Orvana Minerals Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS – 2003 Fiscal Period

This management discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") describes the operating and audited financial results of the Company for the nine months ended September 30, 2003 (the "2003 fiscal period"). This MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for the 2003 fiscal period, and with the MD&A and audited financial statements and related notes for the year ended December 31, 2002. In 2003, the Company changed its financial reporting year end from December 31 to September 30 to coincide with that of Orvana's controlling shareholder, Compania Minera del Sur S.A. ("Comsur"), in order to facilitate more cost-effective reporting.

The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles. All dollar amounts in this MD&A are in United States dollars unless otherwise stated.

Forward-looking statements

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

Overview of the business

Orvana is involved in the evaluation, development and mining of precious metal deposits in South America. The Company owns and operates the Don Mario gold mine in eastern Bolivia. In January 2002, Comsur became the controlling shareholder of Orvana. Comsur and its affiliates are one of the largest privately-owned groups of mining companies in South America, with significant interests in mining, smelting and refining assets producing base and precious metals. The group has more than 40 years of experience in running low-cost operations in Bolivia and Argentina. As part of its acquisition of a controlling interest in Orvana, Comsur agreed to undertake to place the lower mineralized zone of the Don Mario property into production. Commercial production at the Don Mario mine commenced on July 1, 2003.

Orvana's near-term business strategy is to increase recovery, production and revenue from the Don Mario mine. The mine's competitive advantage is the relatively moderate infrastructure, labour and energy costs. Orvana does not currently intend to hedge its gold production, and expects to repay regularly over an extended period the debt incurred to finance construction of the Don Mario mine. The Company also intends to use a portion of free cash flow to fund further exploration of the Don Mario and other properties, in order to develop additional mineral reserves. The Company's long-term goal is to be a multi-mine producer in South America.

Operations

Construction and commissioning of the Don Mario mine was completed on June 30, 2003. For the three months ended September 30, 2003, Orvana treated 46,936 tonnes of ore with an average head grade of 6.47 grams per tonne. Mill recovery was 85.8% and the mill produced 8,408 ounces of gold. Development of the lower mineralized zone continued on schedule during and subsequent to the 2003 fiscal period.

The Don Mario property has estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, to produce an estimated 414,000 ounces of contained gold during mine life, according to an independent technical report on the Don Mario property prepared by the international consulting firm AMEC E&C Services Ltd., in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects. The full report is available on the Company's website, www.orvana.com.

Operating results

The audited financial results for the twelve months ended December 31, 2002 reflected primarily the construction of the Don Mario mine and its facilities. These results are not comparable to the results for the 2003 fiscal period, which reflected continuing construction during the first six months of the period and production activities at the mine during the last three months of the 2003 fiscal period. The table below shows comparative financial results for the 9 months ended September 30, 2003 and 12 months ended December 31, 2002.

	9 months ended September 30, 2003	**12 months ended December 31, 2002**
Income Statement		
Revenue	$ 2,992,834	$ 16,896
Expenses	3,254,851	287,960
Operating income (loss)	(262,017)	(271,064)
Net income (loss)	(470,480)	537,506
Net income (loss) per share	(0.00)	(0.00)
Cash Flows		
Operating activities	$ (179,537)	$(1,986,096)
Financing activities	4,297,737	16,409,680
Investing activities	(5,377,667)	(12,923,245)
Cash and cash equivalents, end of period	228,472	1,505,939
Balance Sheet		
Assets	$29,966,233	$24,522,465
Liabilities	19,203,871	13,501,609
Shareholders' equity	10,762,362	11,020,856

The table below shows comparative financial results for each of the 3 month periods in fiscal 2003.

	3 months ended March 31, 2002	3 months ended June 30, 2003	3 months ended September. 30, 2003	9 months ended September. 30, 2003
Income Statement				
Revenue	$ 2,888	$ -	$ 2,989,946	$ 2,992,834
Expenses	31,634	173,688	3,049,529	3,254,851
Operating income (loss)	(28,746)	(173,688)	(59,583)	(262,017)
Net income (loss)	(28,746)	(266,176)	(175,558)	(470,480)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Cash Flows				
Cash and cash equivalents, end of period	$ 1,334,488	$ 125,438	$ 228,472	$ 228,472
Balance Sheet				
Assets	$26,759,577	$29,474,139	$29,966,233	$29,966,233
Shareholders' Equity	11,090,405	10,902,600	10,762,362	10,762,362

Results of commercial production

During the first and second three month periods of 2003, all costs were capitalized except for corporate, general and administration expenses and restructuring costs. The net recorded loss for the last three months ended September 30, 2003 was ($175,558). The loss is attributed to additional costs related to mine and mill start-up.

