quarter 2004. Anticipated increases in labour costs ($5.58 per ounce) on a contract settlement with effect from March 1, 2005 was accrued throughout the third quarter 2005. In addition, higher direct mining costs reflect an increase in the portion of the feed coming from the underground mine with a corresponding reduction in feed from the open pit.

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 48,796 ounces in the first nine months of 2005 and 35,108 ounces in the first nine months of 2004.

	Nine Months Ended June 30			
	2005		2004	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$4,829,433	$98.97	$3,780,573	$107.68
Third-party smelting, refining and transportation costs	111,845	2.29	73,508	2.09
Cash operating costs	4,941,278	101.26	3,854,081	109.78
Royalties and mining rights	819,619	16.80	476,131	13.56
Total cash costs	5,760,897	118.06	4,330,212	123.34
Depreciation and amortization	3,562,364	73.01	3,346,812	95.33
Total production costs	$9,323,261	$191.07	$7,677,024	$218.67

The difference between direct mine operating costs of $1.9 million in the third quarter 2005 and the cost of sales of $1.4 million reported in the unaudited consolidated financial statements at June 30, 2005 is due mainly to changes in gold and ore inventories. The following is a reconciliation of the two amounts for the three and nine month periods ended June 30 for 2005 and 2004:

	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Cost of sales (GAAP)	$1,369,836	$1,399,915	$4,318,714	$3,759,394
Processing charges included in cost of sales	(13,239)	(168,290)	(51,783)	(207,351)
Changes in cash costs included in gold and ore inventories	535,553	7,041	562,502	87,638
Direct mine operating costs (non-GAAP measure)	$1,892,150	$1,238,666	$4,829,433	$3,639,681

Update on the Lower Mineralized Zone ("LMZ")
The Board has approved up to $500,000 for a diamond drilling campaign on the LMZ. The first phase of the program involves drilling five holes of total depth of 2,283 metres at a cost of approximately $200,000. If results merit, a further seven holes will be drilled adding a further 2,940 metres at a cost of up to $250,000. The drilling will commence toward the end of August and, if the entire campaign is undertaken, all drilling is expected to be completed by September 30, 2005, the end of the Company's fiscal year.

Update on the Upper Mineralized Zone ("UMZ")
As previously reported, the Company has received a final Resource Estimate Review and National Instrument 43-101 Technical Report, dated March 11, 2005, on the Don Mario UMZ prepared by Pincock Allen & Holt (PAH). The Don Mario UMZ, a potential source of open pit ore, has estimated total indicated mineral resources of 5.6 million tonnes. A summary of mineral resource estimates with respect to the UMZ is set forth in the table below:

	Indicated Resources				
Zone	AuEq Cutoff	Au g/t	Cu %	Ag g/t	Tonnes
Porous	1.00	1.31	1.78	52	443,422
Oxides	1.00	1.57	1.99	49	1,790,670
Transition	1.27	1.41	1.37	57	1,775,430
Sulfides	1.32	1.46	1.42	44	1,568,151
Total		1.47	1.61	50	5,577,672

The PAH report has been filed on SEDAR (www.sedar.com) and on the Company's website (www.orvana.com).

Raul Borrastero, a Certified Professional Geologist with PAH, and Richard Addison, a Professional Engineer and PAH's Principal Metallurgical Engineer, are the Qualified Persons responsible for the work performed by PAH. The technical report has been prepared in accordance with the Standards of Disclosure for Mineral Projects as defined by National Instrument 43-101 of the Canadian Securities Administrators.

The Company has completed metallurgical test work on bulk samples from the UMZ with CIMM, Tecnologias y Servicios S.A. laboratories in Santiago, Chile. A report and results have been issued.

The Company now intends to hire a third party consultant to complete a pre-feasibility study prior to December 31, 2005 with a view to completing a bankable feasibility study prior to the end of 2006.

Assuming a positive pre-feasibility study and bankable feasibility study, the UMZ could extend the Don Mario Mine life by up to eight years. Management's preliminary assessment is that the UMZ has the potential to produce up to 100,000 ounces per annum of gold equivalent production assuming a gold price of $380 per ounce, copper price of $1 per pound and silver price of $6 per ounce with average metallurgical recoveries of 88%, 90% and 82% respectively.

Summary of Quarterly Results

The following tables include results for the past eight quarters ended June 30, 2005.

Revenue for the third quarter ended June 30, 2005 amounted to $5.9 million on 13,820 ounces sold compared to $6.8 million on 15,712 ounces sold for the second quarter 2005. On the last day of the June 2005 quarter, the Company shipped an additional 5,631 ounces with an invoice value of $2.4 million, however, title did not pass until early July 2005 and this revenue will be reported in the fourth quarter 2005. This gold shipment is included in gold and ore inventories at a cost of $1.1 million at June 30, 2005.

Total expenses for the third quarter 2005 were higher by $1.3 million at $4.6 million compared to total expenses of $3.3 million for the second quarter 2005. The most significant element of the increase in expenses was stock-based compensation of $0.9 million. This and other increases in expense increase and income taxes are described more fully above in "Overall Performance".

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

Net income in the quarter ended December 31, 2004 was $2.4 million lower than in the quarter ended September 30, 2004 due to a future income tax expense of $0.5 million in the December 31, 2004 quarter and to the inclusion in the September 30, 2004 quarter of an expected recovery of Bolivian income taxes of $1.9 million on income tax losses available for carry forward. In addition, adverse weather conditions in the month of December 2004 affected mining operations and caused gold production in that quarter, and therefore operating results, to fall significantly below levels that would otherwise have been achieved.

