ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Orvana Minerals Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the September 30, 2004 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

The auditors of Orvana Minerals Corp. have not performed a review of the unaudited consolidated financial statements for the three months ended December 31, 2004 and December 31, 2003.

ORVANA MINERALS CORP.

Consolidated Balance Sheets

(Prepared by Management - Unaudited)
(Expressed in United States Dollars Unless Otherwise Noted)

	December 31, 2004 (Unaudited)	September 30, 2004 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,608,576	$ 3,920,752
Accounts receivable	4,772,710	4,281,470
Gold and ore inventories	250,476	322,330
Supplies	1,501,859	1,922,922
Prepaid expenses	121,196	27,758
	13,254,817	10,475,232
Mineral properties and deferred development costs	5,817,444	6,146,849
Mining operations (Note 3)	16,353,723	16,765,100
Future income tax asset	1,423,934	1,913,291
	$ 36,849,918	$ 35,300,472
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,207,073	$ 2,184,431
Current portion of loans payable	3,600,000	3,600,000
Current portion of notes payable	114,402	114,402
	5,921,475	5,898,833
Loan payable - Banco de Credito de Bolivia	4,000,000	4,000,000
Loan payable - Compania Minera del Sur S.A.	5,066,667	5,466,667
Notes payable	168,396	182,227
Debenture - Compania Minera del Sur S.A.	92,488	92,488
Provision for statutory workers' settlements	248,245	219,328
Asset retirement obligations (Note 5(b))	556,606	544,358
	16,053,877	16,403,901
SHAREHOLDERS' EQUITY		
Capital stock (Note 2)	74,696,915	74,696,915
Deficit	(53,900,874)	(55,800,344)
	20,796,041	18,896,571
	$ 36,849,918	$ 35,300,472

Approved by the Board of Directors

"Jeffrey Lloyd" Director

"George S. Hamilton" Director

ORVANA MINERALS CORP.

Consolidated Statements of Operations and Deficit

(Prepared by Management - Unaudited)
(Expressed in United States Dollars Unless Otherwise Noted)

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003 (Restated - see Note 5)
Revenue		
Gold sales	$ 6,249,028	$ 3,108,658
Operating expenses		
Cost of sales	1,647,949	1,019,386
Depreciation and amortization	1,219,805	1,093,599
Corporate, general and administration	226,734	281,887
Production royalties	214,670	92,930
Exploration costs	76,328	-
Foreign exchange loss	24,910	26,111
Interest on long term debt	216,482	240,426
Accretion related to asset retirement obligations	12,248	11,237
	3,639,126	2,765,576
Income before the following:	2,609,902	343,082
Income tax provision	221,075	122,352
Future income tax expense	489,357	-
	710,432	122,352
Net income for the period	1,899,470	220,730
DEFICIT, beginning of period	(55,800,344)	(63,642,380)
DEFICIT, end of period	$ (53,900,874)	$ (63,421,650)
Earnings per share	$ 0.02	$ 0.00

ORVANA MINERALS CORP.

Consolidated Statements of Cash Flows

(Prepared by Management - Unaudited)
(Expressed in United States Dollars Unless Otherwise Noted)

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003 (Restated - see Note 5)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net income for the period	$ 1,899,470	$ 220,730
Depreciation and amortization	1,219,805	1,093,599
Accretion of asset retirement obligations	12,248	11,237
Future income tax expense	489,357	-
Provision for statutory workers' settlements	28,917	18,156
	3,649,797	1,343,722
Changes in non-cash working capital items		
Accounts receivable	(491,240)	302,359
Gold and ore inventories	71,855	(52,696)
Supplies	421,063	214,414
Prepaid expenses	(93,438)	(78,305)
Accounts payable and accrued liabilities	22,642	(665,722)
	3,580,679	1,063,772
FINANCING ACTIVITIES		
Loan payable - Compania Minera del Sur S.A.	(400,000)	-
Notes payable	(13,831)	(40,338)
Proceeds from share issues	-	19,711
	(413,831)	(20,627)
INVESTING ACTIVITIES		
Additions to mining operations	(479,024)	(220,606)
CHANGE IN CASH AND CASH EQUIVALENTS	2,687,824	822,539
CASH AND CASH EQUIVALENTS, beginning of period	3,920,752	228,472
CASH AND CASH EQUIVALENTS, end of period	$ 6,608,576	$ 1,051,011

(Expressed in United States Dollars Unless Otherwise Noted)

1. ACCOUNTING POLICIES

Orvana Minerals Corp. (the "Company") is a publicly held company, engaged in the mining, exploration and development of resource properties. The Company is incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the Toronto Stock Exchange.

The Company's principal asset is the Don Mario mine and property, which is held through its 100% owned subsidiary, Empresa Minera Paititi S.A. ("Paititi").

According to the Bolivian Mining Code, mining rights in Bolivia are granted in perpetuity and can be lost only if the annual fees payable to maintain the mining rights upon the concession are not paid.

The recoverability of the carrying value of the Don Mario property is dependent upon the exploitation of economically recoverable reserves, the preservation of the Company's interest in the underlying concessions, and the future profitable production therefrom, or, alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended December 31, 2004 may not be necessarily indicative of the results that may be expected for the year ending September 30, 2005.

The balance sheet at September 30, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended September 30, 2004. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements for the year ended September 30, 2004.

2. CAPITAL STOCK

(a) AUTHORIZED - Unlimited number of common shares

(b) COMMON SHARES ISSUED

	NUMBER OF SHARES	STATED VALUE
Balance, September 30, 2004 (audited) and December 31, 2004 (unaudited) (*)	114,172,507	$ 74,696,915

(*) Compania Minera del Sur S.A. ("Comsur"), the Company's controlling shareholder, 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.

