ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

THREE AND NINE MONTHS ENDED JUNE 30, 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, 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 and nine months ended June 30, 2005 and June 30, 2004.

ORVANA MINERALS CORP.

Consolidated Balance Sheets

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

	June 30, 2005 (Unaudited)	September 30, 2004 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,380,301	$ 3,920,752
Accounts receivable	3,369,223	4,281,470
Gold and ore inventories	1,279,393	322,330
Supplies	2,211,816	1,922,922
Prepaid expenses	283,457	27,758
	14,524,190	10,475,232
Mineral properties and deferred development costs	5,283,393	6,146,849
Mine development, plant and equipment (Note 3)	16,851,800	16,765,100
Future income tax asset	-	1,913,291
	$ 36,659,383	$ 35,300,472
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,221,156	$ 2,184,431
Current portion of loans payable	3,600,000	3,600,000
Current portion of notes payable	59,075	114,402
	6,880,231	5,898,833
Loan payable - Banco de Credito de Bolivia	-	4,000,000
Loan payable - Fabulosa Mines Limited (Note 2(d))	4,266,667	5,466,667
Notes payable	69,700	182,227
Debenture - Fabulosa Mines Limited (Note 2(d))	92,488	92,488
Provision for statutory workers' settlements	313,971	219,328
Asset retirement obligations (Note 5(i)(c))	615,841	544,358
Future income tax liability	198,961	-
	12,437,859	16,403,901
SHAREHOLDERS' EQUITY		
Capital stock (Note 2(b))	74,707,116	74,696,915
Contributed surplus (Note 2(c))	878,081	-
Deficit	(51,363,673)	(55,800,344)
	24,221,524	18,896,571
	$ 36,659,383	$ 35,300,472

Approved by the Board of Directors

"Robert A. Mitchell" 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 June 30, 2005	Three Months Ended June 30, 2004 (Restated - see Note 5(i))	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004 (Restated - see Note 5(i))
Revenue				
Gold sales	$ 5,892,124	$ 5,522,965	$ 18,913,688	$ 13,325,035
Operating expenses				
Cost of sales	1,369,836	1,399,915	4,318,714	3,759,394
Depreciation and amortization	804,868	1,106,392	3,173,495	3,346,812
Corporate, general and administration	1,000,554	150,711	1,499,911	777,653
Stock-based compensation (Note 2(c))	878,081	-	878,081	-
Production royalties	201,957	188,738	648,337	455,313
Mining rights and other expense (Note 5(ii))	16,904	554	86,282	20,818
Exploration costs	50,049	74,250	194,070	86,007
Foreign exchange loss (gain)	(12,035)	18,311	48,378	59,507
Interest on long term debt	285,717	234,124	679,056	714,603
Interest and other income (Note 5(ii))	(31,646)	(31,563)	(51,289)	(37,281)
Accretion related to asset retirement obligations	46,987	11,237	71,483	33,711
	4,611,272	3,152,669	11,546,518	9,216,537
Income before the following:	1,280,852	2,370,296	7,367,170	4,108,498
Income tax provision	255,916	229,824	818,247	540,279
Future income tax expense	703,547	-	2,112,252	-
	959,463	229,824	2,930,499	540,279
Net income for the period	321,389	2,140,472	4,436,671	3,568,219
DEFICIT, beginning of period	(51,685,062)	(62,214,633)	(55,800,344)	(63,642,380)
DEFICIT, end of period	$ (51,363,673)	$ (60,074,161)	$ (51,363,673)	$ (60,074,161)
Earnings per share - basic and diluted	$ 0.00	$ 0.02	$ 0.04	$ 0.03

ORVANA MINERALS CORP.

