ORVANA
MINERALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Year ended September 30, 2005

This management discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on December 12, 2005 (the "report date") and describes the operating and financial results of the Company for the fiscal year ended September 30, 2005 ("fiscal 2005" or "2005"). The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for fiscal 2005. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("GAAP"). In this MD&A, all dollar amounts are in thousands of United States dollars unless otherwise stated, and gold production, in fine troy ounces, is referred to as "ounces".

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

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.

Throughout this MD&A, the Company has used non-GAAP measures including direct mine operating costs, cash operating costs, total cash costs and total production costs, and related unit cost information, because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with 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 GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other companies. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

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.

As at September 30, 2005, an evaluation was carried out under the supervision of and with the participation of the Chief Executive Officer and the Vice President and Controller of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Vice President and Controller concluded that the design and operation of these disclosure controls and procedures were effective as at September 30, 2005 to provide reasonable assurance that material information relating to the Company and its subsidiaries would be made known to them by others within those entities.

BUSINESS OVERVIEW AND STRATEGY

The Company

Orvana is a Canadian gold mining and exploration company based in Toronto, Ontario, involved in the evaluation, development and mining of precious metals deposits in the Americas. The Company's shares are listed on the Toronto Stock Exchange.

The Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("Paititi"), the Company owns and operates the Don Mario gold mine in eastern Bolivia. Subsequent to the end of fiscal 2005, the Company announced an updated mineral resource and mineable reserve estimate. This update incorporates both the Lower Mineralized Zone ("LMZ"), which is currently being exploited, and the Upper Mineralized Zone ("UMZ"), which is currently the subject of a pre-feasibility study being conducted by NCL S.A. ("NCL") of Santiago, Chile.

The mineral resource and mineable reserve estimate in respect of the LMZ updates the previous estimate made by AMEC E&C Services Limited ("AMEC") in accordance with National Instrument 43-101 ("NI 43-101") in July 2003 (a copy of AMEC's technical report is available on SEDAR and at www.orvana.com). The AMEC resource estimation was based upon over 190 drillholes (HQ diameter) totaling approximately 26,000 metres, with a mean drill spacing of 25 metres. Since the date of the AMEC Report, the mine has been in full production and produced 48,228 and 68,759 ounces of gold for fiscal years 2004 and 2005, respectively. The mine has now been developed and extensively sampled underground to a depth of approximately 200 metres from surface.

The updated proven and probable reserve of the LMZ has been estimated by the Company to be 1,017,500 tonnes at an average grade of 11.3 grams per tonne ("g/t") gold, containing 368,000 ounces of gold, using a 3 g/t cut-off grade and a $400/oz gold price. When proven and probable reserves of the LMZ were estimated at a $300/oz gold price, total gold ounces declined by less than 1%. Based on current planned levels of production (approximately 75,000 ounces per annum) and assuming no further exploration success, the LMZ is expected to be in production for a further five years.

A summary of the Don Mario Mineable Reserves for the LMZ, at a 3 g/t Cut off Grade, $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

Other Don Mario Concessions

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

Other Mineral Properties in Bolivia

The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia, including a joint venture interest in the Pederson property, which covers approximately 7,800 hectares. Prior to year end, the Company reached an agreement in principle to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian").

The Company has also reached an agreement in principle with a third party who is of the view that he holds a 15% interest in the Pederson property and that the Company holds a 35% interest. The

Company is of the view that it holds a 50% interest, subject to its interest being reduced to 35% if the Company fails to meet certain conditions for further investment. Under this agreement in principle, the third party would receive consideration from Castillian reflecting a 10% interest in the Pederson property subject to the payment by the Company to the third party of $10 at such time as the Company receives its first first payment from Castillian, and Orvana would receive consideration from Castillian reflecting a 40% interest in the Pederson property.

Under these agreements in principle, Orvana would receive $40 and the equivalent of $40 worth of common shares of Castillian upon receipt by Castillian of regulatory approval for the transaction. Additionally, Orvana would receive $40 and the equivalent of $40 of common shares of Castillian within 90 days, an additional 800,000 common shares and the equivalent of $800 of common shares within 12 months and a final cash payment of $1,120 within five years of completion of a feasibility study on the Pederson property. Orvana would retain a 40% interest in a 1.5% net smelter royalty on the Pederson property, with advance royalty payments on the 1.5% net smelter royalty of $200 per year commencing on the second anniversary of the agreement (with those payments counting towards a $2,000 buyout of the royalty). Under the agreement in principle, Orvana would also pay $10 to the third party at such time as Orvana receives its first payment from Castillian.

