ORVANA
MINERALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS – Fiscal 2004

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 fiscal year ended September 30, 2004 ("fiscal 2004"). The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for fiscal 2004 and for the nine-month fiscal period ended September 30, 2003 ("2003 fiscal period"). 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.

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.

This MD&A was prepared on December 7, 2004.

Overall Performance

Business Overview and Strategy

Orvana is involved in the evaluation, development and mining of precious metal deposits in Latin America. Through its wholly owned subsidiary, Empresa Minera Paititi S.A., the Company owns and operates the Don Mario gold mine in eastern Bolivia. At the commencement of construction, the Don Mario property had estimated proven and probable reserves of 1.5 million tonnes grading 8.74 grams per treated tonne, and contains an estimated 414,000 fine troy ounces of gold, according to an independent technical report on the Don Mario property prepared by the international consulting firm AMEC E&C Services Ltd., in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. Commercial production commenced July 1, 2003 and the mill has treated 281,102 tonnes of ore and produced 56,634 fine troy ounces of gold during the 15 months ended September 30, 2004.

Orvana's near term business strategy is to complete the development of the lower mineralized zone of the Don Mario property and sustain gold production and sales from the Don Mario mine. The mine's competitive advantage is its relatively moderate infrastructure, labour and energy costs. Orvana does not currently intend to hedge its gold production, and expects to repay regularly over an extended period the debt incurred to finance construction of the mine. The Company intends to use a portion of free cash flow to fund further exploration of the Don Mario property, with a view to developing additional mineral reserves. During fiscal 2004, the Company committed $200,000 to carry out an infill drilling program on the upper mineralized zone in order to expand resources and future production. The Company's long-term goal is to be a multi-mine producer in Latin America.

Don Mario Mine Production
During fiscal 2004, the Don Mario mine and mill operated according to plan for the twelve months. Ore and waste were extracted from both the underground mine and the mini-pit. 121,179 tonnes of development and cut and fill ore were extracted from the underground mine, and 108,064 tonnes of ore were extracted from the mini-pit. The mill treated 234,165 tonnes of ore and produced 48,227 fine troy ounces of gold during fiscal 2004. The Don Mario mine employs 204 salaried staff and 99 contractors.

Don Mario Mine Development
Work on the development of the underground mine continued according to plan during fiscal 2004. The main vertical shaft has been completed to a depth of 200 metres and the hoist has been installed. The hoisting of waste and ore through the shaft commenced in October 2004. Work on the development of the main ramp continued through all of fiscal 2004. The plan is to reach the bottom of the primary ore zone in early calendar 2005. Horizontal and vertical development continued during the past twelve months to prepare new adits, ore shoots and ventilation shafts, etc. A copy of the mine plan for the underground mine is available at Orvana's website www.orvana.com.

Upper Mineralized Zone Infill Drilling Program
The Company commenced an infill drilling program in June 2004 on the upper mineralized zone of the Don Mario property. The purpose of the drilling program is to move the ore resource from inferred to indicated status in order to expand resources and future production. The trenching and drilling program was completed in October 2004. Samples have been prepared and sent to outside laboratories for assaying.

Selected Annual Information
Financial Results
The Don Mario mine was under construction during the first six months of 2003 and commercial production began July 1, 2003. Consequently, the results of operations for the twelve-month period ended September 30, 2004 do not provide meaningful comparisons to those of the same twelve month period from October 1, 2002 to September 30, 2003. In addition, the twelve-month results of fiscal 2004 do not provide meaningful comparisons to the results of the nine-month fiscal period ended September 30, 2003.

The Company has adopted two significant changes in accounting policies, which affect both the fiscal 2004 and fiscal 2003 financial and operating results:

- Effective September 30, 2003, the Company early adopted the provisions of CICA 3110 in accounting for its asset retirement obligations. The new accounting policy is described in Note 8 to the audited consolidated financial statements. The following table shows the amortization expensed in each quarter.