	Quarters ended			
	June 30, 2005	Mar. 31, 2005	Dec. 31, 2004	Sept. 30, 2004
Revenue	$5,892,124	$6,774,911	$ 6,246,653	$ 5,795,967
Expenses	4,611,272	3,298,495	3,636,751	3,201,455
Net income	321,389	2,215,812	1,899,470	4,273,817
Net income per share – basic and diluted	$0.00	$0.02	$0.02	$0.04

	Quarters ended			
	June 30, 2004	Mar. 31, 2004	Dec. 31, 2003	Sept. 30, 2003
Revenues	$ 5,522,965	$ 4,693,412	$ 3,108,658	$ 2,984,933
Operating expenses	3,152,699	3,298,292	2,765,576	2,774,016
Net income (loss)	2,140,472	1,207,017	220,730	94,942
Net income (loss) per share – basic and diluted	$0.02	$0.01	$0.00	$0.00

RISKS AND UNCERTAINTIES

The Company's business, particularly its Bolivian operations, is subject to political, economic, geological and operating risks and uncertainties in the locations in which the Company operates that are beyond Orvana's control. These are described in the Company's Annual Information Form, which is filed on SEDAR. The Company's business, results of operations, financial condition, and the trading price of its common shares are subject to a number of risks, including risks related to development of mineral deposits, production costs and metal prices, supply of energy and other consumables, labour difficulties, exploration, development and operating risks, environmental and other regulatory requirements, international operations, water supply, new operation, production estimates, mineral reserves and resources, title matters, gold price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility.

A high percentage of the Company's revenues, costs and assets are denominated in U.S. dollars, and the remainder 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

Changes in Accounting Policies

In the fourth quarter of fiscal 2004, the Company implemented two changes to its accounting policies, which are described in the notes to the 2004 audited consolidated financial statements, and which affected both the fiscal 2003 and fiscal 2004 financial and operating results. Quarterly and annual financial and operating results for both fiscal years have been restated to reflect these two changes in accounting policies.

Firstly, effective September 30, 2003, the Company adopted the provisions of CICA 3110 in accounting for its asset retirement obligations. The new accounting policy is described in Notes 2 and 8 to the audited consolidated financial statements for the year ended September 30, 2004.

Secondly, in accordance with GAAP, the Company adopted the practice of capitalizing mine development expenditures and amortizing these expenditures over the life of the mine. Note 2 to the audited consolidated financial statements for the year ended September 30, 2004 provides more information on this policy.

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 reserves, the net realizable values and recoverable amount of deferred property costs and asset retirement obligations.

Mineral reserves

At the commencement of construction in March 2002, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, and contained an estimated 414,000 ounces of gold, 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.

Commercial production commenced July 1, 2003 and the mill has treated 457,553 tonnes of ore and produced 105,432 ounces of gold during the two years ended June 30, 2005.

Mine development work done to date supports the original estimates of mineral reserves and contained gold.

Net realizable values of deferred property costs
At June 30, 2005, the net book value of mineral properties and deferred development costs and mine development, plant and equipment amounted to $22.1 million. 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 at $400 per ounce and cash operating costs of $130 per ounce, net realizable values are in excess of net book value of mineral properties and deferred development costs and mine development, 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 $0.6 million at June 30, 2005. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be $1.1 million on an undiscounted basis and that these costs will be incurred over the years 2009 to 2014 (See note 8 to the audited consolidated financial statements for the year ended September 30, 2004). 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.

In the latest review of the Company's estimates with respect to its asset retirement obligations, no new information has come to light that would suggest that a revision is required to the provision for asset retirement obligations.

Financial and Other Instruments
In the recently completed fiscal quarter, the Company did not use any hedging or other financial instruments.

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 of July 20, 2005, there were 114,272,507 common shares outstanding with a stated value of $74.7 million. There were also 4,863,331 stock options outstanding with a weighted average exercise price of Cdn. $1.69. These stock options have expiry dates ranging from 2005 to 2010.

Transactions with Related Parties
All transactions with related parties have occurred in the normal course of operations or have occurred pursuant to the Definitive Agreement dated September 12, 2001 between the Company and Comsur, formerly the Company's controlling shareholder.

In a private transaction completed during the quarter ended March 31, 2005, Minera S.A. sold the parent company of Comsur which, prior to such sale, was the Company's controlling shareholder. Prior to such sale, 59,914,695 common shares of the Company, being all of the shares formerly held by Comsur, were transferred from Comsur to Fabulosa Mines Limited ("Fabulosa"), a wholly-owned subsidiary of Minera S.A.

In connection with such transfer, Comsur's rights and obligations under the Definitive Agreement dated September 12, 2001 pursuant to which it acquired the common shares of the Company, including its rights under the asset loan payable by the Company bearing interest at LIBOR plus 4.50%, were assigned to Fabulosa, together with a 6% convertible debenture. Under the Definitive Agreement, Fabulosa has the right to receive common shares of the Company at no additional cost, on a one-for-one basis, for each common share issued by the Company as a result of the exercise of stock options, warrants or other convertible instruments outstanding on January 11, 2002.

A management services agreement exists between the Company's wholly owned subsidiary, Paititi, and Comsur whereby Comsur provides managerial, technical and commercial support to Paititi. Management services fees incurred under the agreement during that portion of the six months ended March 31, 2005 in which Comsur was the Company's controlling shareholder totaled $177,200. Although no longer a related party, Comsur has agreed to continue to provide managerial and other support services to the Company under the agreement until at least September 30, 2005 which is the expected termination date.

All transactions between the Company and a legal firm which had a partner as a board member until April 2, 2005, have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Other Information

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