Completion of these transactions is subject to certain conditions, including execution of a definitive agreement by the relevant parties. Management expects that a definitive agreement will be signed early in the second quarter of fiscal 2006. Following completion of this sale, the Company intends to enter into negotiations with respect to a possible sale to Castillian of the Company's interests in its remaining exploration properties located in the Altiplano region.

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.

Orvana also owns the Las Palmeras concession, which covers approximately 7,100 hectares located in the Canton of San Ramon, Santa Rosa de la Mina and San Javier, in the Province of Ñuflo de Chavez. The Puquio Norte open pit gold mine operated within this concession until late 2001, when the ore body was exhausted and the operation was closed. Very little exploration has been conducted on the Las Palmeras concession, except within the immediate vicinity of the former Puquio Norte operation and Orvana has no immediate plans to further explore the concession. Following closure of the mine in 2001, an environmental closure plan, as required by law, was presented to the mining and environmental ministries. Following the approval of that plan, reclamation work on the property was undertaken and concluded. A final report on the closure plan and the results of its implementation is being prepared by an independent consulting firm and their report will be presented shortly to the Ministry of Mines and the Ministry of Environment. The Company expects that the authorities will be satisfied with the reclamation work done as they have been inspecting periodically the work undertaken according to the closure plan.

Business Strategy

Orvana's near term business strategy is to complete the development of the LMZ of the Don Mario property and sustain gold production and sales from the Don Mario mine. The Company has commenced a $500 surface drilling program with a view to adding additional tonnage to the LMZ ore reserves.

Following a positive internal economic evaluation of the UMZ, the Company retained NCL to complete a pre-feasibility study on the UMZ. It is expected that the pre-feasibility study will be completed during the second quarter of fiscal 2006 with the expectation that a bankable feasibility study can be completed during calendar 2006.

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

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

It has been the Company's objective to use a significant portion of its cash flow from operating activities to repay ahead of schedule the debt incurred to finance construction of the mine. The loans payable to Banco de Credito and Fabulosa Mines Limited ("Fabulosa"), a related party, were repaid in full prior to the end of fiscal 2005. In addition, the Company discharged the convertible debenture in the amount of $92 owing to Fabulosa. Thus, at September 30, 2005, Orvana had no long-term debt.

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

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

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

OVERALL PERFORMANCE

Key Performance Factors

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

Revenue and Net Income

The Company's results for the year ended September 30, 2005 with comparative figures for 2004 are summarized in the table below.

	Year ended September 30	
	2005	2004
Revenue	$29,350	$19,121
Net income	8,920	7,842
Net income per share – basic and diluted	$0.08	$0.07

Tonnes treated in fiscal 2005 were 233,837 compared to 234,166 in 2004. Gold production for fiscal 2005 increased 43% to 68,759 ounces compared to 48,228 ounces in fiscal 2004 due to higher head grades and improved recoveries.

Revenue for 2005 increased 53% to $29,350 on 68,273 ounces sold compared to $19,121 on 47,431 ounces sold in 2004.

Direct mine operating costs were $6,800 to produce 68,759 ounces in 2005 compared to $5,104 to produce 48,228 ounces in 2004. The decrease in direct costs per ounce to $98.90 in 2005 from $105.84 in 2004 reflects the higher head grades and recoveries. Direct costs per treated tonne and per ounce produced are noted in the table below:

	Year ended September 30	
	2005	2004
Direct mine operating costs	$6,800	$5,104
Direct cost per treated tonne	29.08	21.80
Direct cost per ounce produced	98.90	105.84

A reconciliation of direct mine operating costs to cost of sales (GAAP) is included in the section "Don Mario Mine – Production Cost Analysis".

Despite a 43% increase in gold production, costs and expenses of mining operations increased only 18% to $11,953 in 2005 compared to $10,105 in 2004. This increase is net of a decrease in depreciation and amortization expense of $423 due to recalculation in 2005 of the units-of-production base using the updated reserve estimates.

