

MANAGEMENT'S DISCUSSION AND ANALYSIS – Third quarter ended June 30, 2008

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 14, 2008 (the "Report Date") and describes the operating and financial results of the Company for the three and nine-month periods ended June 30, 2008. The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2007. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold production, in fine troy ounces, is referred to as "ounces".

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

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact, but are "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Orvana, or developments in Orvana's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions or results of operations that are based on assumptions about future conditions, courses of action and consequences. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Orvana cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, all aspects of the possible development of the Upper Mineralized Zone deposit at the Company's Don Mario Mine in eastern Bolivia and of its potential operation and production; mineral resource and mineral reserve estimates; the realization of mineral reserve estimates; estimates of future capital expenditures and timing of development and production and estimates of the outcome and timing of decisions with respect to whether and how to proceed with such development and

production; permitting time lines; statements and information regarding future feasibility studies and their results; production forecasts; future transactions; the successful completion of reclamation projects; future gold prices; the ability to achieve additional growth and geographic diversification; future production costs; accounting estimates and assumptions; future tax benefits; the renewal or renegotiation of agreements; future financial performance, including the ability to increase cash flow and profits; future financing requirements; mine development plans; and possible changes in the regulatory, political, social and economic environment in Bolivia. A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include fluctuations in the price of gold; the need to recalculate estimates of reserves and resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; risks generally associated with mineral exploration and development, including the Company's ability to develop the Upper Mineralized Zone deposit if it determines to do so and to acquire and develop mineral properties; the Company's ability to obtain additional financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in Bolivia; general economic conditions worldwide and the risks identified below under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Annual Information Form for a description of additional risk factors. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

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

BUSINESS OVERVIEW AND STRATEGY

The Company

Orvana is a Canadian mining and exploration company based in Toronto, Canada, involved in the evaluation, development and mining of precious and base metals deposits in the Americas. The Company owns and operates the Don Mario Mine in eastern Bolivia. The Company's long-term goal is to become a low cost, long-life, multi-mine gold and base metals producer in the Americas. The Company's shares have been listed on the Toronto Stock Exchange since 1992 under the trading symbol ORV.

The Don Mario Mine – Lower Mineralized Zone

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario mine in eastern Bolivia. The mine's principal product is gold in the form of dore bullion, which also contains a small amount of payable silver.

A report dated July 25, 2003 entitled "*Technical Report on the Don Mario Gold Property, Chiquitos Province, Bolivia*" contains a mineral resource and mineral reserve estimate. This Technical Report prepared by independent qualified persons Ken Brisebois, Miron Berezosky and John Kiernan, AMEC (Peru) S.A., a division of AMEC E&C Services Ltd., complies with the

Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and a copy is available on the Orvana website at www.orvana.com and on SEDAR at www.sedar.com.

In the first quarter of fiscal 2006, the Company completed and issued an updated report entitled “*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 also 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 also NI 43-101 compliant.

The Don Mario Mine has now been extensively sampled underground to a depth of 350 metres from surface. Actual production data has been used to refine and revise the mineral resource and mineral reserve estimated given in the July 2003 Technical Report. A summary of the mineral reserves of the LMZ as at November 1, 2005 (the effective date of the Orvana Technical Report), at a 3 grams per tonne (“g/t”) gold cut off grade and a \$400/oz gold price is as follows:

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

Since November 1, 2005, the operation has processed 675,689 tonnes of ore which contained 237,315 ounces of gold and produced 221,211 ounces of gold to June 30, 2008. Since the commencement of commercial production on July 1, 2003, the operation has processed 1,211,668 tonnes of ore and produced 353,752 ounces of gold to June 30, 2008.

The Company expects to have a new technical report completed by the end of fiscal 2008 updating the Orvana Technical Report. Verification of the latest drilling information and quality assurance/quality control analysis are in progress. Comments below under the caption “Las Tojas Concession” provide further information on the status of mining and processing of gold-bearing mineralization of the type contained in the Don Mario Mine.

