ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Third Quarter ended June 30, 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 August 9, 2007 (the "Report Date") and describes the operating and financial results of the Company for the three and nine-month periods ended June 30, 2007. The MD&A should be read in conjunction with Orvana's unaudited consolidated financial statements and related notes for the same periods. 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 used non-GAAP measures including direct mine operating costs, cash operating costs, total cash costs and total production costs, and related unit cost information, because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with 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 ("UMZ") deposit at Don Mario and of its potential operation and production; mineral resource and mineral reserve estimates; the realization of mineral reserve estimates; estimates of future capital expenditures and timing of development and production and estimates of the outcome and timing of decisions with respect to whether and how to proceed with such development and production; permitting time lines; statements and information regarding future feasibility studies and their results; production forecasts; future transactions; the successful completion of reclamation projects; future gold prices; the ability to achieve additional growth and geographic diversification; future production costs; accounting estimates and assumptions; future tax benefits; the renewal or renegotiation of agreements; future financial performance; including the ability to increase cash flow and profits; future financing requirements, mine development plans; and possible changes in the regulatory, political, social and economic environment in Bolivia. A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include fluctuations in the price of gold; the impact or unanticipated impact of: the need to recalculate estimates of reserves and resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; risks generally associated with mineral exploration and development, including the Company's ability to develop the UMZ deposit if it determines to do so and to acquire and develop mineral properties; the Company's ability to obtain additional financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in Bolivia; general economic conditions worldwide and the risks identified below under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form for a description of additional risk factors. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

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

BUSINESS OVERVIEW AND STRATEGY

The Company

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

The Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. In the first quarter of fiscal 2006, the Company completed and issued the *"Technical Report on the Mineral Resource and Reserve Estimation for the Don Mario Gold Mine, Lower Mineralized Zone"* dated December 23, 2005 (the "Orvana Technical Report"), which may be found on the Orvana website 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 is compliant with the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

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

Province, Bolivia" and prepared by independent qualified persons Ken Brisebois, Miron Berezowsky and John Kiernan also available on www.sedar.com.

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

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

Since November 1, 2005, the operation has processed 424,044 tonnes of ore which contained 148,520 ounces of gold and produced 137,691 ounces of gold to June 30, 2007. Since the commencement of commercial production on July 1, 2003, the operation has processed 962,293 tonnes of ore and produced 270,234 ounces of gold to June 30, 2007.

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") prepared by independent qualified persons Edwin Bentzen III and Karl M. Kolin in compliance with NI 43-101 which 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

A full feasibility study on the UMZ is in progress at the present time and is expected to be completed by the end of the calendar year.

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

Other Mineral Properties in Bolivia
The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia which, until March 16, 2006, included a 40% joint venture interest in the Pederson property, which covers approximately 7,800 hectares. On that date, the Company entered into an agreement to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian") subject to certain future payments and certain exploration spending targets to be met by Castillian within five years. At a subsequent date, 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 Company will record future receipts called for under the agreement if and when they are received.

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

The Company intends to explore the possible divestiture of its other non-core Bolivian exploration assets located in the Altiplano region.

Orvana also holds the mining rights to the Las Palmeras concession, which covers approximately 7,100 hectares located in the Canton of San Ramon, Santa Rosa de la Mina and San Javier, in the Province of Ñuflo de Chavez. The Puquio Norte open pit gold mine operated within this concession until late 2001, when the ore body was exhausted and the operation was closed. Following closure of the mine in 2001, an environmental closure plan, as required by law, was presented to and approved by the mining and environmental ministries. The reclamation work called for by the closure plan was undertaken and concluded. A final report on the effectiveness of the implementation of the closure plan was prepared by an independent consulting firm for the Ministry of Mines and the Ministry of Environment and was accepted by both ministries on October 31, 2006. Orvana has no plans to further explore the concession and, in December 2006, the Company gave the Ministry of Mines formal notice of its intention to surrender its mining rights.