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

Expenses and other income increased 87% for fiscal 2005 to $4,323 compared to $2,313 in 2004. The most significant elements of the increase included stock-based compensation of $1,008 and special bonus awards of $400 made to certain officers of the Company.

In addition, the Company continues to build its organization and management (see "Management and Staffing" below) and has assumed certain management functions previously performed by Compania Minera del Sur S.A. ("Comsur") pursuant to a services agreement (see "Transactions with Related Parties" below) and, in doing so, incurred approximately $500 in certain one-time cash expenses in connection with the management transition. Corporate salary expense increased by $298 in 2005 as a result of the addition of new management. In fiscal 2006, these additional costs will be partially offset by the elimination of management services fees paid under the services agreement with Comsur which expired on September 30, 2005.

Income taxes were $4,154 in fiscal 2005 on income before tax of $13,074 compared to an income tax recovery of $1,139 on income before tax of $6,703 in 2004. The tax provision for 2005 reflects non-deductible expenses of $1,196, including the stock-based compensation charge of $1,008. The income tax provision in 2004 includes the recognition of a future tax benefit from prior years' losses for Bolivian tax purposes.

Net income for fiscal 2005 was $8,920 ($0.08 per share) compared to $7,842 ($0.07 per share) for 2004.

Cash Flows

The following table summarizes the principal sources and uses of cash for the fiscal year ended September 30, 2005, compared to fiscal 2004:

	Year ended September 30	
	2005	2004
Cash provided by operating activities	$18,810	$8,091
Repayment of long-term debt	13,159	2,933
Capital expenditures	4,296	1,544

Cash provided by operating activities
For the year ended September 30, 2005, cash provided by operating activities increased by $10,719 or 132% to $18,810 from $8,091 in fiscal 2004. Significant increases in production and revenues were the main contributors to the strong performance. Non-cash working capital contributed $2,515 compared to a use of cash of $2,314 in 2004.

Capital expenditures
For fiscal 2005, capital expenditures amounted to $4,296. A decision was taken to accelerate an expansion of the tailings dam, previously planned for future years, while manpower and equipment were available on site. This expansion, amounting to $1,876 accounted for the largest area of spending. Mine development expenditures capitalized amounted to $928, the purchase of two scoop trams and a jumbo rock drill represented a further $788 and the balance of $704 was spent on all other capital programs.

Financial Condition – September 30, 2005 compared to September 30, 2004
The following table provides a comparison of key elements of the Company's balance sheet at September 30, 2005 and 2004:

	September 30	
	2005	2004
Cash and cash equivalents	$5,310	$3,921
Working capital, including cash and current portion of long-term debt	7,099	4,394
Total assets	35,163	35,300
Long-term debt, including current portion	-	13,159
Shareholders' equity	28,859	18,897

Cash increased by $1,389 in the year ended September 30, 2005 despite debt repayments of $13,159 and capital expenditures of $4,296.

Working capital increased by $2,705 to $7,099 at September 30, 2005.

Long-term debt repayments in the year ended September 30, 2005 totaled $13,159. Scheduled repayments in 2005 amounted to $3,600. However, given relatively high interest rates, the negotiation of favourable prepayment terms and strong cash flow during 2005, the decision was taken to repay the remaining debt. At September 30, 2005, the Company had no long-term debt.

Shareholders' equity increased by $9,962 to $28,859. This increase included net income for fiscal 2005 of $8,920, contributed surplus of $1,008 arising on the accounting for stock-based compensation and an amount of $34 that was also credited to capital stock on the exercise of 180,333 stock options. A further 180,333 shares were issued to Fabulosa as required under the Definitive Agreement dated January 11, 2002 described in Note 6(e), "Controlling shareholder's rights", to the audited consolidated financial statements of the Company for 2005. No dividends were paid in 2005.

Outlook
During fiscal 2005, the mill treated 233,837 tonnes of ore in the production of 68,759 ounces of gold. Barring unforeseen events, management expects the Don Mario Mine will produce approximately 75,000 ounces in fiscal 2006.