The Don Mario Mine – Upper Mineralized Zone

In October 2006, the Company announced the completion of a pre-feasibility study on the Upper Mineralized Zone (“UMZ”) conducted by NCL and released a pre-feasibility study technical report (the “PFS Technical Report”). The PFS Technical Report was prepared by NCL and its associates Edwin Bentzen III, Senior Project Manager and Metallurgist for Resource Development Inc., and Karl M. Kolin, Principal Mine Engineer for Gustavson Associates LLC, both of whom are “qualified persons” independent of the Company within the meaning of NI 43-101. The PFS Technical report may be found on the Orvana website at www.orvana.com and on SEDAR at www.sedar.com. The PFS Technical Report, which is compliant with NI 43-101, estimates UMZ mineral reserves as follows:

Ore Type	Proven Reserves					Probable Reserves					Total Reserves				
	Tonnes [kt]	Au [g/t]	Cu _T [%]	Ag [g/t]	Cu _S [%]	Tonnes [kt]	Au [g/t]	Cu _T [%]	Ag [g/t]	Cu _S [%]	Tonnes [kt]	Au [g/t]	Cu _T [%]	Ag [g/t]	Cu _S [%]
Oxides	664	1.43	1.75	56.5	1.19	1,513	1.51	1.77	45.6	1.22	2,177	1.49	1.77	48.9	1.21
Transition	273	1.49	1.45	57.7	0.64	1,616	1.45	1.35	50.3	0.70	1,889	1.46	1.37	51.3	0.69
Sulphides	134	1.25	1.28	38.2	0.16	1,248	1.25	1.27	36.2	0.17	1,382	1.25	1.27	36.4	0.17
Total	1,071	1.42	1.62	54.5	0.92	4,377	1.42	1.47	44.6	0.73	5,448	1.42	1.50	46.6	0.77

Cu_T is the total copper assay for the ore type, while Cu_S is the acid soluble copper assay for the ore type

Following the issue of the PFS Technical Report, the Company engaged Kappes, Cassiday & Associates ("KCA") of Reno, Nevada to complete a NI 43-101-compliant full feasibility study on the UMZ. This study was expected to be completed by the end of the 2007 calendar year. However, during their research, KCA identified that the oxide ore noted in the table above also contains zinc in quantities sufficient to affect the process flow sheet of the project. The study must now address the presence of zinc to ascertain the impact on capital and operating costs. Completion of the full feasibility study is imminent. Although the study is not yet complete, the recent significant increases in the cost of mining and processing equipment, together with recent tax increases imposed on mining companies in Bolivia, have adversely affected the economics of the UMZ project. In view of the capital investment required to develop the UMZ deposit, the Company continues to assess its options with respect to developing the project in the most efficient and risk effective way possible.

Las Tojas Concession

The drilling results to date on the Las Tojas concession of the Don Mario Property suggest that it is possible that the life of the current Don Mario gold mining operation may be extended to about the end of the third quarter of fiscal 2010. The Company has acquired additional power generating equipment and has purchased a ball mill from a manufacturer in China to process the mineralization from the Las Tojas concession. Mineral resource estimates in respect of the Las Tojas concession are being prepared by AMEC. Verification of the information and quality assurance/quality control analysis are also underway.

Other Don Mario Concessions

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

Other Mineral Properties in Bolivia

The Company holds certain joint venture interests in a number of mineral concessions located in the Altiplano region of Bolivia which, until March 16, 2006, included a 40% joint venture interest in the Pederson property, which covers approximately 7,800 hectares. On that date, the Company entered into an agreement to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian") subject to certain future payments and certain exploration spending targets to be met by Castillian within five years. On September 20, 2006, Castillian declared force majeure in respect of its obligations under the agreement, claiming that local community groups, which are opposed to any exploration and mining activities in the area including the Pederson property, have prevented Castillian from conducting the exploration activities contemplated under Castillian's agreement with the Company. The force majeure condition continues. The Company will record future receipts called for under the agreement if and when they are received.

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

Business Strategy

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

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

In addition to the feasibility study of the UMZ project, the Company is also undertaking exploration activities consisting of ground geophysics, trenching and drilling on other targets located in the ten concessions contiguous to the concession on which the Don Mario Mine is situated. The largest portion of total exploration spending for fiscal 2007 was incurred on the concessions known as Las Tojas and La Aventura. In fiscal 2008, the Company is focusing its exploration efforts in the Las Tojas and Oscar concessions on the Don Mario Property. The La Aventura exploration program is on hold pending receipt of a required permit since part of La Aventura concession falls within an area known as "Area Natural de Manejo Integrado San Matias", a Controlled Area of Environmental Management.

Orvana does not currently hedge its gold production.