Business Strategy

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

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

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 situate. The largest portion of the current year's budget is allocated to the concessions, known as Las Tojas and La Aventura.

Drilling is also being undertaken beneath the LMZ deposit, in line with Orvana's near-term business strategy, which is to complete the development of the LMZ, increase ore reserves and sustain gold production and sales from the Don Mario Mine.

In October 2006, the Company announced the completion of a pre-feasibility study on the UMZ conducted by NCL. The study indicates that the UMZ mineral reserves would support a seven-year open pit mine life beyond the life of the existing LMZ. The Company is now considering steps to advance the UMZ deposit towards a production decision and to this end, Kappes, Cassiday & Associates has been engaged to complete a full feasibility study, which is expected to be completed in the fourth quarter of calendar 2007. The Company plans to assess its options with respect to developing the project in the most efficient and risk-effective way possible.

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

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

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the periods ended June 30, 2007 and June 30, 2006 are summarized in the table below:

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Revenues	$15,623	$11,092	$41,737	$31,656
Net income	7,609	3,914	19,079	10,414
Earnings per share – basic and fully diluted	$0.07	$0.03	$0.17	$0.09

Tonnes treated in third quarter fiscal 2007 were 66,986 compared to 65,369 in the same quarter a year ago. Gold production for the third quarter fiscal 2007 was 21% higher at 23,425 ounces compared to 19,333 ounces in the third quarter fiscal 2006 due to higher grades and higher tonnes processed.

Revenue for the third quarter fiscal 2007 increased 41% to $15,623 on 23,771 ounces sold compared to $11,092 on 18,177 ounces sold in the same quarter a year ago. Higher average gold prices in the third quarter fiscal 2007 accounted for 20% of the increase in revenues, while an increase in ounces sold accounted for 80% 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 $3,207 to produce 23,425 ounces in the third quarter fiscal 2007 compared to $2,525 to produce 19,333 ounces in the third quarter fiscal 2006. Last year, 16% of the tonnes treated in the quarter came from the minipit stockpile while only 8% came from the stockpile in the third quarter this year, partly explaining the higher mine operating costs. Increases have been experienced in numerous costs including labour, consumables, reagents, maintenance parts and supplies. However, direct mine operating costs per ounce produced increased by only 3% to $136.92 in the third quarter fiscal 2007 due to the favourable impact on unit costs of higher production.

On June 26, 2007 the Company signed a new labour agreement with its Bolivian miners' union. Although labour agreements in the mining industry in Bolivia have a standard one-year term beginning March 1 of each year, negotiations between most Bolivian mining companies and their unions typically begin in May and are concluded near the end of June. The new labour agreement calls for a 12% increase and a one-time bonus of Bs. 10,500 per worker or approximately $1,350.00. The total year-over-year increase in the labour costs is 24% - 13% in salaries, including increased social benefits, and 11% due to the one-time bonus. The total year-over-year increase is $710 or approximately $8.90 per ounce. The impact on the seven months of fiscal 2007 from the March 1 effective date to September 30 amounts to $545 (including the estimated one-time bonus of $314). For fiscal 2007, this amounts to $0.005 per share, on an after-tax basis. A pro-rated provision of $237 before tax has been included in the financial statements for the three and nine month periods ended June 30, 2007.

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

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Direct mine operating costs	$3,207	$2,525	$8,578	$6,766
Direct mine operating cost per treated tonne	$47.88	$38.63	$44.35	$36.39
Direct mine operating cost per ounce produced	136.92	130.61	132.35	115.82

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 third quarter fiscal 2007, general and administration expenses of $499 were 37% less than the $787 incurred in the third quarter fiscal 2006 due to fewer corporate staff and related lower salary and travel expenses and severance costs incurred last year in connection with the termination of the employment of the Company's former president.

During the quarter ended June 30, 2007, the Company recorded stock-based compensation expense of $24 which was offset by a credit to income of $375 and a corresponding charge to contributed surplus in respect of stock options forfeited by departing officers and directors, resulting in a net credit of $351 in the quarter.

