ORVANA MINERALS CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ORVANA MINERALS CORP.

Interim Consolidated Balance Sheets
(In thousands of United States dollars)

(Unaudited)		**As at December 31 2009**		**As at September 30 2009**
Assets				
Current assets				
Cash and cash equivalents (note 9)	$	52,751	$	58,036
Gold sales receivable		1,440		-
Value-added taxes receivable and prepaid expenses		6,810		5,751
Gold inventory		354		751
Supplies inventory		3,761		3,829
		65,116		68,367
Reclamation bonds		1,289		1,309
Property, plant and equipment (note 3)		74,831		70,931
	$	141,236	$	140,607
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	4,659	$	7,174
Income taxes payable		6,873		5,990
Current portion of long-term debt (note 4)		2,595		2,229
		14,127		15,393
Long-term debt (note 4)		1,920		1,915
Asset retirement obligations (note 5)		2,828		2,792
Provision for statutory labour obligations		1,503		1,406
Future income tax liability		8,530		8,346
Long-term compensation (note 6(d))		609		388
		29,517		30,240
Shareholders' equity				
Share capital (note 6(b))		74,777		74,777
Contributed surplus		1,810		1,658
Retained earnings		35,132		33,932
		111,719		110,367
	$	141,236	$	140,607

Commitments and contingencies (note 7)

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

ORVANA MINERALS CORP.

Interim Consolidated Statements of Income and Comprehensive Income
(In thousands of United States dollars except per share amounts)

(Unaudited)	Three months ended December 31 2009	2008
Revenues		
Gold sales	$ 11,876	$ 14,165
Costs and expenses of mining operations		
Cost of sales	4,836	3,400
Royalties and mining rights	381	458
Mining royalty taxes	829	988
Depreciation and amortization	1,130	1,668
Accretion (note 5)	36	42
	7,212	6,556
	4,664	7,609
Expenses (other income)		
General and administration	1,121	773
Exploration	100	147
Stock-based compensation	329	92
Community relations	32	34
Interest on long-term debt	85	82
Interest and other (income) expense	8	(624)
Foreign exchange	68	92
	1,743	596
Income before provision for income taxes and provision for future income taxes	2,921	7,013
Provision for income taxes		
Current income taxes	1,537	3,721
Future income tax expense (recovery)	184	(622)
	1,721	3,099
Net income and comprehensive income	$ 1,200	$ 3,914
Earnings per share		
Basic and diluted	$ 0.01	$ 0.03
Weighted average number of shares outstanding - basic	115,233,173	115,233,173
Dilutive effect of stock options	391,379	-
Weighted average number of shares outstanding - diluted	115,624,552	115,233,173

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

ORVANA MINERALS CORP.

Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of United States dollars)

(Unaudited)		Share capital		Contributed Surplus		Retained Earnings		Total
Balance, September 30, 2008	$	74,777	$	1,553	$	20,532	$	96,862
Stock-based compensation		-		25		-		25
Net income		-		-		3,914		3,914
Balance, December 31, 2008	$	74,777	$	1,578	$	24,446	$	100,801

(Unaudited)		Share capital		Contributed Surplus		Retained Earnings		Total
Balance, September 30, 2009	$	74,777	$	1,658	$	33,932	$	110,367
Stock-based compensation		-		152		-		152
Net income		-		-		1,200		1,200
Balance, December 31, 2009	$	74,777	$	1,810	$	35,132	$	111,719

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

ORVANA MINERALS CORP.

Interim Consolidated Statements of Cash Flows
(In thousands of United States dollars)