SELECTED ANNUAL INFORMATION

The table below presents selected financial data for the Company's three most recently completed fiscal years:

	September 30		
	2005	2004	2003 (9 months)
Revenue	$29,350	$19,121	$2,985
Net income (loss)	8,920	7,842	(258)
Net income per share – basic and diluted	$0.08	$0.07	$0.00
Total assets	$35,163	$35,300	$30,643
Total long-term financial liabilities	-	13,159	16,092
Gold production - ounces	68,759	48,228	8,408
Gold sales - ounces	68,273	47,431	7,924
Non-GAAP measures			
Per ounce data -			
- Total cash costs	$117.57	$122.59	$326.46
- Average gold price realized	429.89	403.13	376.70
Operating statistics -			
- Gold ore grade – g/t	10.13	7.44	6.47
- Gold recovery rate - %	90.2	86.1	85.8

Fiscal 2005 compared to Fiscal 2004
The most significant factor reflected in the Company's operating results and financial position over the course of the three fiscal periods presented in the table above relates to the development phases of the mine. Construction of the Don Mario Mine commenced in March 2002. Commercial production began July 1, 2003. Consequently, the Corporation's operations changed from construction activities to commercial start-up to full production over the course of these three fiscal periods. The Don Mario Mine ramped up production over the last 27 months from 8,408 in fiscal 2003 to 48,228 and 68,759 ounces of gold in fiscal 2004 and 2005, respectively.

Other factors explaining changes in financial position and results of operations in fiscal 2005 as compared to fiscal 2004 are described above in the section, "Overall Performance".

Fiscal 2004 compared to Fiscal 2003
In 2003, the Corporation changed its financial reporting year end from December 31 to September 30 to coincide with that of Orvana's controlling shareholder. As a result, fiscal 2003 was a nine-month period.

Revenues in fiscal 2004 increased over fiscal 2003 due to both higher gold production and sales and higher average gold prices. Gold sales in fiscal 2004 amounted to 47,431 ounces and revenue of $19,121, reflecting twelve months' sales, at an average price of $403 per ounce compared to 7,924 ounces and revenue of $2,985, reflecting three months' sales following the July 1, 2003 start-up of commercial production, at an average price of $377.

During the first six months ended June 30, 2003, operating expenses relating to the development and construction of the Don Mario Mine were capitalized. Costs and expenses of mining operations and expenses and other income in fiscal 2004 increased to $12,418 from $3,034 in fiscal 2003 due primarily to twelve months of production activity in fiscal 2004 compared to three months post start-up in fiscal 2003. Increases in cost of sales, depreciation and amortization and royalties were all the direct result of higher production. However, on a unit cost basis, these expenses declined overall by 15% due to the economies of scale achieved through higher production – 48,228 ounces were produced in fiscal 2004 compared to 8,408 ounces in fiscal 2003. General and administration expenses increased by $707 due to a full twelve months of mine administration costs, including the Comsur management fee of $420, compared to three months in fiscal 2003. Other increases in administration expenses included legal and audit, insurance and stock exchange fees and other public company-related costs that were higher due to both the twelve-month versus nine-month comparative amounts and higher charges incurred for certain of these services compared to fiscal 2003. Exploration expenses incurred in fiscal 2004 amounted to $269 on the UMZ. No exploration activities were undertaken in fiscal 2003.

Net income for the twelve months ended September 30, 2004 amounted to $7,842 compared to a net loss of $258 for the nine months ended September 30, 2003. Net income in fiscal 2004 included an expected income tax recovery of $1,913 on prior years' income tax losses available for carry forward. In addition, the income tax provision in fiscal 2004 was reduced by $135 due to the utilization of prior years' losses not previously recognized.

Total assets at September 30, 2004 increased by $4,657 from September 30, 2003 including an increase in cash and cash equivalents of $3,693, an increase in value-added taxes receivable and prepaid expenses of $1,130, an increase in supplies inventories of $740 as mining operations reached normal levels and the recording of a future income tax asset of $1,913, as noted above. Property, plant and equipment decreased by $2,776 reflecting capital expenditures of $1,544 in fiscal 2004 offset by depreciation and amortization of $4,320 for the year.

Total long-term financial liabilities decreased by approximately $2,933 at September 30, 2004 from September 30, 2003 due to scheduled debt repayments. These repayments were financed entirely from cash flow from operating activities amounting to $8,091 in fiscal 2004.