Exploration expenditures were $446 in the third quarter fiscal 2007 compared to $301 in the third quarter fiscal 2006. Management expects exploration spending levels in fiscal 2007 to at least equal those of fiscal 2006. Last year, exploration expenses included costs relating to the UMZ pre-feasibility study which was then in progress. 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. In the nine months ended June 30, 2007, the Company capitalized expenditures of $511 incurred in connection with the UMZ full feasibility study which commenced in the second quarter 2007.

Management engaged the services of an investment banking firm in the third quarter fiscal 2007. Investment banking fees, legal fees and other expenses amounting to $36 related to business development activities have been incurred thus far in fiscal 2007. During the first nine months of fiscal 2006, management incurred similar expenses amounting to $475. These costs are described as business development expenses in the income statement.

Orvana is committed to the social development and well-being of the communities in which it operates. Community relations expenses amounting to $49 in the third quarter fiscal 2007 include financial contributions and contributions of know-how by the Company in support of infrastructure and other program initiatives in seven local communities in the vicinity of the Don Mario Mine. Projects supported by Orvana include supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; and maintenance of community roads.

Interest and other income of $466 in the quarter ended June 30, 2007 was generated primarily on the short-term investment of excess cash.

The effective income tax rate of 23.6% for the nine months ended June 30, 2007 is lower than the rate (30.6%) for the same period last year due to the impact on income tax expense of the following items (with the tax impact of each item in brackets): lower losses in certain subsidiaries for which income tax recoveries have not been recorded and non-deductible items ($667); higher exploration expenses subject to a double tax deduction incentive ($167); and the deduction for tax purposes this year of exploration expenses written off in prior years and not previously claimed for tax purposes, which was made possible by a corporate reorganization of certain of the Company's Bolivian subsidiaries ($300).

Net income for the quarter ended June 30, 2007 was $7,609 ($0.07 per share) compared to $3,914 ($0.03 per share) for the same quarter last year.

Cash Flows
The following table summarizes the principal sources and uses of cash for the periods ended June 30, 2007 and June 30, 2006:

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Cash provided by operating activities	$12,255	$6,922	$24,446	$15,568
Capital expenditures	(1,052)	(660)	(2,192)	(2,350)

Cash provided by operating activities
Cash provided by operating activities was significantly higher in the third quarter fiscal 2007 compared to the same quarter a year ago, due to an increase in net income and a decline in supplies inventory of $912 compared to an increase of $439 in supplies inventory in the same three-month period a year ago.

Capital expenditures
For the third quarter fiscal 2007, capital expenditures amounted to $1,052 ($660 – 2006) made up of property, plant and equipment ($663), mine development capitalized ($138) and the full feasibility study costs to date capitalized in the quarter ($251).

Financial Condition – June 30, 2007 compared to September 30, 2006
The following table provides a comparison of key elements of the Company's balance sheet at June 30, 2007 and September 30, 2006:

	June 30, 2007	September 30, 2006
Cash and cash equivalents	$49,104	$26,850
Non-cash working capital (deficit)	(724)	(735)
Total assets	73,859	54,860
Shareholders' equity	63,983	45,089

Cash increased by $11,203 in the third quarter ended June 30, 2007.

Non-cash working capital increased by $11 to ($724) from fiscal 2006 year-end including a decrease in income taxes payable of ($1,011) offset by decreases in value-added taxes receivable of $315, supplies inventory of $205 and an increase in accounts payable of $729.

At June 30, 2007 and at the Report Date, the Company was long-term debt-free.

Shareholders' equity increased by $18,894 to $63,983 during the nine months ended June 30, 2007. No dividends were paid in the nine months ended June 30, 2007.