Fiscal Year	Amortization expense
2003 Q3	$ 11,363
2004 Q1	$ 11,363
2004 Q2	$ 11,363
2004 Q3	$ 11,362
2004 Q4	$ 11,362

- In accordance with Canadian generally accepted accounting principles, the Company adopted the practice of capitalizing mine development expenditures and amortizing these expenditures over the life of the mine. Note 2 to the audited consolidated financial statements provides more information on this new policy. The table below shows the amounts of mine development expenditures subtracted from cash and operating costs for each quarter. No amortization was recorded in fiscal 2003, and commencing in the first quarter 2004, amortization has been calculated based on the remaining life of the mine.

Fiscal Year	Mine Development Expenditures	Amortization
2003 Q3	$ 264,109	nil
2004 Q1	$ 189,373	$35,390
2004 Q2	$ 138,042	$35,390
2004 Q3	$ 195,552	$35,390
2004 Q4	$ 203,841	$35,390

The following table compares financial results for fiscal 2004 to the nine-month fiscal period ended September 30, 2003, and to the fiscal year ended December 31, 2002.

	12 month fiscal year ended Sept. 30, 2004	**9 month** fiscal period ended Sept. 30, 2003	**12 month** fiscal year ended Dec. 31, 2002
Revenues	$19,158,473	$ 2,992,834	$ 16,896
Operating expenses	12,455,463	3,042,141	287,960
Operating income (loss)	6,703,010	(49,307)	(271,064)
Net income (loss)	7,842,036	(257,770)	537,506
Net income (loss) per share	0.07	(0.00)	0.00
Cash and cash equivalents, end of period	3,920,752	228,472	1,505,939
Assets	35,300,472	30,643,067	24,522,465
Shareholders' equity	18,896,571	10,975,072	11,020,856

Results of Operations

The Company experienced its first full year of operations at the Don Mario mine producing total revenues of $19.2 million, net income of $7.8 million and operating cash flow of $10.4 million. These operating results are in accordance with the plans and budget approved for fiscal 2004.

Summary of Quarterly Results

The following tables include operating results for each quarter of fiscal 2004. The first table summarizes the tonnes of ore treated, grams per tonne (g/t) and average mill recovery rates for each of the four quarters in fiscal 2004.

		Fiscal Year 2004	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Underground mine ore treated	tonnes	126,197	36,568	30,760	26,075	32,794
	g/t		9.33	8.60	6.72	6.90
Mini-pit ore treated	tonnes	107,969	19,645	28,866	32,827	26,631
	g/t		7.30	8.46	7.09	4.13
Total tonnes of ore treated	tonnes	234,165	56,213	59,625	58,902	59,425
	g/t		8.70	8.53	6.92	5.66
Mill recovery rate			83.5%	89.5%	88.9%	81.3%
Gold produced (fine troy ounces)		48,227	13,120	14,643	11,663	8,802

	Fiscal Year 2004	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Gold produced (fine troy ounces)	48,227	13,120	14,643	11,663	8,802
Direct mining cost of production	$5,004,251	$1,303,075	$1,300,162	$1,250,663	$1,150,351
Direct cost per treated tonne	$24.47	$26.81	$25.09	$23.58	$22.54
Direct cost per ounce produced	$103.76	$99.32	$88.79	$107.23	$130.69

The following tables include results for the past eight quarters, which were in fiscal years 2004, 2003 and 2002. Revenue and income increased in each quarter of fiscal 2004 as operating efficiency and gold production generally improved at the Don Mario mine. Net income was higher than operating income in the fourth quarter due primarily to recognition of the value of income tax losses in Bolivia of $1.9 million.

	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Revenue	$5,833,438	$ 5,522,965	$ 4,693,412	$ 3,108,658
Operating expenses	3,272,637	3,141,432	3,287,055	2,754,339
Operating income (loss)	2,560,801	2,381,533	1,406,357	354,319
Net income (loss)	4,273,817	2,140,472	1,207,017	220,730
Net income (loss) per share	0.04	0.02	0.01	0.00
Cash and cash equivalents, end of period	3,920,752	3,397,876	2,045,529	1,051,011
Assets	35,300,472	31,452,690	29,960,483	29,384,955
Shareholders' equity	18,896,571	13,924,292	11,966,967	10,825,835

The following table includes a summary of financial results for the four three-month periods preceding September 30, 2003. Losses were incurred during these periods due to construction and initial start-up activities of the Don Mario mine.