(Expressed in United States Dollars Unless Otherwise Noted)

2. CAPITAL STOCK (Continued)

(c) STOCK OPTIONS

The following summarizes the stock option activity for the three months ended December 31, 2004:

	STOCK OPTIONS	WEIGHTED AVERAGE PRICE
Balance, September 30, 2004 (audited) and December 31, 2004 (unaudited)	1,568,331	Cdn $ 3.16

The following are the stock options outstanding as at December 31, 2004:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
88,000	Cdn$ 8.00	July 2, 2006
539,999	6.25	June 9, 2007
50,000	. 4.10	August 14, 2007
294,999	1.75	March 31, 2008
65,000	1.00	December 8, 2008
130,333	0.25	August 17, 2005
80,000	0.15	December 5, 2005
320,000	0.15	May 23, 2006
1,568,331		

3. MINING OPERATIONS

Balance, September 30, 2004 (audited)	$ 20,526,688
Additions during the period	479,024
	21,005,712
Accumulated depreciation	(4,651,989)
Balance, December 31, 2004 (unaudited)	$ 16,353,723

4. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations or have occurred pursuant to the Definitive Agreement dated September 12, 2001 between the Company and Comsur and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company's wholly owned subsidiary Paititi has entered into an agreement with Comsur whereby Comsur provides managerial, technical and commercial support to the Company. The contract is renewable annually on September 30 and currently requires payments totaling $420,000 annually.

All transactions between the Company and a legal firm, who has a partner as a board member, have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. COMPARATIVE FIGURES

In order to conform with the fiscal 2004 audited consolidated financial statements, the December 31, 2003 comparative figures have been restated. The following items have changed:

(a) From October 1, 2003 to December 31, 2003, the Company followed the practice of recording mine development costs as part of cost of sales and has adopted the practice of capitalizing these expenses and is amortizing these expenses over the life of the mine. This change resulted in an increase to mining operations of $189,373, a decrease in the previously reported deficit of $189,373 and a net increase of $153,983 to income before income taxes for the three months ended December 31, 2003.

(b) Effective September 30, 2003, the Company adopted the provisions of CICA 3110 which require that the fair value of an asset retirement obligations be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. Previous accounting standards used the units-of-production method to match estimated future retirement costs with the revenues generated from the producing assets. In contrast, CICA 3110 requires amortization of the capitalized asset retirement cost and accretion of the asset retirement obligations over time.

For the Company, asset retirement obligations primarily relate to the dismantling of the mine facilities and environmental reclamation.

The amounts recognized upon adoption are based upon numerous estimates and assumptions, including future retirement costs, future recoverable quantities of gold and ore, future inflation rates and the credit-adjusted risk-free interest rate of 10%.

(Expressed in United States Dollars Unless Otherwise Noted)

5. COMPARATIVE FIGURES (continued)

Changes in asset retirement obligations were as follows:

		December 31, 2004		December 31, 2003
Asset retirement obligations / reclamation, beginning of period and as previously stated	$	544,358	$	78,440
Change in accounting policy - September 30, 2003 (**)		-		(35,287)
Change in accounting policy - September 30, 2004		-		(45,585)
Liabilities incurred - September 30, 2003 (**)		-		458,175
Accretion expense up to September 30, 2003 (**)		-		41,236
Accretion expense		12,248		11,237
Asset retirement obligations, end of period	$	556,606	$	508,216

(**) Refer to Note 8 of the fiscal 2004 audited consolidated financial statements for further details.

As of December 31, 2004, management estimates that undiscounted expected cash flows required to settle the Company's asset retirement obligations are the same amounts as disclosed in Note 8 of the fiscal 2004 audited consolidated financial statements.

6. INCOME TAXES

The Company's estimated income tax provision has been calculated as follows:

		December 31, 2004
Net income for the period	$	2,609,902
Income tax provision at Canadian federal and provincial statutory rates		943,741
Effect of differences in foreign tax rates		(302,988)
Effect of change in temporary differences not recognized and permanent differences		31,694
Current period loss from Canadian operations not recognized		37,985
Provision for income taxes	$	710,432

(Expressed in United States Dollars Unless Otherwise Noted)

6. INCOME TAXES (continued)

The components of the estimated provision for income taxes comprise:

Current tax expense:		
Canada	$	-
Foreign		221,075
Future tax expense:		
Canada		-
Foreign		489,357
	$	710,432

The Company's estimated future income tax assets at December 31, 2004 are summarized as follows:

		December 31, 2004
Non-capital losses carried forward	$	3,021,280
Valuation allowance		(1,597,346)
Net future income tax asset recorded	$	1,423,934

The Company has recorded a valuation allowance in respect of its Canadian losses in the amount of $1,597,346 as at December 31, 2004 because management believes that the future income tax assets in respect of such losses are unlikely to be realized in the carryforward period. The amount of $1,423,934 represents the full value of income tax losses available for carryforward in Bolivia.

7. SUBSEQUENT EVENT

The Company has been advised by its majority shareholder Comsur that notwithstanding Glencore International AG's recently announced purchase of the parent company of Comsur from Minera S.A., Comsur has agreed to continue to provide managerial and other support services to Orvana under an existing services agreement until at least September 30, 2005. Orvana has been advised that the sale of Comsur's parent company involves the transfer of the Orvana shares held by Comsur to a subsidiary of Minera S.A., and the assignment to such subsidiary of Comsur's rights and obligations under the September 2001 agreement pursuant to which it acquired shares of Orvana.

SUPPLEMENT TO FINANCIAL STATEMENTS
December 31, 2004

As of January 25, 2005, there were 114,172,507 common shares outstanding.

There were also 1,568,331 stock options outstanding.