(Unaudited)	Three months ended December 31 2009		Three months ended December 31 2008	
Operating activities				
Net income	$	1,200	$	3,914
Depreciation and amortization		1,130		1,668
Accretion (note 5)		36		42
Stock-based compensation		329		92
Future income taxes (recovery)		184		(622)
Provision for statutory labour obligations		97		15
Foreign exchange		132		92
		3,108		5,201
Changes in non-cash working capital items				
Gold sales receivable		(1,440)		1,785
Value-added taxes receivable and prepaid expenses		(1,059)		310
Gold inventory		404		85
Supplies inventory		68		(824)
Accounts payable and accrued liabilities		(2,515)		(1,776)
Income taxes payable		883		3,025
		(551)		7,806
Financing activities				
Issue of long-term debt (note 4)		1,000		-
Repayment of long-term debt (note 4)		(629)		(389)
		371		(389)
Investing activities				
Capital expenditures		(5,037)		(1,761)
Change in cash and cash equivalents		(5,217)		5,656
Cash and cash equivalents, beginning of period		58,036		91,041
Effect of exchange rate changes on cash held in foreign currencies		(68)		(92)
Cash and cash equivalents, end of period	$	52,751	$	96,605

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

1. Nature of operations

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company based in Toronto, Ontario, involved in the evaluation, development and mining of primarily gold and copper deposits. The Company owns and operates the Don Mario Mine and property in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). The Company also owns the El Valle-Boinas/Carles project in Spain referred to as the Kinbauri project, which is held indirectly through its wholly-owned subsidiary Orvana Minerals Asturias Corp. In addition, the Company holds mineral leases in the state of Michigan, USA, referred to as the Copperwood project which is held indirectly through its wholly owned subsidiary, Orvana Resources US Corp. The Company's shares are listed on the Toronto Stock Exchange.

2. Basis of presentation and new accounting policies

(a) Basis of presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements, except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended September 30, 2009, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

(b) New accounting policies

Financial Instruments
During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

This amended standard applies to annual financial statements with fiscal years ending after September 30, 2009. The Company will include these disclosures in its annual consolidated financial statements for the year ending September 30, 2010.

(c) New accounting policies not yet adopted

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-Controlling interests”. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. Sections 1601 and 1602 together replace section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is in the process of evaluating the requirements of the new standards.

(In thousands of United States Dollars unless otherwise noted)

3. Property, plant and equipment

December 31, 2009	Cost	Accumulated amortization	Net carrying value
Land	$ 1,386	$ -	$ 1,386
Plant and equipment	43,181	27,849	15,332
Furniture and equipment	319	90	229
	44,886	27,939	16,947
Mineral properties			
Don Mario - UMZ	2,896	-	2,896
Copperwood	4,366	-	4,366
EL Valle-Boinas/Carles	50,622	-	50,622
	57,884	-	57,884
Total	$ 102,770	$ 27,939	$ 74,831

September 30, 2009	Cost	Accumulated amortization	Net carrying value
Land	$ 1,281	$ -	$ 1,281
Plant and equipment	40,456	27,125	13,331
Furniture and equipment	274	84	190
	42,011	27,209	14,802
Mineral properties			
Don Mario - LMZ	11,698	11,698	-
Don Mario - UMZ	2,718	-	2,718
Copperwood	3,861	-	3,861
EL Valle-Boinas/Carles	49,550	-	49,550
	67,827	11,698	56,129
Total	$ 109,838	$ 38,907	$ 70,931

(In thousands of United States Dollars unless otherwise noted)

4. Long-term debt

On March 4, 2008, EMIPA entered into a term credit facility agreement of $5,000 with Banco Bisa S.A. This facility bears interest at 7.75% and is payable in equal quarterly instalments over a three-year period. At December 31, 2009, $2,224 was outstanding under this facility. During the periods presented, $420 (2008 comparative period - $389) was repaid against this loan. The Company used the proceeds of this credit facility to purchase additional electrical generation equipment and a ball mill to increase ore treatment capacity.

On September 29, 2009, EMIPA entered into a second term credit facility agreement of $2,500 with Banco Bisa S.A. This facility bears interest at 7.8% and is payable in equal quarterly instalments over a three-year period. The first tranche of $1,500 was advanced on September 30, 2009. The second tranche of $1,000 was advanced on November 30, 2009. At December 31, 2009, $2,291 was outstanding under this facility. During the periods presented, $209 (2008 comparative period - $nil) was repaid against this loan. The proceeds of this new credit facility will be used to fund capital investments for the mineral flotation system for the Upper Mineralized Zone project.