	Three months ended Sept. 2003	Three months ended June 2003	Three months ended March 2003	Three months ended Dec. 2002
Revenues	$ 2,992,834	$ 0	$ 0	$ 410
Operating expenses	2,839,707	173,688	28,746	58,835
Operating income (loss)	153,127	(173,688)	(28,746)	(58,425)
Net income (loss)	37,152	(266,176)	(28,746)	40,641
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Cash and cash equivalents, end of period	228,472	125,438	1,334,488	1,505,939
Assets	30,643,067	29,474,139	26,759,577	24,522,465
Shareholders' equity	10,975,072	10,902,600	11,090,405	11,020,856

Production Cost Analysis
The following table presents the cash and total costs of producing 13,120 fine troy ounces (FTO) in the fourth quarter 2004 and 48,227 FTO in fiscal 2004 at the Don Mario mine. The calculations of these costs are based on the industry-recognized Gold Institute Production Cost Standard. These calculations represent non-GAAP information, which should not be construed as an alternative to GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other issuers.

	Fiscal Year ended Sept.30, 2004		Three months ended Sept.30, 2004		Three months ended Sept.30, 2003	
	Costs	Cost/FTO	Costs	Cost/FTO	Costs	Cost/FTO
Direct operating costs	$5,004,251	$ 103.76	$1,303,075	$99.32	$1,174,147	$139.65
Third-party smelting, refining and transportation costs	96,335	2.00	29,878	2.28	17,052	2.03
Cash Operating Costs	5,100,587	105.76	1,332,953	101.60	1,191,199	141,67
Royalties and production taxes	1,429,600	29.64	434,008	33.08	217,935	25.92
Total Cash Costs	6,530,187	135.41	1,766,961	134.68	1,409,134	167.59
Depreciation, depletion and reclamation costs	4,315,284	89.48	971,975	74.08	885,920	105.37
Total Production Costs	$10,845,470	$ 224.88	$2,738,936	$208.76	$2,295,054	$272.96

Total production costs amounted to $209 per fine troy ounce in the fourth quarter of fiscal 2004, compared to $273 per fine troy ounce in the same period in 2003, due primarily to increases in the average head grade. The difference between the fiscal year direct operating cost of $5.0 million and the cost of sales of $5.1 million reported in the audited consolidated financial statements is due to changes in gold and ore inventories.

Liquidity and Capital Resources
During fiscal 2004, Orvana generated $10.4 million in cash flow from operating activities before changes in non-cash working capital ($3.9 million in the fourth quarter). Cash and cash equivalents were $3.9 million as at September 30, 2004, compared to $228,242 at the end of fiscal 2003. This represents an increase in cash position of $3.7 million during fiscal 2004 after the Company made $2.9 million of payments on outstanding loans.

Working capital was $4.6 million at fiscal 2004 year end, compared to a deficit of $654,943 as at September 30, 2003.

The Company’s capital resources at year end consisted primarily of:
- Capital stock of 114.2 million shares with a stated value of $74.7 million,
- A $6.0 million loan from a Bolivian bank with an average interest rate of LIBOR plus 3.75%,
- A $7.1 million loan from Comsur with an average interest rate of LIBOR plus 4.5%.

As at fiscal year end 2004, Orvana had total long-term debt and notes payable of $13.3 million. Principal repayments by fiscal year are summarized in the following table.

Fiscal Year	Banco de Credito de Bolivia	Comsur	Notes Payable	Total Repayments
2005	$ 2,000,000	$ 1,600,000	$ 114,402	$ 3,714,402
2006	2,000,000	1,600,000	114,402	3,714,402
2007	2,000,000	1,600,000	67,825	3,667,825
2008		1,600,000		1,600,000
2009		666,667		666,667
Total	$ 6,000,000	$ 7,066,667	$ 296,629	$ 13,363,296

The Company had 1,568,331 stock options outstanding on September 30, 2004, with a weighted average price of $3.16 and various expiry dates between August 17, 2005 and December 8, 2008.