Outlook
During the third quarter fiscal 2007, the mill treated 66,986 tonnes of ore in the production of 23,425 ounces of gold. Barring unforeseen events, management expects the Don Mario Mine will produce in excess of 80,000 ounces in fiscal 2007. Ore will be extracted from ore body "A" of the LMZ. Development of ore body "B" of the LMZ will continue and is expected to be completed by the end of fiscal 2007.

CORPORATE RESOURCES

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

Liquidity and Capital Resources
Liquidity and Commitments
As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate, by early fiscal 2008, 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 has recorded an asset retirement obligation at a discounted amount of $1,948 at June 30, 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. 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.

During the third quarter fiscal 2007, the net increase in cash and cash equivalents, after capital expenditures, was $11,203. At June 30, 2007, cash and cash equivalents amounted to $49,104. Provided gold prices remain above $600 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow throughout the balance of fiscal 2007.

Capital Resources
At June 30, 2007, the Company had no long-term debt and capital resources at that date are represented by shareholders' equity, which amounted to $63,983.

The Company does not require additional financing in the short term and, thus, has not arranged financing facilities.

Shareholders' equity increased by 42% or $18,894 to $63,983 ($0.56 per share) during the nine months ended June 30, 2007, compared to $45,089 ($0.39 per share) at the end of fiscal 2006.

RESULTS

Results of Operations

Quarter ended June 30 – 2007 compared to 2006

The following table and analysis compare operating results for the periods ended June 30, 2007 and 2006:

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Revenues	$15,623	$11,092	$41,737	$31,656
Costs and expenses of mining operations	5,412	4,235	14,991	12,297
Expenses and other income	197	1,176	1,758	4,346
Net income	7,609	3,914	19,079	10,414
Earnings per share – basic and fully diluted	$0.07	$0.03	$0.17	$0.09

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	
	2007	2006	2007	2006
Revenues	$15,623	$11,092	$41,737	$31,656
Price per ounce	$657	$610	$639	$545
Ounces sold	23,771	18,177	65,331	58,034

Revenue for the third quarter fiscal 2007 increased 41% to $15,623 on 23,771 ounces sold compared to $11,092 on 18,177 ounces sold in the third quarter fiscal 2006. Higher average gold prices in the third quarter fiscal 2007 accounted for approximately 20% of the revenue improvement while an increase in ounces sold accounted for the remaining 80%. The quantity of gold sales in any period is affected by fluctuations in production volumes and the timing of shipments, which is also subject to weather conditions, timing of smelting to produce gold dore, and security considerations.

Further information on production operations and costs is presented below.

Don Mario Mine - Development

After completion of the main shaft to the 115-metre level during fiscal 2006, development work continued during fiscal 2007 with further deepening of the main ramp. Work is on target to complete the ramp construction to the 5-metre level during the current fiscal year as planned.

Don Mario Mine – Production, Gold Grades and Recoveries

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

		Three months ended June 30		Nine months ended June 30	
		2007	2006	2007	2006
Underground mine	tonnes	61,598	54,604	183,958	143,691
	g/t	12.48	10.51	11.73	11.69
Minipit & stockpile	tonnes	5,388	10,765	9,469	42,256
	g/t	2.02	6.49	1.94	6.72
Total	tonnes	66,986	65,369	193,427	185,947
	g/t	11.64	9.85	11.25	10.56
Recovery rate		93.4%	93.4%	92.6%	92.5%
Gold produced - ounces		23,425	19,333	64,810	58,417

At June 30, 2007, the Don Mario Mine and Santa Cruz administrative office had a total of 280 employees and 134 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the Don Mario Mine's requirements.

Don Mario Mine – Production Cost Analysis

The following table presents the cash operating costs and total production costs at the Don Mario Mine in producing 23,425 ounces in the third quarter fiscal 2007 and 19,333 ounces in the third quarter fiscal 2006:

	Three months ended June 30			
	2007		2006	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$3,207	$136.92	$2,525	$130.61
Third-party smelting, refining and transportation costs	57	2.42	54	2.78
Cash operating costs	3,264	139.34	2,579	133.39
Royalties and mining rights	497	21.20	400	20.72
Total cash costs	3,761	160.54	2,979	154.11
Depreciation and amortization	1,711	73.04	1,432	74.08
Total production costs	$5,472	$233.58	$4,411	$228.19
Gold production	23,425 ozs.		19,333 ozs.	

