ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

THREE MONTHS ENDED DECEMBER 31, 2005

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, 2005 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, 2005 and December 31, 2004.

ORVANA MINERALS CORP.

Consolidated Balance Sheets
(In thousands of United States dollars)

	December 31 2005 (Unaudited)	September 30 2005 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 7,885	$ 5,310
Value-added taxes receivable and prepaid expenses	3,254	2,846
Product inventory	1,021	703
Supplies inventory	1,997	2,183
	14,157	11,042
Property, plant and equipment (note 2)	23,364	24,121
	$ 37,521	$ 35,163
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,362	$ 3,274
Income taxes payable	1,039	669
	3,401	3,943
Asset retirement obligations (note 3)	1,718	1,681
Provision for statutory labour obligations	413	373
Future income tax liability	295	307
	5,827	6,304
Shareholders' equity		
Share capital (note 4(a) and note 4(b))	74,741	74,731
Contributed surplus (note 4(c))	1,134	1,008
Deficit	(44,181)	(46,880)
	31,694	28,859
	$ 37,521	$ 35,163

Commitments and contingencies (note 6)

The notes to unaudited consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

(signed) George S. Hamilton Director

(signed) Robert A. Mitchell Director

ORVANA MINERALS CORP.

Consolidated Statements of Income and Deficit
Three months ended December 31
(In thousands of United States dollars except per share amounts)
(Unaudited)

	2005	2004
Revenues		
Gold sales	$ 8,519	$ 6,247
Costs and expenses of mining operations		
Cost of sales	1,908	1,648
Royalties, mining rights and other	339	215
Depreciation and amortization	1,220	1,220
Accretion	37	12
	3,504	3,095
Income from mining operations	5,015	3,152
Expenses (other income)		
General and administration	647	213
Stock-based compensation (note 4(c))	126	-
Exploration and development	196	76
Business development	427	-
Community relations	140	14
Interest expense	-	216
Interest and other income	(8)	(2)
Foreign exchange	23	25
	1,551	542
Income before provision for income taxes	3,464	2,610
Provision for income taxes		
Current income taxes	778	221
Future income taxes	(13)	489
	765	710
Net income	2,699	1,900
Deficit, beginning of period	(46,880)	(55,800)
Deficit, end of period	$ (44,181)	$ (53,900)
Earnings per share		
Basic and fully diluted	$ 0.02	$ 0.02

The notes to unaudited consolidated financial statements are an integral part of these statements.

ORVANA MINERALS CORP.

Consolidated Statements of Cash Flows
Three months ended December 31
(In thousands of United States dollars)
(Unaudited)

	2005	2004
Operating activities		
Net income	$ 2,699	$ 1,900
Depreciation and amortization	1,220	1,220
Accretion	37	12
Stock-based compensation (note 4(c))	126	-
Future (recovery of) income taxes	(13)	489
Provision for statutory labour obligations	40	29
	4,109	3,650
Changes in non-cash working capital items		
Value-added taxes receivable and prepaid expenses	(408)	(585)
Product inventory	(140)	72
Supplies inventory	186	421
Accounts payable and accrued liabilities	(912)	9
Income taxes payable	370	-
	3,205	3,567
Financing activities		
Exercise of stock options	10	-
Repayment of long-term debt	-	(400)
	10	(400)
Investing activities		
Capital expenditures	(640)	(479)
Change in cash and cash equivalents	2,575	2,688
Cash and cash equivalents, beginning of period	5,310	3,921
Cash and cash equivalents, end of period	$ 7,885	$ 6,609

The notes to unaudited consolidated financial statements are an integral part of these statements.

(In thousands of United States Dollars unless otherwise noted)

1. Nature of operations

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian gold mining and exploration company based in Toronto, Ontario, involved in the evaluation, development and mining of precious metal deposits in the Americas. The Company's shares are listed on the Toronto Stock Exchange. The Company's principal asset is the Don Mario gold mine and property in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("Paititi").

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 Canadian generally accepted accounting principles for annual 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, 2005 may not necessarily be indicative of the results that may be expected for the year ended September 30, 2006.

The balance sheet at September 30, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual 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 audited consolidated financial statements for the year ended September 30, 2005. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2005.