The Company has the option of repaying both of these loans prior to the end of this term without penalties and there are no specific covenants related to these credit facilities. Both loans are secured by certain machinery and equipment.

Long-term debt repayments are as follows:

	First Credit Facility	Second Credit Facility	Total Long-Term Debt
fiscal 2010	$ 1,309	$ 625	$ 1,934
2011	915	833	1,748
2012	-	833	833
	2,224	2,291	4,515
Less: current portion	1,762	833	2,595
	$ 462	$ 1,458	$ 1,920

5. Asset retirement obligations

The following table summarizes the changes in asset retirement obligations during the periods presented:

	Three months ended December 31 2009	Year ended September 30 2009
Balance, beginning of period	$ 2,792	$ 2,156
Accretion expense - Bolivia	36	167
Obligation assumed through acquisition of Kinbauri Gold Corp.	-	469
Balance, end of period	$ 2,828	$ 2,792

(In thousands of United States Dollars unless otherwise noted)

5. Asset retirement obligations (continued)

	As at December 31 2009	As at September 30 2009
Balance consists of:		
Don Mario Mine - Bolivia	$ 2,359	$ 2,323
EL Valle-Boinas/Carles Mine - Spain	469	469
	$ 2,828	$ 2,792

6. Share capital

(a) Authorized - unlimited number of common shares

(b) Common shares issued

	Number of common shares	Stated value
Balance, September 30, 2009 and December 31, 2009	115,233,173	$ 74,777

(c) Stock options

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

	Stock options	Weighted average exercise price
Balance, September 30, 2009	3,375,000	Cdn $0.89
Granted	150,000	0.88
Balance, December 31, 2009	3,525,000	Cdn $0.89

Stock options have been expensed as follows:

	Cumulative expense to December 31, 2009	Remainder to be expensed	Total stock option compensation
Stock option expense	$ 1,810	$ 55	$ 1,865

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(c) Stock options (continued)

As at December 31, 2009, outstanding and exercisable stock options granted were as follows:

Grant Date	Fair Value	Number of Non-Vested Options	Weighted Average Contractual Life (in years)	Number of Vested Options	Exercise Price	Expiry Date
April 1, 2005	$ 471	-	0.25	1,025,000	Cdn $1.03	April 1, 2010
June 30, 2005	210	-	0.50	470,000	1.00	June 30, 2010
September 26, 2005	16	-	0.74	30,000	1.20	September 26, 2010
May 12, 2006	58	-	1.37	125,000	1.05	May 12, 2011
June 23, 2006	168	-	1.48	425,000	0.89	June 23, 2011
July 5, 2006	71	-	1.51	175,000	0.91	July 5, 2011
December 14, 2006	99	-	1.96	350,000	0.60	December 14, 2011
August 9, 2007	55	-	2.61	108,333	0.69	August 8, 2012
December 3, 2007	150	-	2.93	325,000	0.81	December 3, 2012
March 3, 2008	65	50,000	3.18	100,000	0.75	March 3, 2013
March 5, 2009	51	100,000	4.18	91,667	0.64	March 5, 2014
October 23, 2009	65	100,000	4.81	50,000	0.88	October 23, 2014
	$1,479	250,000	1.56	3,275,000		
Total vested and non-vested stock options				3,525,000		

The Company uses the fair value method of accounting and, during the three months ended December 31, 2009 recognized stock-based compensation expense of $152 (three months ended December 31, 2008 - $25).

The fair value of the options granted during the three months ended December 31, 2009 was estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date:	October 23, 2009
Options granted	150,000
Estimated grant date fair value:	$65
Risk-free interest rate:	2.50%
Expected life in years:	5
Expected volatility:	59%
Expected dividend yield:	0%

The weighted-average grant date fair value of these options of $65 or Cdn $0.46 per option is expensed over the vesting period of the option which is 24 months from the grant date.

For the three-month periods presented, the fair value associated with non-vested stock options is $110 (December 31, 2008 - $111).