CORPORATE RESOURCES

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

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

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

Santa Cruz Office
In Bolivia, Orvana has now assumed certain management functions that have in the past been performed by Comsur (see "Transactions with Related Parties" below).

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

In the Santa Cruz office, staff has been added to provide certain services, including procurement, accounting, tax, legal and administration that were previously provided by Comsur pursuant to a services agreement which terminated on September 30, 2005. These additional expenses will be partially offset by the elimination of the management services fees amounting to $420 per year paid previously under the Comsur services agreement.

With the appointments noted in "Toronto Office" above and the termination of the Comsur services agreement on September 30, 2005, Mr. Jorge Szasz, Vice-President, Finance and Chief Financial Officer and Mr. Carlos Mirabal, Vice-President, Operations and Chief Operating Officer, resigned their management positions. Mr. Urjel, Vice Chairman of the Board, and Mr. Szasz continued to serve as directors of the Company until November 15, 2005 when they were replaced by Mr. Ignacio Foncillas Garcia de la Mata and Mr. Gerardo Garrett.

Liquidity and Capital Resources
Liquidity
As noted above, the decision was taken to repay all long-term debt outstanding with remaining debt repaid just prior to year end. Thus, at September 30, 2005, the Company had no long-term debt.

On October 11, 2002, Paititi signed a seven-year natural gas supply contract at a fixed price for gas supply and transportation based on a maximum contracted volume which can be increased subject to negotiation. The Company has the right to extend this contract on an annual basis. The Company incurred $403 in respect of natural gas purchased under this contract during fiscal 2005.

The Company has recorded an asset retirement obligation at a discounted amount of $1,681 relating to the Don Mario Mine to dismantle its facilities and structures and to complete certain environmental reclamation of areas affected by mine operations including the tailings dam. The Company estimates that the total amount of undiscounted cash flows required to settle the Company's asset retirement obligations is $2,800. It is expected that this amount will be incurred in approximately equal amounts annually over the years 2009 to 2014.

For fiscal 2005, the net increase in cash, after debt repayments and capital expenditures, was $1,389. At September 30, 2005, cash and cash equivalents amounted to $5,310. Provided gold prices remain in the range of $400 per ounce and provided no unforeseen events arise, it is expected that the Company will continue to generate significant cash flow in fiscal 2006.

Capital Resources
At September 30, 2005, the Company had no long-term debt and capital resources at that date are represented by shareholders' equity which amounted to $28,859.

As mentioned above, during fiscal 2005, the Company repaid all long-term debt that had been incurred to finance the purchase of the mill and other capital assets and the initial development and start-up of the mine. The Company does not require additional financing at the present time and, thus, has not yet sought to arrange additional facilities.

Shareholders' equity increased by 53% or $9,962 to $28,859 ($0.25 per share) at September 30, 2005 compared to $18,897 ($0.17 per share) at the end of fiscal 2004.

RESULTS

Results of Operations

Year ended September 30 – 2005 compared to 2004
The following table and analysis compare operating results for fiscal 2005 to those of fiscal 2004:

	Year ended September 30	
	2005	2004
Revenue	$29,350	$19,121
Costs and expenses of mining operations	11,953	10,105
Expenses and other income	4,323	2,313
Net income for the period	8,920	7,842
Net income per share – basic and diluted	$0.08	$0.07

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:

	Year ended September 30	
	2005	2004
Revenue	$29,350	$19,121
Price per ounce	$430	$403
Ounces sold	68,273	47,431

Revenue for fiscal 2005 amounted to $29,350 on 68,273 ounces sold compared to $19,121 on 48,228 ounces sold for 2004.

Further information on production operations and costs is presented below.

Don Mario Mine - Development
Development work continued throughout fiscal 2005, mainly on deepening of the main ramp and further shaft sinking to provide access to new lower levels. By fiscal year-end, the main ramp was below level 125m. The mine plan calls for the main ramp to be completed to the base of the primary LMZ by the fourth quarter of fiscal 2006. With the mine soon to become a fully underground operation, the Company has purchased a new single boom jumbo rock drill and two 4 cubic yard scooptrams with provision for up to two more scooptrams during 2006. This equipment

will greatly assist production efficiencies and will help to ensure that future production targets are met.