2. Property, plant and equipment

	December 31 2005 (Unaudited)	December 31 2004 (Unaudited	September 30 2005 (Audited)
Plant and equipment	$ 26,503	$ 21,005	$ 25,863
Mineral properties and deferred development costs	7,601	7,601	7,601
Less: accumulated depreciation and amortization	(10,740)	(6,435)	(9,343)
	$ 23,364	$ 22,171	$ 24,121

3. Asset retirement obligations

Refer to Note 5 to the audited consolidated financial statements for the year ended September 30, 2005 for further details regarding asset retirement obligations. The following table summarizes the changes in asset retirement obligations during the periods presented:

	December 31 2005 (Unaudited)	December 31 2004 (Unaudited)	September 30 2005 (Audited)
Balance, beginning of period	$ 1,681	$ 544	$ 544
Liabilities incurred/revisions in estimated cash flows	-	-	1,042
Accretion expense	37	12	95
Balance, end of period	$ 1,718	$ 556	$ 1,681

(In thousands of United States Dollars unless otherwise noted)

4. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued

	Number of common shares		Stated value
Balance, September 30, 2005	114,533,173	$	74,731
Exercise of stock options	80,000		10
Private placement - Fabulosa Mines Limited (1)	80,000		-
Balance, December 31, 2005	114,693,173	$	74,741

(1) Fabulosa Mines Limited, 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. Refer to Note 6(e) to the audited consolidated financial statements for the year ended September 30, 2005.

(c) Contributed surplus

The following table summarizes the changes in contributed surplus during the periods presented:

		December 31 2005 (Unaudited)		December 31 2004 (Unaudited)		September 30 2005 (Audited)
Balance, beginning of period	$	1,008	$	-	$	-
Vesting of previously issued stock options (note 4(d))		126		-		1,008
Balance, end of period	$	1,134	$	-	$	1,008

(d) Stock options

A summary of the stock option transactions for the period is as follows:

	Stock options		Weighted average price
Balance, September 30, 2005	4,762,998	Cdn	1.73
Exercised	(80,000)		0.15
Balance, December 31, 2005	4,682,998	Cdn	$1.76

(In thousands of United States Dollars unless otherwise noted)

4. Share capital (continued)

(d) Stock options (continued)

As at December 31, 2005, outstanding and exercisable stock options granted were as follows:

	Black-Scholes value ($)	Number of non-vested options	Number of vested options		Exercise price ($)	Expiry date
	-	-	270,000	Cdn	0.15	May 23, 2006
	-	-	88,000		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
(1)	471	-	1,025,000		1.03	April 1, 2010
(2)	406	666,666	333,334		0.91	April 1, 2010
(3)	589	880,000	440,000		1.00	June 30, 2010
(4)	16	20,000	10,000		1.20	September 26, 2010
	1,482	1,566,666	3,116,332			
Total vested and non-vested stock options			4,682,998			

Stock options have been expensed as follows:

	Number of options	Cumulative expense at December 31, 2005	Remainder to be expensed	Total stock option compensation
(1)	1,025,000	$ 471	$ -	$ 471
(2)	1,000,000	286	120	406
(3)	1,320,000	369	220	589
(4)	30,000	8	8	16
	3,375,000	$ 1,134	$ 348	$ 1,482

The Company uses the fair value method of accounting for stock options and, for the three months ended December 31, 2005, recognized stock-based compensation expense of $126. This policy was effective on October 1, 2003 and has been applied on a prospective basis. The fair value of each option grant was estimated using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model are described in note 7 to the audited consolidated financial statements for the year ended September 30, 2005.

5. Related party transactions

For the periods presented, 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 Sinchi Wayra S.A. ("Sinchi Wayra", formerly Compania Minera del Sur S.A. and the Company's former controlling shareholder. Refer to note 6(e) of the audited consolidated financial statements for the year ended September 30, 2005 for further details), and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

A management services agreement existed between the Company's wholly-owned subsidiary, Paititi, and Sinchi Wayra whereby Sinchi Wayra provided managerial, technical and commercial support to Paititi. Management services fees incurred under the agreement during the three months ended December 31, 2004 in which Sinchi Wayra was the Company's controlling shareholder totaled $105. Although no longer a related party, Sinchi Wayra continued to provide managerial and other support services to the Company until the agreement expired on September 30, 2005.

All transactions between the Company and a law firm which had a partner as a board member until April 2, 2005 have occurred in the normal course of operations. For the three months ended December 31, 2004, fees amounting to $17 were paid to the law firm.

General and administration expenses include director fees of $36 (December 31, 2004 - $nil) and consulting fees of $18 (December 31, 2004 - $10) paid and/or accrued to directors of Orvana. These transactions 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. Officers and directors of Orvana were also reimbursed for out-of-pocket expenses incurred on behalf of the Company.

6. Commitments and contingencies

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for asset retirement obligations based on management's estimate of such costs. These estimates are, however, subject to changes in laws and regulations.

7. Comparative figures

Certain comparative figures for the three months ended December 31, 2004 have been reclassified to conform with the presentation adopted for the three months ended December 31, 2005.

8. Other information

As of December 31, 2005 and the date of filing of these unaudited consolidated statements on Sedar (www.sedar.com), no significant changes have occurred in the agreement in principle between the Company and Castillian Resources Corp. Refer to note 3(b) and note 13 to the audited consolidated financial statements for the year ended September 30, 2005 for further details regarding this transaction.