ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

THREE MONTHS ENDED DECEMBER 31, 2006

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, 2006 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, 2006 and December 31, 2005.

ORVANA MINERALS CORP.

Consolidated Balance Sheets
(In thousands of United States dollars)

(Unaudited)	December 31 2006	September 30 2006
Assets		
Current assets		
Cash and cash equivalents	$ 33,024	$ 26,850
Value-added taxes receivable and prepaid expenses	3,301	3,279
Gold inventory	731	581
Supplies inventory	2,869	2,547
	39,925	33,257
Property, plant and equipment (note 2)	20,097	21,603
	$ 60,022	$ 54,860
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,168	$ 2,986
Income taxes payable	5,127	4,156
	8,295	7,142
Asset retirement obligations (note 3)	1,868	1,828
Provision for statutory labour obligations	652	567
Future income tax liability	220	234
	11,035	9,771
Shareholders' equity		
Share capital (note 4(b))	74,777	74,777
Contributed surplus (note 4(c))	1,617	1,510
Deficit	(27,407)	(31,198)
	48,987	45,089
	$ 60,022	$ 54,860

Commitments and contingencies (note 6)

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

Approved by the Board of Directors:

(signed) Susan McArthur Director

(signed) Christopher 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)	2006	2005
Revenues		
Gold sales	$ 11,130	$ 8,519
Costs and expenses of mining operations		
Cost of sales	2,629	1,908
Royalties, mining rights and other	351	339
Depreciation and amortization	1,866	1,220
Accretion (note 3)	40	37
	4,886	3,504
Income from mining operations	6,244	5,015
Expenses and other income		
General and administration	541	647
Stock-based compensation (note 4(d))	107	126
Exploration	292	196
Business development	-	427
Community relations	105	140
Interest and other income	(220)	(8)
Foreign exchange	-	23
	825	1,551
Income before provision for income taxes and recovery of future income taxes	5,419	3,464
Provision for income taxes		
Current income taxes	1,642	778
Future income taxes (recovery)	(14)	(13)
	1,628	765
Net income	3,791	2,699
Deficit, beginning of period	(31,198)	(46,880)
Deficit, end of period	$ (27,407)	$ (44,181)
Earnings per share		
Basic and diluted	$ 0.03	$ 0.02

The notes to 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)	2006	2005
Operating activities		
Net income	$ 3,791	$ 2,699
Depreciation and amortization	1,866	1,220
Accretion (note 3)	40	37
Stock-based compensation (note 4(d))	107	126
Future income taxes (recovery)	(14)	(13)
Provision for statutory labour obligations	85	40
	5,875	4,109
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	(22)	(408)
Gold inventory	(97)	(140)
Supplies inventory	(322)	186
Accounts payable and accrued liabilities	182	(912)
Income taxes payable	971	370
	6,587	3,205
Financing activities		
Proceeds from issue of shares	-	10
Investing activities		
Capital expenditures	(413)	(640)
Change in cash and cash equivalents	6,174	2,565
Cash and cash equivalents, beginning of period	26,850	5,310
Cash and cash equivalents, end of period	$ 33,024	$ 7,875

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

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.

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, 2006 may not necessarily be indicative of the results that may be expected for the year ended September 30, 2007.

The balance sheet at September 30, 2006 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, 2006. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2006.

Financial Instruments, Comprehensive Income and Hedges

In addition, in January 2005, the CICA issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, and 3865, “Hedges”. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective October 1, 2006.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets are measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(In thousands of United States Dollars unless otherwise noted)

1. Nature of operations (Continued)

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The Company has evaluated the impact of these new standards on its consolidated financial statements and determined that no adjustments are currently required.