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(d) Long-term compensation

A summary of the deferred share unit plan ("DSUs") transactions for the three-month period is as follows:

	DSUs		Fair value
Balance, September 30, 2009	204,272	$	169
Mark-to-market adjustment	-		50
Balance, December 31, 2009	204,272	$	219

A summary of the restricted share units ("RSUs") transactions is as follows:

	RSUs		Fair value
Accrued RSU awards	-	$	219
Balance, September 30, 2009	-		219
Granted	304,841		-
Mark-to-market adjustment	-		109
Accrued RSU awards	-		62
Balance, December 31, 2009	304,841	$	390

7. Commitments and contingencies

(a) 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.

(b) 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.

7. Commitments and contingencies (continued)

(c) Orvana and/or one of its subsidiaries are parties to three claims arising from Orvana's acquisition of the shares of Kinbauri Gold Corp. ("Kinbauri"). Kinbauri was subsequently amalgamated with Orvana Minerals Acquisition Corp. to form Orvana Minerals Asturias Corp. ("Asturias").

The first claim is an application in the Ontario Superior Court of Justice by Jaguar Financial Corporation ("Jaguar") against Kinbauri (now Asturias), Kinbauri's Spanish subsidiary Kinbauri Espana S.L. ("Kinbauri Espana"), Kinbauri's pre-acquisition directors, Glen Eagle Resources Inc. ("Glen Eagle") and Paradise Peak Holdings under the oppression remedy provisions of the Ontario Business Corporations Act . Jaguar seeks an unspecified amount of compensation for the difference it claims exists between the price per share between the amount Orvana paid and the amount that would have been realized had Kinbauri and its directors acted properly. Jaguar's original application sought orders preventing Kinbauri Espana from proceeding with a proposed transaction with Glen Eagle. Kinbauri ultimately did not proceed with that transaction after Glen Eagle advised it that its financing had ceased to be available and was unable to satisfy Kinbauri that it had secured alternate financing. The amendments to seek the current relief were brought after Orvana's acquisition of Kinbauri. Since amending its notice of application Jaguar has taken no steps to advance the application.

The second claim is a claim by Jaguar against Orvana and one of its officers in the Ontario Superior Court of Justice. The claim seeks damages of $600,000 plus interest and costs. Jaguar claims that Orvana promised to pay Jaguar's expenses in relation to the above noted application. Orvana has denied that allegation. Orvana delivered its statement of defence in December 2009. To date, Jaguar has taken no steps to advance the action since Orvana served its defence.

The third claim arises from the aforementioned Kinbauri Espana/Glen Eagle transaction. Glen Eagle has challenged Kinbauri's decision not to proceed with the proposed transaction. In December 2009, Glen Eagle formally commenced an arbitration against Asturias and Kinbauri Espana seeking damages of C$75 million, interest and costs. Asturias and Kinbauri Espana have served a response denying any liability based on Glen Eagle's anticipatory repudiation of the agreement in issue. To date, the parties have been unable to agree upon the selection of an arbitrator for the dispute.

(d) In March 2008, the Bolivian government discontinued an exploration incentive initiative introduced in 2004 by a previous administration and, at the same time, challenged the legality of this incentive. The 2004 incentive provided for a double deduction of exploration expenses in determining taxable income. Like most mining companies operating in Bolivia, the Company has taken advantage of this incentive since 2004. The Bolivian tax authorities have accepted the application of the double deduction tax incentive for exploration expenses for each of the four taxation years ended September 30, 2007 and for the taxation year ended September 30, 2008 for which the Company claimed the double deduction up to the date of its discontinuance in March 2008.

The Bolivian tax administration has challenged in court the legality of a particular taxpayer’s claim of the double deduction incentive in fiscal periods prior to March 2008. The Bolivian lower court’s decision which ruled in favour of the taxpayer was upheld by the superior court. The case is now before the Tribunal Supremo Plurinacional (the supreme court of Bolivia).

