ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

FOR THE THREE AND SIX MONTHS ENDED MARCH 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, 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 and six months ended March 31, 2006 and March 31, 2005.

ORVANA MINERALS CORP.

Consolidated Balance Sheets

(In thousands of United States dollars)

	March 31 2006 (Unaudited)	September 30 2005 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 12,276	$ 5,310
Value-added taxes receivable and prepaid expenses	4,244	2,846
Product inventory	496	703
Supplies inventory	2,568	2,183
	19,584	11,042
Property, plant and equipment (note 2)	23,064	24,121
	$ 42,648	$ 35,163
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,586	$ 3,274
Income taxes payable	2,014	669
	4,600	3,943
Asset retirement obligations (note 3)	1,755	1,681
Provision for statutory labour obligations	452	373
Future income tax liability	219	307
	7,026	6,304
Shareholders' equity		
Share capital (note 4(a) and note 4(b))	74,741	74,731
Contributed surplus (note 4(c))	1,261	1,008
Deficit	(40,380)	(46,880)
	35,622	28,859
	$ 42,648	$ 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:

Director

Director

ORVANA MINERALS CORP.

Consolidated Statements of Income and Deficit

(Unaudited)

(In thousands of United States dollars except per share amounts)

	Three months ended March 31		Six months ended March 31	
	2006	2005	2006	2005
Revenues				
Gold sales	$ 12,045	$ 6,775	$ 20,564	$ 13,022
Costs and expenses of mining operations				
Cost of sales	2,507	1,301	4,415	2,949
Royalties, mining rights and other	454	301	793	516
Depreciation and amortization	1,560	1,149	2,780	2,369
Accretion	37	12	74	25
	4,558	2,763	8,062	5,859
Income from mining operations	7,487	4,012	12,502	7,163
Expenses (other income)				
General and administration	1,248	273	1,895	485
Stock-based compensation (note 4(c))	127	-	253	-
Exploration and development	298	68	494	144
Business development	48	-	475	-
Community relations	2	-	142	14
Interest expense	-	177	-	393
Interest and other income (note 7)	(150)	(17)	(158)	(19)
Foreign exchange	46	36	69	60
	1,619	537	3,170	1,077
Income before provision for income taxes	5,868	3,475	9,332	6,086
Provision for income taxes				
Current income taxes	2,142	341	2,920	562
Future (recovery of) income taxes	(75)	919	(88)	1,409
	2,067	1,260	2,832	1,971
Net income	3,801	2,215	6,500	4,115
Deficit, beginning of period	(44,181)	(53,900)	(46,880)	(55,800)
Deficit, end of period	$ (40,380)	$ (51,685)	$ (40,380)	$ (51,685)
Earnings per share				
Basic and fully diluted	$ 0.03	$ 0.02	$ 0.06	$ 0.04

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

ORVANA MINERALS CORP.

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of United States dollars)

	Three months ended March 31		Six months ended March 31	
	2006	2005	2006	2005
Operating activities				
Net income	$ 3,801	$ 2,215	$ 6,500	$ 4,115
Depreciation and amortization	1,560	1,149	2,780	2,369
Accretion	37	12	74	25
Stock-based compensation (note 4(c))	127	-	253	-
Future (recovery of) income taxes	(75)	919	(88)	1,409
Provision for statutory labour obligations	39	33	79	60
	5,489	4,328	9,598	7,978
Changes in non-cash working capital items				
Value-added taxes receivable and prepaid expenses	(990)	2,071	(1,398)	1,486
Product inventory	314	(99)	174	(27)
Supplies inventory	(571)	(394)	(385)	27
Accounts payable and accrued liabilities	224	(209)	(688)	(200)
Income taxes payable	975	-	1,345	-
	5,441	5,697	8,646	9,264
Financing activities				
Exercise of stock options	-	-	10	-
Repayment of long-term debt	-	(1,267)	-	(1,667)
	-	(1,267)	10	(1,667)
Investing activities				
Capital expenditures	(1,050)	(910)	(1,690)	(1,389)
Change in cash and cash equivalents	4,391	3,520	6,966	6,208
Cash and cash equivalents, beginning of period	7,885	6,609	5,310	3,921
Cash and cash equivalents, end of period	$ 12,276	$ 10,129	$ 12,276	$ 10,129