Social and Environmental Policies

The Company is committed to the social development and well-being of the communities in which it operates. To this end, the Company continues to support financially and otherwise local community endeavours associated with that objective. During fiscal 2006, Orvana made a five-year financial commitment to the villages in the surrounding area of the Don Mario Mine. The Company is actively involved in the areas of education, sanitation, purchasing of local goods and services and generally working with communities to contribute to and to improve their standard of living. Projects supported by Orvana included supervision of and financial support for community infrastructure development projects such as utilities and parks; education and information technology; cultural events; community business development initiatives; and maintenance of community roads.

The Company is committed to developing and operating its projects in full compliance with recognized international and local environmental standards. In furtherance of this commitment, the Company regularly implements programs to protect and enhance natural habitats and sensitive species including reclamation efforts, continuous reforestation efforts and the establishment of water sources for wildlife. The Company has retained an independent engineering firm to monitor and make recommendations to the Company's management of its tailings dam facilities. Stability analysis will be undertaken during the construction of the expansion of the facilities with the design and supervision of AMEC. Construction commenced in August 2008 and will be completed in three months.

OVERALL PERFORMANCE

Key Performance Factors

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

Revenues and Net Income

The Company's results for the three and nine-month periods ended June 30, 2008 and 2007 are summarized in the table below:

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Revenues	\$18,244	\$15,623	\$53,383	\$41,737
Net Income	7,135	7,609	21,102	19,079
Earnings per share – basic and diluted	\$0.06	\$0.07	\$0.18	\$0.17

Tonnes treated in the third quarter of fiscal 2008 were 61,097 compared to 66,986 in the third quarter of fiscal 2007. Gold production for the third quarter was 11% lower, at 20,877 ounces, compared to 23,425 ounces during the same period a year ago, due primarily to lower grades of ore.

Revenue for the third quarter increased 17% to \$18,244 on 20,453 ounces sold compared to \$15,623 on 23,771 ounces sold a year ago. Higher average gold prices accounted for 31% of the 17% increase in revenues, offset by a decline of 14% in the number of ounces sold. 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 \$3,325 to produce 20,877 ounces in the third quarter of fiscal 2008 compared to \$3,207 to produce 23,425 ounces in the same quarter of fiscal 2007. Increases have been experienced in numerous costs including labour, consumables, reagents, maintenance parts and supplies. Total direct mine operating costs increased on a unit cost per ounce basis to \$159.28 for the third quarter of fiscal 2008 compared to \$136.92 in the third quarter of 2007, reflecting the unfavourable impact of lower head grades as well as higher costs of inputs.

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	
	2008	2007	2008	2007
Direct mine operating costs	\$3,325	\$3,207	\$9,248	\$8,578
Direct mine operating cost per treated tonne	\$54.43	\$47.88	\$48.85	\$44.35
Direct mine operating cost per ounce produced	\$159.28	\$136.92	\$149.29	\$132.35

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, general and administration expenses of \$1,231 were higher than the \$499 incurred in the third quarter of fiscal 2007, mainly resulting from increases in legal and other advisory fees. Also, the Company recorded stock-based compensation expense of \$38 in the quarter compared to \$24 for the same period last year. Last year's expense was offset by a credit to income of \$375 with respect to stock options forfeited by departing officers and directors, resulting in a net credit of \$351 for the third quarter of fiscal 2007.

Exploration expenditures were \$411 in the third quarter compared to \$446 in same quarter a year ago. Management expects exploration spending levels in fiscal 2008 to be higher than in fiscal 2007, based on the Company's plan to further explore other concessions within the Don Mario property. The Company does not capitalize exploration and pre-feasibility study expenditures until the results of such work indicate that a property is economically feasible and the decision is taken to proceed with development and further investment. During the quarter the Company capitalized expenditures of \$78 relating to the UMZ full feasibility study which commenced in the third quarter 2007. Total UMZ-related costs capitalized from the start of the full feasibility study in fiscal 2007 amount to \$1,685.

Community relations expenses were \$31 in the third quarter of fiscal 2008 and were \$49 for the same period last year. Included in these costs were financial donations and expertise contributed by the Company in support of infrastructure and other program initiatives in seven communities in the vicinity of the Don Mario Mine.

Interest and other income of \$405 (2007 - \$466) for the three months ended June 30, 2008 was primarily generated on the short-term investment of excess cash in investment-grade bank-issued investment certificates.