Revenue

Orvana produced 8,408 ounces of gold and sold 7,924 ounces of gold generating revenues of $2,984,933 in the three months ended September 30, 2003.

Expenses

During the first six months ended June 30, 2003, operating expenses relating to the development and construction of the Don Mario mine were capitalized. Following commencement of commercial production on July 1, 2003, operating costs were expensed. Expenses in the 2003 fiscal period were comprised primarily of $1,623,525 of mining costs and $885,920 of depreciation, amortization and restoration costs. General and administrative costs increased 10% in the 2003 fiscal period due to a combination of higher stock exchange listing and public reporting costs and additional spending on investor relations.

Production cost analysis

The following table presents the cash and total costs of gold production at the Don Mario mine in the three months ended September 30, 2003. The calculation of cash and total production cost numbers are based on the industry-recognized Gold Institute Production Cost Standard.

Costs of producing 8,408 ounces of gold in the three months ended September 30, 2003

	Costs	Cost/ounce
Direct mining cost of production	$ 1,438,256	$ 171.06
Third-party smelting, refining and transportation costs	17,052	2.03
Cash operating costs	**1,455,308**	**173.09**
Royalties and production taxes	217,935	25.92
Total cash costs	**1,673,243**	**199.00**
Depreciation, depletion and reclamation costs	885,920	105.37
Total production costs	**$ 2,559,163**	**$ 304.37**

The difference between the direct mining cost of production of $1,438,256 and the cost of sales of $1,623,525 as recorded on the Consolidated Statements of Operations and Deficit is due to production costs incurred prior to July 1, 2003, that relate to ounces sold in the last three months of the 2003 fiscal period.

Net income/loss

Orvana reported an operating loss in the 2003 fiscal period as a result of operating expenses exceeding revenues during the initial stages of commercial production at the Don Mario mine. Orvana recorded a profit in 2002 primarily as a result of benefiting from a non-recurring gain on restructuring costs of $839,367 related to the reversal of accruals that had been previously recorded in respect of accounts receivable and value added tax recoverable.

Capital Resources and Liquidity

Cash and cash equivalents were $228,472 at September 30, 2003, compared to $1,505,939 at December 31, 2002, primarily as a result of receipts, expenditures and financing described below.

During the 2003 fiscal period, the Company spent $5.3 million on the construction of the Don Mario mine. These expenditures were financed in part through the borrowing of an additional $4 million from an $8 million loan facility with Banco de Credito de Bolivia. The facility was fully drawn at the end of fiscal 2003.

The increase in total current assets of $900,000 to $4,954,929 was financed by an increase in accounts payable and accrued liabilities, which was $2,646,057 at September 30, 2003. This included payables related to mine operations plus interest accrued on the Company's loan facilities. As a result, total liabilities increased to $19.2 million at the end of the 2003 fiscal period compared to $13.5 million at December 31, 2002.

In the 2003 fiscal period, Orvana received $192,961 upon the exercise of stock options, compared to $162,157 received in 2002 along with $4 million received as a result of the investment made in the Company by Comsur during the first quarter of 2002. At September 30, 2003, there were 1,167,333 in-the-money stock options outstanding, with expiry dates ranging from May 30, 2004 to December 8, 2008.

Total assets increased to $29,966,233 on September 30, 2003 from $24,522,465 at December 31, 2002. The Company recorded gold and ore inventories in the amount of $360,876 as at September 30, 2003.

Risks and uncertainties

The Company's business is subject to economic, political, geological and operating risks and uncertainties which are beyond Orvana's control. These are described in the Company's Annual Information Form dated August 15, 2003 which is filed on SEDAR at www.sedar.com. Through its relationship with Comsur, Orvana has access to a management team which has experience in mining in Bolivia and is capable of helping to minimize risks, uncertainties and their impacts. The Company's business, results of operations, financial condition, and the trading price of its common shares are subject to a number of risks, including risks related to:

- Development of mineral deposits, production costs and metal prices
- Exploration, development and operating risks
- Environmental and other regulatory requirements
- International operations
- Water supply
- New operation
- Production estimates
- Mineral reserves and resources
- Title matters
- Gold price volatility
- Competition
- Additional funding requirements
- Insurance
- Currency fluctuations
- Conflicts of interest
- Share trading volatility

Outlook

Management anticipates steady increases in production and operating efficiencies at the Don Mario mine in fiscal 2004. Mill throughput has increased from 600 to 700 treated tonnes per day, and management estimates that in fiscal 2004, the Company will process over 200,000 tonnes of ore and achieve an estimated recovery of 89%.

Orvana expects to record net income and cash flow from operations in fiscal 2004. The Company also intends to re-invest some free cash flow in further exploration of the lower mineralized zone and conduct surface exploration at the Don Mario property. In addition, the Company will set aside funds for the exploration of other properties in South America.