(In thousands of United States Dollars unless otherwise noted)

8. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration, development and commercial production of mineral properties in Bolivia, Spain and the United States. The Company has administrative offices in Toronto, Canada; Stockholm, Sweden; Nicosia, Cyprus; EL Valle-Boinas, Spain; and Ironwood, Michigan. Geographical information is as follows:

As at December 31, 2009 and for the three months then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds	Other assets	Total assets
Bolivia	$ 11,876	$ 2,248	$ 15,853	$ -	$ 11,041	$ 29,142
Spain	-	2,727	54,527	1,289	1,191	59,734
United States	-	-	4,370	-	8	4,378
Canada	-	3,945	81	-	125	4,151
Sweden	-	43,753	-	-	-	43,753
Cyprus	-	78	-	-	-	78
	$ 11,876	$ 52,751	$ 74,831	$ 1,289	$ 12,365	$ 141,236

As at September 30, 2009 and for the year then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds	Other assets	Total assets
Bolivia	$ 56,005	$ 4,820	$ 13,966	$ -	$ 9,134	$ 27,920
Spain	-	2,030	53,062	1,309	1,008	57,409
United States	-	-	3,861	-	-	3,861
Canada	-	6,024	42	-	177	6,243
Sweden	-	45,081	-	-	7	45,088
Cyprus	-	81	-	-	5	86
	$ 56,005	$ 58,036	$ 70,931	$ 1,309	$ 10,331	$ 140,607

9. Cash and cash equivalents

Cash and cash equivalents includes $756 of cash on deposit in favour of the Spanish government pending audit by the government of compliance with the terms of certain capital investment subsidies received by the Company.

(In thousands of United States Dollars unless otherwise noted)

10. Acquisition of Kinbauri Gold Corp.

On August 28, 2009, at the expiry of Orvana's offer to purchase all of the outstanding common shares of Kinbauri, the Company had acquired 94.9% of the issued and outstanding common shares of Kinbauri, a company listed on the TSX Venture Exchange. On September 24, 2009, the Company, through a wholly-owned subsidiary, completed a compulsory acquisition, pursuant to section 206 of the Canada Business Corporations Act, of the remaining outstanding common shares not already owned by it. Kinbauri was delisted from the TSX Venture Exchange on September 25, 2009 and subsequently, an application was granted by the relevant provincial securities commissions for Kinbauri to cease to be a reporting issuer.

The aggregate purchase price was $45,068 including $44,483 paid in cash for the common shares of Kinbauri and transaction costs relating to the acquisition of $2,615 less cash acquired amounting to $2,030.

Kinbauri's balance sheets at September 30, 2009 and December 31, 2009 have been included in Orvana's consolidated balance sheets at the same dates and results of Kinbauri's operations have been included from the acquisition date.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at September 30, 2009. During fiscal 2010, the Company will obtain third-party valuations of certain tangible and intangible assets; thus, the allocation of the purchase price will be subject to some adjustments which may include an adjustment to reflect an estimate of the fair value of the acquired property, plant and equipment.

As at September 30, 2009:

Current assets	$	1,008
Reclamation bonds		1,309
Plant and equipment		3,513
Mineral properties and deferred development costs		49,550
Total assets acquired		55,380
Accounts payable and accrued liabilities		1,684
Asset retirement obligations		469
Future income taxes		8,159
Total liabilities assumed		10,312
Net assets acquired	$	45,068

These are preliminary estimates of fair value and will likely differ from the final allocation and the difference may be material. The Company will finalize the fair value allocation within 12 months of the closing of the transaction.

Prior to its acquisition by Orvana, Kinbauri entered into an agreement (the "NSR Agreement") in which its Spanish subsidiary granted a 2.5% Net Smelter Return royalty in return for consideration of Cdn. $7,500. The royalty rate increases to 3% for any quarter year in which the average price of gold reaches or exceeds $1,100 per ounce. The Company has fair valued the royalty at $10,787, being the present value of forecasted royalty payments using a 15% discount rate.

The amount of $49,550 allocated to mineral properties and deferred development costs is comprised of an estimate of $60,337 offset by the fair value of a Net Smelter Return royalty advance of $10,787.

Future income tax liabilities of $10,462 arising from timing differences on depreciable assets and future income tax assets amounting to $2,303 related to the expected utilization of tax losses have been recognized.

11. Comparative Information

Certain comparative figures have been reclassified to conform with current period financial statement presentation.