The effective income tax rate of 30.4% for the nine months ended June 30, 2008 is higher than the rate of 23.6% for period last year due to an increase in the Bolivian corporate income tax rate to 32.5% from 25% effective December 14, 2007. In addition, a new mining royalty tax came into effect on the same date and applied to two of the ten shipments of gold bullion made in the first quarter ended December 31, 2007 and all shipments in subsequent quarters. The new mining royalty tax expense of \$2,709 for the nine months of fiscal 2008 is included in the income statement under the caption "costs and expenses of mining operations". The effect of these two tax increases was to reduce net income for the nine months of fiscal 2008 by \$3,566 from that which would otherwise have been reported.

Net income for the three months ended June 30, 2008 was \$7,135 (\$0.06 per share) compared to \$7,609 (\$0.07 per share) for the same period last year.

Cash Flows

The following table summarizes the principal sources and uses of cash for the three and nine-month periods ended June 30, 2008 and 2007:

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Cash provided by operating activities	\$11,785	\$12,239	\$33,653	\$24,377
Capital expenditures	(2,197)	(1,052)	(6,313)	(2,192)
Long-term debt	1,126	-	4,626	-

Cash provided by operating activities

Cash provided by operating activities of \$11,785 decreased by 4% in the third quarter compared to the third quarter of fiscal 2007 due to increases in value-added taxes receivable and supplies inventory somewhat offset by an increase in taxes payable during the period.

Capital expenditures

Capital expenditures for the third quarter were \$2,197, (2007 - \$1,052), made up of property, plant and equipment expenditures of \$1,891, mine development costs capitalized of \$228 and UMZ full feasibility study costs capitalized of \$78.

Financial Condition – June 30, 2008 compared to September 30, 2007

The following table provides a comparison of key elements of the Company's balance sheet at June 30, 2008 and September 30, 2007:

	June 30, 2008	September 30, 2007
Cash and cash equivalents	\$87,525	\$55,667
Non-cash working capital (deficit)	(7,110)	653
Total assets	112,538	81,153
Shareholders' equity	92,224	70,956

Cash increased by \$31,858 for the nine months ended June 30, 2008. Non-cash working capital decreased by \$7,763 to a deficit of \$(7,110) from \$653 at the end of fiscal 2007, mainly resulting from the collection of gold sales accounts receivable of \$1,462, an increase in accounts payable of \$1,127, an increase in income taxes payable of \$3,983 and an increase in short-term debt of \$1,570, which was somewhat offset by an increase in prepaids.

The Company's policy is to invest excess cash in highly liquid, highly-rated financial instruments. The Company's excess cash is not invested in non-bank asset-backed commercial paper.

Shareholders' equity increased by \$21,268 to \$92,224 during the nine months ended June 30, 2008, primarily due to net income earned by the Company. No dividends were paid in the first nine months of fiscal 2008.

Outlook

During the third quarter of fiscal 2008, the mill treated 61,097 tonnes of ore in the production of 20,877 ounces of gold. Head grades of ore treated averaged 11.12 g/t.

Barring unforeseen events, management expects the Don Mario Mine will produce approximately 80,000 ounces in fiscal 2008. The grade of ore processed in fiscal 2009 will decline as a consequence of the depletion of the LMZ deposit and the phasing in of the processing of the mineralization from the Las Tojas open pit. However, installation of the new ball mill will increase milling capacity compensating to some extent for the declining grade of ore being processed.

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

As part of its diversification strategy, the Company intends to use its favourable cash position to opportunistically acquire advanced-stage properties and to increase its exploration efforts in the Americas. The recent hiring of the Vice-President, Corporate Development (discussed in more detail below under the heading "Corporate Resources – Management and Staffing") will be instrumental in executing this strategy.

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

- A new additional tax on income of 12.5% together with the existing tax rate of 25% on income, results in an income tax rate of 37.5%. Based upon regulations issued during the current quarter, this additional tax rate is reduced to 7.5% where a company carries out further processing beyond the production of concentrate. The Company produces gold bullion and, thus, qualifies for the 7.5% rate. In its financial statements for the six months ended March 31, 2008, the Company calculated the provision for income taxes using the 12.5% rate pending implementation of the regulations and clarification of the Company's eligibility for the lower rate. The 7.5% rate has been used in calculating the provision for the nine months ended June 30, 2008. Had the 7.5% tax rate been used for the six months ended March 31, 2008, the provision for income taxes for such six-month period would have been \$250 less.
- Effective December 14, 2007, a new mining royalty tax, calculated as a percentage of the gross invoice value of metals exported, is payable in addition to income tax. The mining royalty tax rate is a function of the particular metal and its market price. For gold, the rate ranges from a minimum of 4%, at a gold price of \$400 or less, to a maximum of 7%, at a gold price of \$700 or more. The new mining royalty tax is deductible in determining income taxes. This new tax applied to all of the Company's shipments of gold bullion in the second and third quarters of fiscal 2008 and two shipments in the first quarter and amounted to \$2,709 for the nine months.