Consolidated Statements of Cash Flows

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

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004 (Restated - see Note 5(i))	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004 (Restated - see Note 5(i))
Cash provided by (used in)				
OPERATING ACTIVITIES				
Net income for the period	$ 321,389	$ 2,140,472	$ 4,436,671	$ 3,568,219
Depreciation and amortization	804,868	1,106,392	3,173,495	3,346,812
Stock-based compensation (Note 2(c))	878,081	-	878,081	-
Accretion of asset retirement obligations	46,987	11,237	71,483	33,711
Future income tax expense	703,547	-	2,112,252	-
Provision for statutory workers' settlements	34,684	51,625	94,643	89,262
	2,789,556	3,309,726	10,766,625	7,038,004
Changes in non-cash working capital items				
Accounts receivable	(681,603)	(384,910)	912,247	(301,433)
Gold and ore inventories	(535,553)	(7,041)	(562,502)	8,875
Supplies	(315,963)	(546,083)	(288,894)	(538,961)
Prepaid expenses	(147,419)	25,818	(255,699)	(26,707)
Accounts payable and accrued liabilities	1,177,785	(133,272)	1,036,725	(525,849)
	2,286,803	2,264,238	11,608,502	5,653,929
FINANCING ACTIVITIES				
Loan repayment - Banco de Credito de Bolivia	(3,000,000)	-	(4,000,000)	(1,000,000)
Loan repayment - Fabulosa Mines Limited (Note 2(d))	(533,333)	(400,000)	(1,200,000)	(400,000)
Repayment of notes payable	(110,653)	(33,734)	(167,854)	22,033
Proceeds from share issues	10,201	-	10,201	79,463
	(3,633,785)	(433,734)	(5,357,653)	(1,298,504)
INVESTING ACTIVITIES				
Additions to mineral properties and deferred development costs	-	-	(57,850)	-
Additions to mine development, plant and equipment	(1,401,811)	(478,157)	(2,733,450)	(1,186,021)
	(1,401,811)	(478,157)	(2,791,300)	(1,186,021)
CHANGE IN CASH AND CASH EQUIVALENTS	(2,748,793)	1,352,347	3,459,549	3,169,404
CASH AND CASH EQUIVALENTS, beginning of period	10,129,094	2,045,529	3,920,752	228,472
CASH AND CASH EQUIVALENTS, end of period	$ 7,380,301	$ 3,397,876	$ 7,380,301	$ 3,397,876

(Expressed in United States Dollars Unless Otherwise Noted)

1. ACCOUNTING POLICIES

Orvana Minerals Corp. ("Orvana" or 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 wholly 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 writedowns 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 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 nine month periods ended June 30, 2005 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 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 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)	114,172,507	$ 74,696,915
Exercise of stock options	50,000	10,201
Private placement - Fabulosa Mines Limited	50,000	-
Balance, June 30, 2005 (unaudited) (Note 2(d))	114,272,507	$ 74,707,116

(Expressed in United States Dollars Unless Otherwise Noted)

2. CAPITAL STOCK (Continued)

(c) STOCK OPTIONS

The following summarizes the stock option activity for the nine months ended June 30, 2005:

	STOCK OPTIONS	WEIGHTED AVERAGE PRICE
Balance, September 30, 2004 (audited)	1,568,331	Cdn $ 3.16
Granted	3,345,000	0.98
Exercised	(50,000)	0.25
Balance, June 30, 2005 (unaudited)	4,863,331	1.69

The following are the stock options outstanding as at June 30, 2005:

	NUMBER OF NON-VESTED OPTIONS	NUMBER OF VESTED 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
(1)	-	1,025,000	1.03	April 1, 2010
	-	65,000	1.00	December 8, 2008
(1)	880,000	440,000	1.00	June 30, 2010
(1)	666,666	333,334	0.91	April 1, 2010
	-	80,333	0.25	August 17, 2005
	-	80,000	0.15	December 5, 2005
	-	320,000	0.15	May 23, 2006
	1,546,666	3,316,665		
Total vested and non-vested stock options		4,863,331		

(1) For the nine months ended June 30, 2005, 3,345,000 stock options were issued to directors, senior officers and employees of the Company. The Black-Scholes option pricing model was used to value these options. The following assumptions were used to value the options: expected dividend yield - 0%; expected volatility - 60%; risk-free interest rate - 4.0%; and an expected average life of 5 years. These options were valued at $1,465,738 and will be expensed in the statement of operations and deficit over the service period and as the options vest, depending on the terms of each option issue. As of June 30, 2005, stock-based compensation amounting to $878,081 has been charged to the statement of operations and deficit and with a corresponding credit to contributed surplus in the same amount.