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 and six month periods ended March 31, 2006 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

	March 31 2006 (Unaudited)	March 31 2005 (Unaudited)	September 30 2005 (Audited)
Plant and equipment	$ 27,553	$ 21,858	$ 25,863
Mineral properties and deferred development costs	7,601	7,601	7,601
Less: accumulated depreciation and amortization	(12,090)	(7,526)	(9,343)
	$ 23,064	$ 21,933	$ 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:

	March 31 2006 (Unaudited)	March 31 2005 (Unaudited)	September 30 2005 (Audited)
Balance, beginning of period	$ 1,681	$ 544	$ 544
Liabilities incurred/revisions in estimated cash flows	-	-	1,042
Accretion expense	74	25	95
Balance, end of period	$ 1,755	$ 569	$ 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, March 31, 2006	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:

		March 31 2006 (Unaudited)		March 31 2005 (Unaudited)		September 30 2005 (Audited)
Balance, beginning of period	$	1,008	$	-	$	-
Vesting of previously issued stock options (note 4(d))		253		-		1,008
Balance, end of period	$	1,261	$	-	$	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
Cancelled	(666,666)		0.91
Balance, March 31, 2006	4,016,332	Cdn	$1.90

(In thousands of United States Dollars unless otherwise noted)

4. Share capital (continued)

(d) Stock options (continued)

As at March 31, 2006, 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
(2)	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
(1)	471	-	1,025,000		1.03	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
	1,414	900,000	3,116,332			
Total vested and non-vested stock options			4,016,332			

Stock options have been expensed as follows:

	Number of options	Cumulative expense at March 31, 2006	Remainder to be expensed	Total stock option compensation
(1)	1,025,000	$ 471	$ -	$ 471
(2)	333,334	338	-	338
(3)	1,320,000	442	147	589
(4)	30,000	10	6	16
	2,708,334	$ 1,261	$ 153	$ 1,414

The Company uses the fair value method of accounting for stock options and, for the six months ended March 31, 2006, recognized stock-based compensation expense of $253. 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 six months ended March 31, 2005 in which Sinchi Wayra was the Company's controlling shareholder totaled $177. 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 six months ended March 31, 2005, fees amounting to $53 were paid to the law firm.

General and administration expenses include directors' fees of $87 (March 31, 2005 - $38) and consulting fees of $36 (March 31, 2005 - $30) 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. Interest and other income

The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia which, until March 28, 2006, included a joint venture interest in the Pederson property, which covers approximately 7,800 hectares. On that date, the Company completed an agreement to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian") subject to certain future payments and certain exploration spending targets to be met by Castillian. The Company has recorded a gain of $80 which is included in interest and other income in the income statement in respect of the first payments to be made by Castillian. The Company will record future receipts called for under the agreement as they are received. The principal terms of the agreement are described below.

Subsequent to March 31, 2006, the Company completed an agreement with a third party regarding the respective interests of the Company and that third party in the Pederson property. The Company believed that it held a 50% interest in the Pederson joint venture, subject to this interest being reduced to 35% if the Company failed to meet certain conditions in the joint venture agreement. The third party was of the view that it held a 15% interest in the Pederson joint venture and that the Company held a 35% interest, rather than a 50% interest, together with an option to purchase from that third party an additional 15% interest in the Pederson joint venture under certain conditions. Under the recently-signed agreement with the third party, in connection with the transaction with Castillian the third party will receive consideration from Castillian reflecting a 10% ownership interest of the third party and Orvana will receive consideration from Castillian reflecting a 40% interest in the Pederson property.

7. Interest and other income (continued)

Under the agreement with Castillian, Castillian will acquire 100% of Orvana's interest in the Pederson property provided that it makes certain payments and meets certain exploration spending targets within five years. To acquire Orvana's interest and after giving effect to the Company's agreement with the third party noted above, Castillian is required to make cash payments of $40 and issue the equivalent of $40 worth of common shares of Castillian to Orvana. Additionally, Orvana will 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 will retain a 40% interest in a 1.5% net smelter royalty and in 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 an option to Castillian to buy out the royalty for $2,000.

8. Comparative figures

Certain comparative figures for the three and six months ended March 31, 2005 have been reclassified to conform with the presentation adopted for the three and six months ended March 31, 2006.