- The combined effect of the increase in the income tax rate and the new mining royalty tax was a reduction in net income of \$3,566 for the nine months ended June 30, 2008.

On March 14, 2008, the government of Bolivia eliminated a mining tax incentive which, until that date, provided a double deduction incentive for exploration expenses in determining income subject to tax.

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

CORPORATE RESOURCES

Management and Staffing

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

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

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

On March 3, 2008, the Company announced the appointment of Mr. Bill Williams as Vice President, Corporate Development. Mr. Williams brings nearly 20 years of both brownfield and greenfield exploration experience throughout the Americas and holds a Ph.D in Economic Geology from the University of Arizona. Prior to joining the Company he was involved in minerals exploration and project development throughout the Americas with Western Mining, Northern Orion, Phelps Dodge and Freeport-McMoRan.

Liquidity and Capital Resources

Liquidity and Commitments

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

The Company has recorded an asset retirement obligation at a discounted amount of \$2,113 at June 30, 2008 to dismantle the facilities and structures of the Don Mario Mine and to complete environmental reclamation of areas affected by current mining operations, including the tailings dam. The Company estimates that the total amount of undiscounted cash flows required to settle the Company's asset retirement obligations is \$2,800. If the Don Mario operation is discontinued at the end of 2010, it is expected that this obligation will be settled as follows over

the years indicated: 2010 - \$1,100; 2011 - \$400; 2012 - \$500; 2013 - \$400; 2014 - \$400. However, as described elsewhere in this MD&A, the UMZ represents a major project which would extend the Don Mario operation's life by approximately seven years. If this project proceeds, the scope of the UMZ project and its impact on environmental remediation requirements will necessitate a re-estimation of the amount of the undiscounted obligation and the timing of disbursements required to settle that obligation.

During the third quarter of fiscal 2008, the net increase in cash and cash equivalents, after capital expenditures and including the proceeds of long-term debt incurred, was \$10,714, resulting in total cash and cash equivalents of \$87,525 at June 30, 2008. Provided gold prices remain at current levels and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow over the remainder of fiscal 2008.

Capital Resources

At June 30, 2008, the Company had capital resources of \$96,850 represented by long-term debt of \$4,626 and shareholders' equity amounting to \$92,224.

Shareholders' equity increased by 30% or \$21,268 to \$92,224 (\$0.80 per share) during the nine months ended June 30, 2008, compared to \$70,956 (\$0.62 per share) at September 30, 2007.

RESULTS

Results of Operations

The following table and analysis compare operating results for the three and nine-month periods ended June 30, 2008 and 2007:

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Revenues	\$18,244	\$15,623	\$53,383	\$41,737
Costs and expenses of mining operations	6,880	5,412	19,551	14,991
Expenses and other income	1,269	197	3,507	1,758
Net Income	7,135	7,609	21,102	19,079
Earnings per share – basic and diluted	\$0.06	\$0.07	\$0.18	\$0.17

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	
	2008	2007	2008	2007
Revenues	\$18,244	\$15,623	\$53,383	\$41,737
Ounces sold	20,453	23,771	61,704	65,331
Prices per ounce	\$892	\$657	\$865	\$639

Revenue for the third quarter of fiscal 2008 increased 17% to \$18,244 on 20,453 ounces sold compared to \$15,623 on 23,771 ounces sold for the same quarter last year. Higher average gold prices accounted for approximately 31% of the 17% of the revenue improvement while a decrease of 14% in the number of ounces sold offset this increase. 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 under "Don Mario Mine – Production Cost Analysis".

Don Mario Mine - Development

Development work continued during the third quarter with further deepening of the main ramp. Ramp construction was completed to the -10 metre level and will continue to the -55-metre level, its lowest planned level.

