ORVANA MINERALS CORP.

NOTICE TO SHAREHOLDERS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2006 and June 30, 2005.

ORVANA MINERALS CORP.

Consolidated Balance Sheets

(In thousands of United States dollars)

	June 30 2006 (Unaudited)	September 30 2005 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 18,574	$ 5,310
Value-added taxes receivable and prepaid expenses	3,515	2,846
Product inventory	685	703
Supplies inventory	3,007	2,183
	25,781	11,042
Property, plant and equipment (note 2)	22,325	24,121
	$ 48,106	$ 35,163
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,860	$ 3,274
Income taxes payable	3,074	669
	5,934	3,943
Asset retirement obligations (note 3)	1,791	1,681
Provision for statutory labour obligations	498	373
Future income tax liability	148	307
	8,371	6,304
Shareholders' equity		
Share capital (note 4(a) and note 4(b))	74,777	74,731
Contributed surplus (note 4(c))	1,424	1,008
Deficit	(36,466)	(46,880)
	39,735	28,859
	$ 48,106	$ 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) Susan McArthur Director

(signed) Christopher Mitchell Director

ORVANA MINERALS CORP.

Consolidated Statements of Income and Deficit

(Unaudited)

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

	Three months ended June 30		Nine months ended June 30	
	2006	2005	2006	2005
Revenues				
Gold sales	$ 11,092	$ 5,891	$ 31,656	$ 18,913
Costs and expenses of mining operations				
Cost of sales	2,364	1,370	6,779	4,319
Royalties, mining rights and other	464	218	1,257	734
Depreciation and amortization	1,371	804	4,151	3,173
Accretion	36	46	110	71
	4,235	2,438	12,297	8,297
Income from mining operations	6,857	3,453	19,359	10,616
Expenses (other income)				
General and administration	787	973	2,682	1,458
Stock-based compensation (note 4(c))	163	878	416	878
Exploration and development	301	50	795	194
Business development	-	-	475	-
Community relations	1	29	143	43
Interest expense	-	286	-	679
Interest and other income	(113)	(32)	(271)	(51)
Foreign exchange	37	(12)	106	48
	1,176	2,172	4,346	3,249
Income before provision for income taxes	5,681	1,281	15,013	7,367
Provision for income taxes				
Current income taxes	1,838	256	4,758	818
Future (recovery of) income taxes	(71)	703	(159)	2,112
	1,767	959	4,599	2,930
Net income	3,914	322	10,414	4,437
Deficit, beginning of period	(40,380)	(51,685)	(46,880)	(55,800)
Deficit, end of period	$ (36,466)	$ (51,363)	$ (36,466)	$ (51,363)
Earnings per share				
Basic and fully diluted	$ 0.03	$ 0.00	$ 0.09	$ 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 June 30 2006	Three months ended June 30 2005	Nine months ended June 30 2006	Nine months ended June 30 2005
Operating activities				
Net income	$ 3,914	$ 322	$ 10,414	$ 4,437
Depreciation and amortization	1,371	804	4,151	3,173
Accretion	36	46	110	71
Stock-based compensation (note 4(c))	163	878	416	878
Future (recovery of) income taxes	(71)	703	(159)	2,112
Provision for statutory labour obligations	46	35	125	95
	5,459	2,788	15,057	10,766
Changes in non-cash working capital items				
Value-added taxes receivable and prepaid expenses	729	(830)	(669)	656
Product inventory	(161)	(536)	13	(563)
Supplies inventory	(439)	(316)	(824)	(289)
Accounts payable and accrued liabilities	274	1,070	(414)	870
Income taxes payable	1,060	-	2,405	-
	6,922	2,176	15,568	11,440
Financing activities				
Exercise of stock options	36	10	46	10
Repayment of long-term debt	-	(3,533)	-	(5,200)
	36	(3,523)	46	(5,190)
Investing activities				
Capital expenditures	(660)	(1,402)	(2,350)	(2,791)
Change in cash and cash equivalents	6,298	(2,749)	13,264	3,459
Cash and cash equivalents, beginning of period	12,276	10,129	5,310	3,921
Cash and cash equivalents, end of period	$ 18,574	$ 7,380	$ 18,574	$ 7,380