2. Property, plant and equipment

	December 31 2006	December 31 2005	September 30 2006
Plant and equipment	$ 29,348	$ 26,503	$ 28,935
Mineral properties and deferred development costs (1)	7,601	7,601	7,601
Less: accumulated depreciation and amortization	(16,852)	(10,740)	(14,933)
	$ 20,097	$ 23,364	$ 21,603

(1) Refer to Note 3 to the audited consolidated financial statements for the year ended September 30, 2006 for a description of the mineral properties and deferred development costs.

3. Asset retirement obligations

Refer to Note 4 to the audited consolidated financial statements for the year ended September 30, 2006 for further details regarding asset retirement obligations. The following table summarizes the changes in asset retirement obligations during the periods presented:

	December 31 2006	December 31 2005	September 30 2006
Balance, beginning of period	$ 1,828	$ 1,681	$ 1,681
Accretion expense	40	37	147
Balance, end of period	$ 1,868	$ 1,718	$ 1,828

(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, 2006 and December 31, 2006	115,233,173	$	74,777

(c) Contributed surplus

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

		December 31 2006		December 31 2005		September 30 2006
Balance, beginning of period	$	1,510	$	1,008	$	1,008
Grant of stock options (note 4(d))		45		-		164
Vesting of previously issued stock options (note 4(d))		62		126		338
Balance, end of period	$	1,617	$	1,134	$	1,510

(d) Stock options

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

	Stock options		Weighted average price
Balance, September 30, 2006	4,383,332	Cdn	$1.72
Granted (1)	350,000		0.60
Cancelled	(283,334)		1.00
Balance, December 31, 2006	4,449,998	Cdn	$1.68

(1) During the period ended December 31, 2006, the fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate:	4%
Expected life in years:	4
Expected volatility:	70%
Expected dividend yield:	0%

The weighted-average grant date fair value of these options was $99 or Cdn. $0.33 per share and this amount is expensed over the vesting periods.

(In thousands of United States Dollars unless otherwise noted)

4. Share capital (Continued)

(d) Stock options (continued)

As at December 31, 2006, outstanding and exercisable stock options granted were as follows:

	Black-Scholes Values ($)	Number of non-vested options	Number of vested options	Exercise price Cdn $	Expiry date
(1)	338	-	333,334	0.91	May 31, 2007
		-	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
(2)	471	-	1,025,000	1.03	April 1, 2010
(3)	559	156,666	880,000	1.00	June 30, 2010
(4)	16	10,000	20,000	1.20	September 26, 2010
(5)	58	83,333	41,667	1.05	May 12, 2011
(6)	168	283,333	141,667	0.89	June 23, 2011
(7)	71	116,666	58,334	0.91	July 5, 2011
(8)	99	233,333	116,667	0.60	December 14, 2011
	1,780	883,331	3,566,667		
Total vested and non-vested stock options			4,449,998		

Stock options have been expensed as follows:

	Number of options	Cumulative expense at December 31, 2006	Remainder to be expensed	Total stock option compensation
(1)	333,334	$ 338	$ -	$ 338
(2)	1,025,000	471	-	471
(3)	1,036,666	543	16	559
(4)	30,000	15	1	16
(5)	125,000	45	13	58
(6)	425,000	119	49	168
(7)	175,000	41	30	71
(8)	350,000	45	54	99
	3,500,000	$ 1,617	$ 163	$ 1,780

The Company uses the fair value method of accounting for stock options and for the three months ended December 31, 2006, recognized stock-based compensation expense of $107. 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 6 to the audited consolidated financial statements for the year ended September 30, 2006 and above in this note.

5. 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 January 11, 2002 between the Company and Sinchi Wayra and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Refer to note 5(e) of the audited consolidated financial statements for the year ended September 30, 2006 for further details.

General and administration expenses include director fees of $31 (2005 - $36) and consulting fees of $15 (2005 - $18) 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 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.

The mining concessions on which the Company is actively pursuing its exploration and development activities are all located in eastern Bolivia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability in Bolivia, which may result in the impairment or loss of mineral concessions or other mineral rights. Any changes in laws or regulations, including possible changes to the Bolivian Mining Code, or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.