The following table shows the tonnages treated and the head grade in g/t gold at the Don Mario Mine for the three and nine-month periods of fiscal 2008 compared to in the three and nine-month periods of fiscal 2007:

		Three months ended June 30		Nine months ended June 30	
		2008	2007	2008	2007
Underground mine	Tonnes	58,993	61,598	181,135	183,958
	g/t	11.44	12.48	11.18	11.73
Minipit & stockpile	Tonnes	2,104	5,388	8,198	9,469
	g/t	1.95	2.02	1.95	1.94
Total	Tonnes	61,097	66,986	189,333	193,427
	g/t	11.12	11.64	10.79	11.25
Recovery rate		95.6%	93.4%	94.4%	92.6%
Gold produced – ounces		20,877	23,425	61,948	64,810

At June 30, 2008, the Don Mario Mine and Santa Cruz administrative office had a total of 259 employees and 135 contracted personnel who provide various support services. Levels of contracted personnel fluctuate from month to month depending on the mine's requirements.

Don Mario Mine – Production Cost Analysis

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 20,877 ounces in the third quarter of fiscal 2008 compared to 23,425 ounces in the third quarter of fiscal 2007.

	Three months ended June 30			
	2008		2007	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	\$3,325	\$159.28	\$3,207	\$136.92
Third-party smelting, refining and transportation costs	59	2.83	57	2.42
Cash operating costs	3,384	162.11	3,264	139.34
Royalties and mining rights	524	25.11	497	21.20
Mining royalty tax	1,298	62.16	-	-
Total cash costs	5,206	249.38	3,761	160.54
Depreciation and amortization	1,800	86.21	1,711	73.04
Total production costs	7,006	335.59	5,472	233.58
Gold production	20,877 ozs.		23,425 ozs.	

Total unit production costs increased to \$335.59 per ounce for the third quarter of fiscal 2008 from \$233.58 per ounce during in the same period of fiscal 2007 due to a number of factors, including an increase in direct mine operating costs, the new mining royalty tax and an increase in depreciation and amortization. Lower gold production also contributed to the higher unit costs.

The table below presents the cash operating costs and total production costs at the Don Mario Mine in producing 61,948 ounces in the nine months of fiscal 2008 compared to 64,810 ounces in the nine months of fiscal 2007:

	Nine months ended June 30			
	2008		2007	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	\$9,248	\$149.29	\$8,578	\$132.35
Third-party smelting, refining and transportation costs	174	2.81	160	2.47
Cash operating costs	9,422	152.10	8,738	134.82
Royalties and mining rights	1,642	26.50	1,357	20.94
Mining royalty tax	2,709	43.73	-	-
Total cash costs	13,773	222.33	10,095	155.76
Depreciation and amortization	5,835	94.19	5,158	79.58
Total production costs	19,608	316.52	15,253	235.34
Gold production	61,948 ozs.		64,810 ozs.	

The difference between direct mine operating costs of \$3,325 and cost of sales of \$3,253 reported in the consolidated financial statements for the third quarter of fiscal 2008 is due to changes in gold inventories and gold in circuit. A reconciliation of the non-GAAP measure of direct mine operating costs to the cost of sales as shown in the Company's Canadian GAAP-based statement of income is presented in the table below:

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Cost of Sales	\$3,253	\$3,196	\$9,349	\$8,462
Changes in gold inventories and gold in circuit	72	11	(101)	116
Direct mine operating costs (non-GAAP measure)	\$3,325	\$3,207	\$9,248	\$8,578

Update on exploration of the Lower Mineralized Zone ("LMZ")

During fiscal 2006, a drilling program designed to test the northern and southern down dip extensions was completed. Although the intersections were well defined, the grades and widths recorded were disappointing. A follow-up drill program from underground was completed during the current fiscal year. Results did not indicate significant additional ore and no further work is planned.

Update on evaluation of the Upper Mineralized Zone ("UMZ")

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

As noted above, a full feasibility study by KCA is in progress, which will update the key estimates contained in the PFS Technical Report relating to metallurgical processes, metal prices and capital cost estimates. This study was expected to be completed by the end of the

calendar year 2007. However, during its research, KCA identified that the oxide ore, noted in the table set out on page 4 of this MD&A, also contains zinc in quantities sufficient to affect the process flow sheet of the project. The study must now address the presence of zinc to ascertain the impact on capital expenditures and operating expenses of process flow sheet modifications. Completion of the study is imminent. Although the study is not yet complete, recent significant increases in the cost of mining and processing equipment generally, together with recent increases in taxes imposed on mining companies in Bolivia, have raised concerns regarding the viability of the UMZ project as originally configured.

In the third quarter of fiscal 2008, \$78 was incurred and capitalized in mineral properties and deferred development costs in the preparation of the full feasibility study.