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

Total production costs of $233.58 per ounce for the third quarter fiscal 2007 increased from $228.19 per ounce during the third quarter fiscal 2006 due to a higher proportion of total tonnes treated coming from underground mining and less from the minipit stockpile and higher direct mine operating costs offset by increased production.

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 64,810 ounces in the first nine months of fiscal 2007 and 58,417 ounces in the first nine months of fiscal 2006:

	Nine months ended June 30			
	2007		2006	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$8,578	$132.35	$6,766	$115.82
Third-party smelting, refining and transportation costs	160	2.47	153	2.63
Cash operating costs	8,738	134.82	6,919	118.45
Royalties and mining rights	1,357	20.94	1,193	20.41
Total cash costs	10,095	155.76	8,112	138.86
Depreciation and amortization	5,158	79.58	4,247	72.70
Total production costs	$15,253	$235.34	$12,359	$211.56
Gold production	64,810 ozs.		58,417 ozs.	

The difference between direct mine operating costs of $3,207 and cost of sales of $3,196 reported in the unaudited consolidated financial statements for the third quarter fiscal 2007 is due to changes in gold inventories and gold in circuit. A reconciliation of non-GAAP direct mine operating costs with cost of sales as shown in the Company's Canadian GAAP-based statement of income for the three and nine-month periods ended June 30, 2007 and June 30, 2006 is presented in the table below:

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Cost of sales (GAAP)	$3,196	$2,364	$8,462	$6,779
Changes in gold inventories and gold in circuit	11	161	116	(13)
Direct mine operating costs (non-GAAP measure)	$3,207	$2,525	8,578	$6,766

Update on exploration of the Lower Mineralized Zone ("LMZ")
The drilling program designed to test the northern and southern down dip extensions was completed during fiscal 2006 at a cost of $459. The intersections have been well defined but the grades and widths recorded are disappointing. A follow-up drill program is in progress from underground with interim results under evaluation. The underground drill program is continuing into the fourth quarter of fiscal 2007.

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

	Proven Reserves					Probable Reserves					Total Reserves				
Ore Type	Tonnes [kt]	Au [g/t]	Cu_T [%]	Ag [g/t]	Cu_S [%]	Tonnes [kt]	Au [g/t]	Cu_T [%]	Ag [g/t]	Cu_S [%]	Tonnes [kt]	Au [g/t]	Cu_T [%]	Ag [g/t]	Cu_S [%]
Oxides	664	1.43	1.75	56.5	1.19	1,513	1.51	1.77	45.6	1.22	2,177	1.49	1.77	48.9	1.21
Transition	273	1.49	1.45	57.7	0.64	1,616	1.45	1.35	50.3	0.70	1,889	1.46	1.37	51.3	0.69
Sulphides	134	1.25	1.28	38.2	0.16	1,248	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

Highlights of the study are as follows:

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

As noted above, a full feasibility study by Kappes, Cassiday & Associates of Reno, Nevada is in progress and is expected to be completed by the end of the calendar year.

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 15 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**
  - A ground geophysical survey has been extended based on favourable initial results which enhanced earlier geochemical and airborne magnetic surveys. Follow-up trenching and several drilling campaigns have confirmed a mineralized structure.
  - An infill drilling program to delineate size and economics of this structure is now in progress with 25 to 50-metre spacing. It is expected that the program will be completed in the fourth quarter fiscal 2007.
  - 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 and these were planned to be undertaken during the first half of fiscal 2007, however, heavy rains during the second quarter have delayed this work.