Don Mario Mine – Production, Grades and Recoveries

The following table shows the tonnages treated and the head grade in g/t at the Don Mario Mine for the year ended September 30, 2005 compared to fiscal 2004:

		Year ended September 30	
		2005	2004
Underground mine	tonnes	163,656	126,197
	g/t	11.43	7.98
Mini-pit & stockpile	tonnes	70,181	107,967
	g/t	7.10	6.80
Total	tonnes	233,837	234,164
	g/t	10.13	7.44
Recovery rate - %		90.2	86.1
Gold produced - ounces		68,759	48,228

The Don Mario Mine has approximately 250 employees and 120 contracted personnel who provide various support services.

Don Mario Mine – Production Cost Analysis

The following table presents the cash operating costs and total production costs at the Don Mario mine in producing 68,759 ounces in fiscal 2005 and 48,228 ounces in fiscal 2004:

	Year ended September 30			
	2005		2004	
	Costs	Cost/oz.	Costs	Cost/oz.
Direct mine operating costs	$6,800	$98.90	$5,104	$105.84
Third-party smelting, refining and transportation costs	141	2.04	103	2.14
Cash operating costs	6,941	100.94	5,207	107.98
Royalties and mining rights	1,143	16.62	705	14.61
Total cash costs	8,084	117.57	5,912	122.59
Depreciation and amortization	3,897	56.58	4,320	89.57
Total production costs	$11,981	$174.15	$10,232	$212.16

Total production costs of $174.15 per ounce in fiscal 2005 decreased by $38.01 per ounce from $212.16 per ounce in 2004. Of the decrease of $38.01 per ounce, $32.99 is the result of a decrease in depreciation and amortization recorded in 2005 compare to 2004 based upon a recalculation of the units-of-production method using the updated reserve estimates. Total unit cash costs declined by $5.02 per ounce net of an increase in labour costs ($5.58 per ounce) resulting from a labour contract settlement with effect from March 1, 2005. This increase in the unit cost of labour part-way through 2005 was more than offset by declines in other unit cash costs due to economies of scale as the Don Mario Mine ramped up to full commercial production early in fiscal 2005. However, the Company anticipates some increase in unit costs in the future as higher direct mining costs begin to reflect an increase in the portion of the feed coming from the underground mine with a corresponding reduction in feed from the mini-pit. It is expected that ore from the mini-pit will be exhausted by about mid-fiscal 2006.

The difference between direct mine operating costs of $6,800 for fiscal 2005 and the cost of sales of $6,700 reported in the audited consolidated financial statements for 2005 is due mainly to changes in gold and ore inventories. A reconciliation of these non-GAAP costs with the Company's GAAP-based statement of income for the years ended September 30, 2005 and 2004 is presented in the table below:

	Year ended September 30	
	2005	2004
Cost of sales (GAAP)	$6,700	$5,085
Transportation and processing charges included in cost of sales	(50)	(39)
Changes in cash costs included in gold and ore inventories	150	58
Direct mine operating costs (non-GAAP measure)	$6,800	$5,104

Update on the Lower Mineralized Zone ("LMZ")
A $500 surface drilling campaign of 12 holes commenced during the last quarter of fiscal 2005 with the purpose of testing the northern and down dip extension of the LMZ. The drill spacing was designed to be between 100-200 metres spacing, dependent upon results. By year-end, approximately 1,800 metres had been completed. Slow progress was caused largely by mechanical failures. By the end of the fiscal year, three holes had been completed with a further two underway. The Company intends to complete the 12-hole program in the second quarter of fiscal 2006. To date, limited assays have been returned with mediocre results. If the programme shows success, a follow-up drill programme is planned from underground, from the main ramp once it reaches the lower-most planned levels. Current timing on the latter drill program is forecast to be the third quarter of fiscal 2007.

Update on the Upper Mineralized Zone ("UMZ")
The Company has received a final Resource Estimate Review and National Instrument 43-101 Technical Report, dated March 11, 2005, on the UMZ prepared by Pincock Allen & Holt (PAH). The Don Mario UMZ, a potential source of open pit ore, has estimated total indicated mineral resources of 5,600,000 tonnes. A summary of mineral resource estimates with respect to the UMZ is set forth in the table below:

	Indicated Resources				
Zone	AuEq Cutoff	Au g/t	Cu %	Ag g/t	Tonnes
Porous	1.00	1.31	1.78	52	443,422
Oxides	1.00	1.57	1.99	49	1,790,670
Transition	1.27	1.41	1.37	57	1,775,430
Sulfides	1.32	1.46	1.42	44	1,568,150
Total		1.47	1.61	50	5,577,672

The PAH report is available on SEDAR (www.sedar.com) and on the Company's website (www.orvana.com).