Update on Other Exploration Activities

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

- **Las Tojas**

- During fiscal 2007, the Company completed 51 diamond drill holes on the Las Tojas property, 31 of which intersected gold mineralization on two-thirds of the target area. Detailed results of drilling completed thus far are contained in a press release dated October 19, 2007 and accessible on the Company's website, www.orvana.com and on SEDAR at www.sedar.com.
- In the second quarter of fiscal 2008, the Company completed an in-fill drilling campaign on the remaining third of the Las Tojas project area to fully define the extent of this mineralization. Including the 2007 campaign, a total of 101 drill holes were completed, 60 of which fell above the cut-off grade of 1 gram of gold per tonne. External consultants have reviewed the results to determine the final size and grade of this mineralization. The Company expects to have a final consultant's report by the end of fiscal 2008. Due to the modest size of this mineralization the Company does not intend to prepare a NI 43-101 technical report.
- The Las Tojas mineralization has the same mineralogical characteristics as the LMZ ore and can be put through the existing gold processing facilities at the Don Mario Mine. The grades are not as high as the LMZ, which is being mined by underground mining methods. The Las Tojas property will be mined by open pit mining methods.
- Las Tojas has the potential of extending the current Don Mario gold mining operation (the LMZ and Las Tojas taken together) from about the end of the third quarter of fiscal 2009 to the end of the third quarter of fiscal 2010.

- **La Aventura**

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

- **Oscar**
 - A sampling grid of lines 50 metres apart have been opened for soil sampling and a geophysical study.

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

Summary of Quarterly Results

The two following tables include results for the eight quarters ended June 30, 2008:

	Quarters ended			
	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007
Revenues	\$18,244	\$19,062	\$16,077	\$14,183
Net income	\$7,135	\$7,102	\$6,865	\$6,944
Earnings per share – basic and diluted	\$0.06	\$0.06	\$0.06	\$0.06
Total assets	\$112,538	\$100,633	\$90,127	\$81,153
Total long-term financial liabilities	\$4,626	\$3,500	-	-
Gold production - ozs.	20,877	19,988	21,083	21,571
Gold sales – ozs.	20,453	20,644	20,607	20,991
<i>Non-GAAP measures</i>				
Per ounce data -				
- Total cash costs	\$249.38	\$244.80	\$174.25	\$158.82
- Average gold price realized	\$891.97	\$923.40	\$780.15	\$675.67
Operating statistics -				
- Gold ore grade – g/t	11.12	10.72	10.54	11.99
- Gold recovery rate - %	95.6%	94.0%	93.5%	93.2%

	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 diluted	\$0.07	\$0.07	\$0.03	\$0.06
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
<i>Non-GAAP measures</i>				
Per ounce data -				
- Total cash costs	\$160.54	\$143.22	\$164.82	\$140.96
- Average gold price realized	\$657.25	\$645.83	\$602.28	\$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%

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 eight quarters ended June 30, 2008 ranged from \$602 to \$923 per ounce, resulting in higher quarterly net income in the four most recently completed quarters. Net income for the quarter ended March 31, 2007 was the highest net income over the last eight quarters. For the quarter ended June 30, 2008, the benefit of a higher average gold price was offset primarily by higher production costs, lower production and higher taxes. At the September 30, 2007 year end, the Company had unshipped gold dore inventory of 2,150 ounces and this accounted for the decline in net income in this quarter compared to the quarter ended June 30, 2007.

RISKS AND UNCERTAINTIES

The Company holds the rights to mineral concessions in Bolivia and as such is subject to the laws governing the mining industry in that country. In view of the new constitutional draft approved by the Constituent Assembly on November 24, 2007 and new mining policy and mining tax changes that have been implemented and that are being proposed by the current government in Bolivia and the composition of the Company's shareholder base, there could be changes in governmental regulation or governmental actions in Bolivia that adversely affect the Company.

On November 24, 2007, the Constituent Assembly of Bolivia approved the new constitutional draft in principle. The proposed new constitution, if implemented as currently drafted, could have adverse implications for the Company due to, among other things, increased powers that the Bolivian government would have under the constitution to control the commercialization of minerals. The date of a referendum that will be required to pass a new constitution has not yet been announced.

There could also be changes to governmental regulation with respect to such matters as repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownership. There could also be shifts in the political stability of the country and labour or civil 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. On May 1, 2008, the Bolivian government announced additional measures to increase its control over the oil and gas and telecommunications sectors. Similar actions on the part of the government have also been taken in the mining sector with the recent increase in income and other taxes. Any of the foregoing actions or regulatory changes could materially adversely affect the Company.