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 tables on the next page include results for the eight quarters ended June 30, 2007:

	Quarters ended			
	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006
Revenues	$15,623	$14,984	$11,130	$13,219
Net income	7,609	7,679	3,791	5,268
Earnings per share – basic and fully diluted	$0.07	$0.07	$0.03	$0.05
Total assets	$73,859	$65,049	$60,022	$54,860
Total long-term financial liabilities	-	-	-	-
Gold production - ozs.	23,425	22,538	18,847	21,611
Gold sales – ozs.	23,771	23,201	18,358	21,587
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$160.54	$143.22	$164.82	$140.96
- Average gold price realized	$657.25	$645.83	$606.28	$612.34
Operating statistics -				
- Gold ore grade – g/t	11.64	12.33	9.85	10.57
- Gold recovery rate - %	93.4	93.4	90.7	93.5

	Quarters ended			
	June 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sept. 30, 2005
Revenues	$11,092	$12,045	$8,519	$10,436
Net income	3,914	3,801	2,699	4,484
Earnings per share – basic and fully diluted	$0.03	$0.03	$0.02	$0.04
Total assets	$48,106	$42,648	$37,521	$35,163
Total long-term financial liabilities	-	-	-	-
Gold production - ozs.	19,333	18,814	20,270	19,963
Gold sales – ozs.	18,177	21,918	17,939	24,381
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$154.11	$143.59	$119.93	$116.36
- Average gold price realized	$610.22	$549.54	$474.89	$428.04
Operating statistics -				
- Gold ore grade – g/t	9.85	11.12	10.80	11.58
- Gold recovery rate - %	93.4	91.9	92.3	93.5

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 June 30, 2007 ranged from $606 to $657 per ounce resulting in high quarterly net incomes in the four most recently completed quarters with net income for the quarter ended March 31, 2007 being the highest on the greatest number of ounces sold over these four quarters.

In the quarter ended December 31, 2005, gold production amounted to 20,270 ounces while gold sales were 17,939 ounces. Gold dore 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.

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

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 policy 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 affect the Company.

The Bolivian government has recently introduced draft legislation containing proposed changes to corporate income taxes and other taxes affecting the mining industry. Concurrently, the government has made statements about changes to still other taxes for which draft legislation as not yet been prepared. While it appears that there will be increases in taxation of mining companies commencing in fiscal 2008, the determination of the impact of such increases must await the clarification of a number of issues contained in the draft legislation, passage of that legislation into law and decisions by the government on other tax changes that it has proposed.

There could also be government 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. Such actions on the part of the government might also be taken in the mining sector. On February 9, 2007, the Bolivian President signed a decree nationalizing the Vinto tin smelter, which was owned indirectly by Glencore International AG. The smelter was a government-owned asset until its privatization in 2000.

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that while "nationalization" will not occur, the government does intend to increase taxes on mining companies. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. If the Company's Don Mario property 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.

As a result of legislation passed by the Bolivian Congress, the Company is required to negotiate, by early fiscal 2008, 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 a material adverse effect on the results of operations or financial condition of Orvana.

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 are primarily denominated in Bolivian and Canadian currencies. The Company is exposed to foreign currency fluctuations, however, management does not expect these fluctuations to have a significant impact on the Company's financial position or results.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with 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) and assuming no further exploration success, the LMZ is expected to be in production through late 2009.

Net realizable values of property, plant and equipment

At June 30, 2007, the net book value of property, plant and equipment amounted to $18,619. 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 $161 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 $1,948 at June 30, 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 and that these costs will be incurred in approximately equal amounts annually over the years 2010 to 2014. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

Stock-based compensation
The Company recorded stock-based compensation expense of $190 for the nine months ended June 30, 2007. During the third quarter, accrued stock-based compensation of $375 for forfeited stock options was taken into income and charged to contributed surplus. 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 3,276,666 stock options outstanding at the Report Date with a weighted average exercise price of Cdn. $1.07. Stock options outstanding have expiry dates ranging from 2007 to 2011.

Other Information
Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 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 completed his evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

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