Following a positive internal economic analysis, the Company retained NCL to complete a pre-feasibility study on the UMZ project. NCL is one of Chile's largest mining engineering consulting companies with particular expertise in this type of deposit. It is expected that the pre-feasibility study will be completed during the second quarter of fiscal 2006 with the expectation that a bankable feasibility study can be completed during calendar 2006.

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

Summary of Quarterly Results

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

	Quarters ended			
	Sept. 30, 2005	June 30, 2005	Mar. 31, 2005	Dec. 31, 2004
Revenue	$10,436	$5,892	$6,775	$6,249
Net income	4,484	321	2,216	1,899
Net income per share – basic and diluted	$0.04	$0.00	$0.02	$0.02
Total assets	$35,163	$36,659	$37,635	$36,850
Total long-term financial liabilities	-	7,959	11,492	12,759
Gold production - ozs.	19,963	17,404	17,345	14,047
Gold sales – ozs.	24,381	13,820	15,712	14,360
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$116.36	$127.97	$98.32	$130.16
- Average gold price realized	428.04	426.34	431.14	434.96
Operating statistics -				
- Gold ore grade – g/t	11.58	10.46	10.30	8.26
- Gold recovery rate - %	93.5	89.1	88.8	89.0

	Quarters ended			
	Sept. 30, 2004	June 30, 2004	Mar. 31, 2004	Dec. 31, 2003
Revenues	$ 5,796	$ 5,523	$ 4,693	$ 3,109
Net income	4,274	2,140	1,207	221
Net income per share – basic and diluted	$0.04	$0.02	$0.01	$0.00
Total assets	$35,300	$32,512	$30,871	$30,204
Total long-term financial liabilities	13,456	15,032	15,466	16,370
Gold production - ozs.	13,120	14,643	11,663	8,802
Gold sales – ozs.	14,302	14,037	11,225	7,867
Non-GAAP measures				
Per ounce data -				
- Total cash costs	$120.59	$109.01	$125.02	$144.95
- Average gold price realized	405.26	393.46	418.08	395.20
Operating statistics -				
- Gold ore grade – g/t	8.70	8.54	6.93	5.66
- Gold recovery rate - %	83.5	89.5	88.9	81.3

Quarter ended September 30, 2005 compared to 2004
Revenue for the fourth quarter ended September 30, 2005 amounted to $10,436 on 24,381 ounces sold compared to $5,796 on 14,302 ounces sold for the fourth quarter 2004. On the last day of the June 2005 quarter, the Company shipped 5,631 ounces with an invoice value of $2,477, however, title did not pass until early July 2005 and this revenue was not reported until the fourth quarter 2005. Costs of $1,059 relating to this shipment that had been included in inventory at the end of the third quarter 2005 were charged to cost of sales and depreciation and amortization in the fourth quarter.

Total operating expenses for the fourth quarter 2005 were higher by $1,529 at $4,730 compared to total operating expenses of $3,201 for the fourth quarter 2004. Cost of sales and royalties and mining rights were higher by $1,402 on higher gold sales. Depreciation and amortization was lower by $249 due to the recalculation of this expense using the units-of-production method based upon updated reserve estimates. General and administration expenses increased $356 as the Company assumed fully the management and administration functions from Comsur in the fourth quarter of fiscal 2005, as explained.

Net income for the fourth quarter of fiscal 2005 amounted to $4,484 compared to $4,274 for the fourth quarter of fiscal 2004. Results for the fourth quarter of fiscal 2004 included an anticipated income tax recovery of $1,913 from prior years' tax losses.

Other comments on quarterly results
Revenues and net income were both lower in the quarter ended June 30, 2005 due to several factors. As noted above, revenue of $2,477 on a gold shipment on the last day of the June 30, 2005 quarter was not recognized until the following quarter as title had not passed and related costs of production and sale of $1,059 relating to this shipment were inventoried at the end of June 2005.