Statements by members of the government with respect to new government policies in the mining sector have been contradictory, sometimes referring to "nationalization", but at other times stating that "nationalization" will not occur. It is not clear whether the Bolivian government will nationalize any portion or all of the mining industry. If the Don Mario Mine were to be nationalized, the Company would cease to have any producing assets. Other changes in governmental regulation or governmental actions such as those described above could also have a material adverse effect on the results of operations or financial condition of Orvana. Orvana's management continues to monitor the situation closely.

The Bolivian government has indicated that it intends to amend the mining code to require that, in the future, Corporacion Minera de Bolivia (“COMIBOL”), the state-owned mining company, will control Bolivian land subject to the grant of mineral concession rights. Under these amendments, an application will have to be made for new mineral concessions in the future and all concessions granted may result in some form of joint venture with COMIBOL in the exploitation of any minerals found. The government has stated that this new law will not affect mineral concessions that have already been granted, however, the proposals have yet to be passed into law and their potential effect on future activities on the Company’s mineral concessions remains unclear.

Additional recent proposed modifications to the mining code have been published by the government. One such proposal would see mineral concessions revert to the state in a time-frame depending on the length of time since any exploration work was undertaken ranging from immediate reversion for concessions not worked for more than five years to reversion after one year for concessions not worked for one year. A second proposed modification would affect companies that are presently in joint ventures with COMIBOL. In this proposal, COMIBOL would control 100% of production and would receive 50% of the gross revenue derived from the sale of mine production. Negotiations regarding such modifications continue, with the government stating that it now wants 55% of a project’s gross revenue. It is expected that these proposals will result in dialogue and negotiation between the government and the mining industry before being passed into law. Orvana’s Bolivian subsidiary, EMIPA, has no joint venture operations with COMIBOL and, thus, would not be affected by the second proposal.

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

Beyond 2010 and in the absence of new operations or reserves being added, the Company’s revenue stream will depend on production from the UMZ project of the Don Mario Mine. The Company anticipates that, if undertaken, the UMZ project may be brought on stream following the processing of the remaining ore from the LMZ and Las Tojas projects. Given the extent of changes to taxation and to other laws affecting the mining industry and the political uncertainties in the country, the Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing for the UMZ. The 2006 PFS Technical Report estimated capital expenditure requirements of approximately \$65,000 plus working capital requirements. However, mining equipment costs continue to go up and these estimated financing requirements are preliminary and are subject to the completion of detailed estimates as part of the full feasibility study that is in progress currently.

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

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

OTHER INFORMATION

Critical Accounting Estimates

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

Mineral reserves

As of November 1, 2005, the proven and probable reserves of the LMZ were estimated in the Orvana Technical Report to be 1,017,500 tonnes at an average grade of 11.3 g/t gold, containing 368,000 troy ounces of gold, using a 3 g/t cut-off grade and \$400/oz gold price. Based on current planned levels of production (approximately 75,000 to 80,000 ounces per annum), the LMZ is expected to be in production through late 2009. This estimated time-frame excludes a possible additional year's production based upon exploration drilling results on the Las Tojas concession as discussed above.

Net realizable values of property, plant and equipment

At June 30, 2008, the net book value of property, plant and equipment amounted to \$18,180. 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 \$450.00 per ounce and total cash costs of approximately \$249.38 per ounce, net realizable values are in excess of net book value of property, plant and equipment.

Asset retirement obligations

The Company has estimated the present value of estimated future costs to decommission the Don Mario Mine (asset retirement obligations) to be \$2,113 at June 30, 2008. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be \$2,800 on an undiscounted basis. If the Don Mario operation is discontinued at the end of 2010, it is expected that this obligation will be settled approximately as follows over the years indicated: 2010 - \$1,100; 2011 - \$400; 2012 - \$500; 2013 - \$400; 2014 - \$400. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically. These estimates are based on expected remediation requirements relating to the LMZ and will change if the Company proceeds with the UMZ base metal project.

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

Stock-based compensation

The Company recorded stock-based compensation expense of \$38 for the three months ended June 30, 2008 compared to \$24 for the same period a year ago. Last year's expense was offset by a credit to income of \$375 with respect to stock options forfeited by departing officers and directors, resulting in a net credit of \$351 for the third quarter of fiscal 2007. 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 2,990,001 stock options outstanding at the Report Date with a weighted average exercise price of Cdn. \$0.90. Stock options outstanding have expiry dates ranging from 2008 to 2013.

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, 2008. 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 National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

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