(Expressed in United States Dollars Unless Otherwise Noted)

2. CAPITAL STOCK (Continued)

(d) CONTROLLING SHAREHOLDER'S RIGHTS

In a private transaction completed during the nine months ended June 30, 2005, Minera S.A. sold the parent company of Compania Minera del Sur S.A. ("Comsur") which, prior to such sale, was the Company's controlling shareholder. Prior to such sale, 59,914,695 common shares of the Company, being all of the shares formerly held by Comsur, were transferred from Comsur to Fabulosa Mines Limited ("Fabulosa"), a wholly-owned subsidiary of Minera S.A.

In connection with such transfer, Comsur's rights and obligations under the Definitive Agreement dated September 12, 2001 pursuant to which it acquired the common shares of the Company, including its rights under the asset loan payable by the Company bearing interest at LIBOR plus 4.50%, were assigned to Fabulosa, together with a 6% convertible debenture. Under the Definitive Agreement, Fabulosa 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.

3. MINE DEVELOPMENT, PLANT AND EQUIPMENT

	Nine Months Ended June 30, 2005	Year Ended September 30, 2004
Balance, September 30 (audited)	$ 20,526,688	$ 18,982,922
Additions during the period	2,733,450	1,543,766
	23,260,138	20,526,688
Accumulated depreciation	(6,408,338)	(3,761,588)
Balance, June 30 (unaudited)	$ 16,851,800	$ 16,765,100

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, the Company's controlling shareholder prior to the sale of Comsur during the nine months ended June 30, 2005 (Note 2(d)), 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 exists between the Company's wholly owned subsidiary, Paititi, and Comsur whereby Comsur provides managerial, technical and commercial support to Paititi. Management services fees incurred under the agreement during that portion of the nine months ended June 30, 2005 in which Comsur was the Company's controlling shareholder totaled $177,200 ($315,000 in the nine months ended June 30, 2004). Although no longer a related party, Comsur has agreed to continue to provide managerial and other support services to the Company under the agreement until at least September 30, 2005.

All transactions between the Company and a legal firm which had a partner as a board member until April 2, 2005 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.

4. RELATED PARTY TRANSACTIONS (Continued)

Corporate, general and administration includes director fees of $73,947 (2004 - $71,612) and consulting fees of $61,758 (2004 - $56,250) paid and/or accrued to directors of Orvana. Officers and directors of Orvana were also reimbursed for out-of-pocket expenses incurred on behalf of the Company. 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.

5. BASIS OF PRESENTATION

(i) COMPARATIVE FIGURES FOR JUNE 30, 2004

In order to conform with the changes in accounting policy reflected in the year end fiscal 2004 audited consolidated financial statements, the quarterly comparative figures have been restated. The following items have changed:

(a) The previously reported deficit of $63,855,090 as at September 30, 2003 changed to $63,642,380. Users of these unaudited consolidated financial statements can refer to the audited September 30, 2004 consolidated financial statements for details of this change.

(b) From October 1, 2003 to June 30, 2004, 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. The change resulted in an increase to mining operations of $522,967, a decrease in cost of sales of $522,967 and an increase of $106,170 to depreciation and amortization to previously reported figures for the nine months ended June 30, 2004.

(c) Effective September 30, 2003, the Company adopted the provisions of CICA 3110 which require that the fair value of an asset retirement obligation 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 obligation over the life of the mine and the periods of the cash flows required to settle the obligation.

For the Company, the asset retirement obligation relates primarily 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%.

As of June 30, 2005, 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.

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

5. BASIS OF PRESENTATION (Continued)

(ii) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in 2005.

SUPPLEMENT TO FINANCIAL STATEMENTS
June 30, 2005

As of July 20, 2005, there were 114,272,507 common shares outstanding.

There were also 4,863,331 stock options outstanding.