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

Off-Balance-Sheet Arrangements
Orvana has not entered into any off-balance-sheet arrangements.

Transactions with Related Parties
All transactions with related parties have occurred in the normal course of operations or pursuant to the agreement between Orvana, certain of its subsidiaries and Comsur pursuant to which Comsur acquired its controlling interest in Orvana, or a management services agreement between Empresa Minera Paititi S.A. (“Paititi”), a subsidiary of Orvana which owns the Don Mario mine, and Comsur dated October 1, 2003. Under the management services agreement, Comsur provides management services to Paititi in consideration for fees of $420,000 per year. Paititi also reimburses Comsur for certain out-of-pocket expenses which Comsur incurs in providing such services.

Fourth Quarter
The following table lists the tonnages milled and the grams of gold per tonne treated in each month of the fourth quarter 2004. During August, the average mill head grade dropped, which affected gold production. Variations in head grade are not uncommon for a mine in the development phase. In September, the mill experienced a temporary reduction in recoveries due to higher copper content in the ore extracted from the mini-pit. The increased copper content affected the leaching process, but the problem has been addressed and mill recoveries improved in October.

		September 2004	August 2004	July 2004
Underground mine	tonnes	11,941	11,858	12,769
	g/t	10.00	8.67	9.33
Mini-pit	tonnes	6,239	6,964	6,442
	g/t	5.78	6.84	9.89
Total	tonnes	18,180	18,822	19,210
	g/t	8.56	7.99	9.52
Recovery rate		72.0%	88.1%	89.5%

The following analysis compares primarily the financial results of the fourth quarter 2004 to the third quarter 2004.

Revenue
Orvana sold 14,302 fine troy ounces of gold during the three months ended September 30, 2004, generating revenues of $5.8 million. This compares to 14,037 ounces sold for revenues of $5.5 million in the three month period ended June 30, 2004.

Expenses
Up to 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 fourth quarter 2004 consisted primarily of cost of sales of $1.3 million, and approximately $1.0 million of depreciation, amortization and reclamation costs, compared to $1.6 million and $1.1 million, respectively, in the third quarter 2004.

Net Income
Orvana reported net income of $4.3 million in the fourth quarter 2004, compared to $2.1 million in the third quarter 2004. This increase was primarily due to the recognition of the value of income tax losses in Bolivia for the first time.

Value Added Taxes Recoverable
The Company's assets include $3.3 million of accounts receivable and prepaid expenses as at September 30, 2004. These accounts included $2.4 million of value-added taxes recoverable from the Bolivian tax administration on the export of gold bullion. The Company received a refund payment of $775,000 in August 2004 and management expects to receive a similar payment during the second quarter of fiscal 2005 and the balance within twelve months.

Critical Accounting Estimates
With the exception of estimates described in the financial statements and above under "Selected Annual Information", Orvana did not rely on any critical accounting estimates in fiscal 2004.

Changes in Accounting Policies
The Company implemented two changes to its accounting policies, which are described in the notes to the audited consolidated financial statements and above under "Selected Annual Information".

Financial and Other Instruments
In fiscal 2004, the Company did not use any hedging or other financial instruments.

Disclosure of Outstanding Share Data
Orvana shares are traded on the Toronto Stock Exchange under the symbol ORV. As at November 30, 2004, there were 114,172,507 common shares outstanding with a stated value of $74.7 million, and 1,568,331 stock options outstanding with a weighted average exercise price of $3.16, expiring from 2005 to 2008.

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

Outlook
Management anticipates that the Company will maintain current levels of production and operating efficiencies at the Don Mario mine during the fiscal year ending September 30, 2005. Average mill throughput is approximately 700 treated tonnes per day, and management estimates that Orvana will process approximately 230,000 tonnes of ore during the 2005 fiscal year.

The Company expects to record positive net income and cash flow from operating activities in fiscal 2005. Orvana intends to re-invest part of its free cash flow into further exploration of both the lower and upper mineralized zones and to conduct surface exploration at the Don Mario property. In addition, the Company intends to set aside funds for the potential exploration and acquisition of other properties in Latin America.

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