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 nine-month periods ended June 30, 2006 may not necessarily be indicative of the results that may be expected for the year ending 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

	June 30 2006 (Unaudited)	June 30 2005 (Unaudited)	September 30 2005 (Audited)
Plant and equipment	$ 28,213	$ 23,318	$ 25,863
Mineral properties and deferred development costs	7,601	7,601	7,601
Less: accumulated depreciation and amortization	(13,489)	(8,784)	(9,343)
	$ 22,325	$ 22,135	$ 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:

	Nine months ended		Year ended
	June 30 2006 (Unaudited)	June 30 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	110	71	95
Balance, end of period	$ 1,791	$ 615	$ 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	350,000		46
Private placement - Fabulosa Mines Limited (1)	350,000		-
Balance, June 30, 2006	115,233,173	$	74,777

(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:

	Nine months ended				Year ended	
	June 30 2006 (Unaudited)		June 30 2005 (Unaudited)		September 30 2005 (Audited)	
Balance, beginning of period	$	1,008	$	-	$	-
Vesting of previously issued stock options (note 4(d))		416		878		1,008
Balance, end of period	$	1,424	$	878	$	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
Granted (1)	550,000		0.93
Exercised	(350,000)		0.15
Cancelled	(666,666)		0.91
Balance, June 30, 2006	4,296,332	Cdn	$2.02

(In thousands of United States Dollars unless otherwise noted)

4. Share capital (continued)

(d) Stock options (continued)

(1) 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 years
Expected volatility:	60%
Expected dividend yield:	0%

The weighted-average grant date fair value of these options was $226 or Cdn. $0.46 per share and this amount is expensed over the vesting periods.

As at June 30, 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
	-	-	88,000	Cdn 8.00	July 2, 2006
(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)	589	440,000	880,000	1.00	June 30, 2010
(4)	16	20,000	10,000	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
	1,640	826,666	3,469,666		
Total vested and non-vested stock options			4,296,332		

Stock options have been expensed as follows:

	Number of options	Cumulative expense at June 30, 2006	Remainder to be expensed	Total stock option compensation
(1)	333,334	$ 338	$ -	$ 338
(2)	1,025,000	471	-	471
(3)	1,320,000	499	90	589
(4)	30,000	13	3	16
(5)	125,000	26	32	58
(6)	425,000	77	91	168
	3,258,334	$ 1,424	$ 216	$ 1,640

4. Share capital (continued)

(d) Stock options (continued)

The Company uses the fair value method of accounting for stock options and, for the nine months ended June 30, 2006, recognized stock-based compensation expense of $416. 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 and note 4(d)(1) (see page 7).

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) and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Refer to note 6(e) of the audited consolidated financial statements for the year ended September 30, 2005 for further details.

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 nine months ended June 30, 2005 in which Sinchi Wayra was the Company's controlling shareholder totaled $177. Although it ceased to be a related party in the quarter ended March 31, 2005, 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 nine months ended June 30, 2005, fees amounting to $70 were paid to the law firm.

General and administration expenses include directors' fees of $141 (June 30, 2005 - $74) and consulting fees of $49 (June 30, 2005 - $62) 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

Existing Bolivian government tax regulations with respect to refunds of value-added taxes require the Company to provide the tax authorities with a specific bank guarantee each time a refund is received pending a routine audit of the related claim. These bank guarantees are supported by short-term deposit certificates upon which the Company earns interest income. At June 30, 2006, the total of such short-term deposit certificates amounted to $1,162 and this amount is included in cash and cash equivalents.

The Company's mining and exploration activities are subject to various 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 change, including as a result of changes in laws and regulations.

7. Comparative figures

Certain comparative figures for the three and nine months ended June 30, 2005 have been reclassified to conform with the presentation adopted for the three and nine months ended June 30, 2006.