The result was that reported income before tax for the June 2005 quarter was $1,418 lower than it would have been had the sale been recorded June. Operating expenses were also higher in the quarter ended June 30, 2005 due primarily to a charge of $878 in the quarter for stock-based compensation expense and special bonus awards of $400 also accrued in the quarter.

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

Net income in the quarter ended December 31, 2004 was $2,375 lower than in the quarter ended September 30, 2004 due to the inclusion in the September 30, 2004 quarter of an expected recovery of Bolivian income taxes of $1,913 on income tax losses available for carry forward. In addition, adverse weather conditions in the month of December 2004 affected mining operations and caused gold production in that quarter, and therefore operating results, to fall significantly below levels that would otherwise have been achieved.

RISKS AND UNCERTAINTIES

The Company holds mining properties mainly in Bolivia and as such is exposed to the laws governing the mining industry in that country. The Bolivian government is currently supportive of the mining industry but changes in government regulations with respect to such matters as taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property, as well as shifts in the political stability of the country and labour unrest could adversely affect the Company and its exploration and production activities in the country.

The Company's business, results of operations, financial condition, and the trading price of its common shares are also subject to a number of other risks, including risks related to development of mineral deposits, production costs and metal prices, the supply of energy and other consumables, exploration, development and operating risks, water supply, production estimates, mineral reserves and resources, title matters, gold price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility.

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

OTHER INFORMATION

Changes in Accounting Policies

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

Firstly, effective September 30, 2003, the Company adopted the provisions of CICA 3110 in accounting for its asset retirement obligations. The new accounting policy is described in notes 2 and 5 to the audited consolidated financial statements for the year ended September 30, 2005.

Secondly, in accordance with GAAP, the Company adopted the practice of capitalizing mine development expenditures and amortizing these expenditures over the life of the mine.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are gold 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

The proven and probable reserve of the LMZ has been estimated by the Company 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 ounces per annum) and assuming no further exploration success, the LMZ is expected to be in production for a further five years.

Net realizable values of property, plant and equipment

At September 30, 2005, the net book value of property, plant and equipment amounted to $24,121. Amortization of these costs is calculated on the units-of-production method over the expected economic life of the mine. The expected economic life is dependent upon the estimated remaining proven and probable reserves, gold prices and cash operating costs. Based upon current estimates of reserves, gold prices in excess of $400 per ounce and total cash costs of $118 per ounce, net realizable values are in excess of net book value of mineral properties and deferred development costs and mine development, plant and equipment.

Asset retirement obligations

The Company has estimated the present value of estimated future costs to decommission the Don Mario Mine, asset retirement costs, to be $1,681 at September 30, 2005. It is estimated that the amount of future expenditures to dismantle mine installations and to complete reclamation will be $2,800 on an undiscounted basis and that these costs will be incurred in approximately equal amounts annually over the years 2009 to 2014 (See note 5 to the audited consolidated financial statements for the year ended September 30, 2005). Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically.

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

Stock-based compensation

The Company recorded stock-based compensation expense of $1,008 in fiscal 2005 based on an estimate of the fair value of the options on the grant date. 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 did not use any hedging or other financial instruments in the years ended September 30, 2005, 2004 or 2003.

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 114,693,173 common shares outstanding with a stated value of $74,743. There were also 4,682,998 stock options outstanding with a weighted average exercise price of Cdn. $1.76. These stock options have expiry dates ranging from 2006 to 2010.

Transactions with Related Parties

All transactions with related parties have occurred in the normal course of operations or have occurred pursuant to the Definitive Agreement dated January 11, 2002 between the Company and Comsur, formerly the Company's controlling shareholder.

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

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

A management services agreement existed between the Company's wholly-owned subsidiary, Paititi, and Comsur whereby Comsur provided managerial, technical and commercial support to Paititi. Management services fees incurred under the agreement for that portion of the six months ended March 31, 2005 during which Comsur was the Company's controlling shareholder totaled $177. The management services agreement terminated on September 30, 2005.

All transactions between the Company and a legal firm which had a partner as a board member until April 2, 2005, have occurred in the normal course of operations with fees amounting to $70 during the portion of fiscal 2005 during which the partner was on the board and $60 in fiscal 2004.

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.