ORVANA MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005 and 2004

(AUDITED)

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and all of the data included in this report have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information, and that the assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board which meets to satisfy itself that management's responsibilities are properly discharged and with the external auditors to review the financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements for the years ended September 30, 2005 and September 30, 2004 were audited by PricewaterhouseCoopers LLP Canada. Their reports outline the scope of their examination and opinion on the consolidated financial statements.

(signed)

T. Sean Harvey
President and Chief Executive Officer

(signed)

Malcolm King
Vice President and Controller

Toronto, Canada
November 24, 2005

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders of Orvana Minerals Corp.

We have audited the consolidated balance sheets of Orvana Minerals Corp. as at September 30, 2005 and 2004 and the related statements of income and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants
Toronto, Canada
November 24, 2005

ORVANA MINERALS CORP.

Consolidated Statements of Income and Deficit
Year ended September 30
(In thousands of United States dollars except per share amounts)

	2005	2004
Revenues		
Gold sales	$ 29,350	$ 19,121
Costs and expenses of mining operations		
Cost of sales	6,700	5,085
Royalties, mining rights and other	1,261	655
Depreciation and amortization	3,897	4,320
Accretion (note 5)	95	45
	11,953	10,105
Income from mining operations	17,397	9,016
Expenses and other income		
General and administration	2,145	1,067
Stock-based compensation (note 7)	1,008	-
Exploration	230	269
Interest expense	925	929
Interest and other income	(82)	(37)
Foreign exchange	97	85
	4,323	2,313
Income before provision for income taxes and recovery of future income taxes	13,074	6,703
Provision for income taxes (note 9)		
Current income taxes	1,933	774
Future income taxes	2,221	(1,913)
	4,154	(1,139)
Net income	8,920	7,842
Deficit, beginning of year	(55,800)	(63,642)
Deficit, end of year	$ (46,880)	$ (55,800)
Earnings per share (note 10)		
Basic and diluted	$ 0.08	$ 0.07

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

ORVANA MINERALS CORP.
Consolidated Statements of Cash Flows
Year ended September 30
(In thousands of United States dollars)

	2005	2004
Operating activities		
Net income	$ 8,920	$ 7,842
Depreciation and amortization	3,897	4,320
Accretion (note 5)	95	45
Stock-based compensation (note 7)	1,008	-
Future income taxes (recovery) (note 9)	2,221	(1,913)
Provision for statutory labour obligations	154	111
	16,295	10,405
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	1,463	(1,126)
Product inventory	(150)	39
Supplies inventory	(260)	(740)
Accounts payable and accrued liabilities	793	(487)
Income taxes payable	669	-
	18,810	8,091
Financing activities		
Proceeds from issue of shares (note 6(b))	34	79
Repayment of long-term debt (note 4)	(13,159)	(2,933)
	(13,125)	(2,854)
Investing activities		
Capital expenditures	(4,296)	(1,544)
Change in cash and cash equivalents	1,389	3,693
Cash and cash equivalents, beginning of period	3,921	228
Cash and cash equivalents, end of period	$ 5,310	$ 3,921
Other information		
Income taxes paid	$ 1,466	$ 774
Interest paid	$ 920	$ 1,104

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

ORVANA MINERALS CORP.
Consolidated Balance Sheets
As at September 30
(In thousands of United States dollars)

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 5,310	$ 3,921
Value-added taxes receivable and prepaid expenses	2,846	4,309
Product inventory	703	322
Supplies inventory	2,183	1,923
	11,042	10,475
Property, plant and equipment (note 3)	24,121	22,912
Future income tax asset (note 9)	-	1,913
	$ 35,163	$ 35,300
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,274	$ 2,481
Income taxes payable	669	-
Current portion of long-term debt (note 4)	-	3,600
	3,943	6,081
Long-term debt (note 4)	-	9,559
Asset retirement obligations (note 5)	1,681	544
Provision for statutory labour obligations	373	219
Future income tax liability (note 9)	307	-
	6,304	16,403
Shareholder's equity		
Share capital (note 6)	74,731	74,697
Contributed surplus (note 6(c))	1,008	-
Deficit	(46,880)	(55,800)
	28,859	18,897
	$ 35,163	$ 35,300

Commitments and contingencies (note 12)

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

Approved by the Board of Directors:

(signed) George S. Hamilton Director

(signed) Robert A. Mitchell Director

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 (note 3(a)) in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A.

2. Summary of significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

(a) Basis of consolidation

The consolidated financial statements of Orvana and its subsidiaries, which are expressed in US dollars, are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the assets, liabilities, revenues and expenses of the following wholly-owned subsidiaries:

Operating companies:

Empresa Minera Paititi S.A. ("Paititi")

Non-operating companies:

Orvana International Corp.
Orvana Pacific Minerals Corp.
Orvana Resources Corp.
Compania Minera Las Palmas S.A.
Imperial Mining S.A.
Compania Minera Cupesi S.A.
Compania Minera Las Tojas S.A.
Minera El Alto S.A.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may differ significantly from these estimates.

Accounts which require management to make material estimates in determining amounts recorded include accounts receivable, property, plant and equipment, depreciation and amortization, asset retirement obligations, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

2. Summary of significant accounting policies (continued)

(c) Revenue recognition

Sales of gold bullion are recognized when title and risk have passed under the terms of the relevant sales contracts.

(d) Exploration and development expenditures

Significant property acquisition costs are capitalized. Exploration and development expenditures are expensed until a feasibility study has been completed that indicates the property is economically feasible. Capitalized costs are written down to their estimated recoverable amount if there are circumstances indicating that the carrying amount of any properties is impaired.

(e) Stock-based compensation

Effective October 1, 2003, the Company adopted, on a prospective basis, the policy of recording compensation expense for stock options granted to employees based on the fair value of options on the grant date (notes 6 and 7).

(f) Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Future tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not they will be realized.

(g) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed using the "treasury stock method". The treasury stock method assumes that any "in the money" option proceeds are used to purchase common shares of the Company at the average market price during the year.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and money market investments with original maturities of three months or less and which are readily convertible into cash.

(i) Inventories

Product inventory which consists of gold bullion and gold in circuit is stated at the lower of production cost and net realizable value. Cost represents average production cost. Supplies inventory is stated at the lower of average cost and replacement cost.

2. Summary of significant accounting policies (continued)

(j) Property, plant and equipment

Property, plant and equipment, including mine development expenditures, are carried at cost less accumulated depreciation and amortization and less any write-downs to recognize impairments. Depreciation and amortization are charged to income on a unit-of-production basis over estimated mineral reserves. Properties under development include initial acquisition costs and costs incurred subsequent to completion of an economic feasibility study.

When impairment conditions are identified, reviews of producing properties and properties under development are conducted. The carrying values of property, plant and equipment which are not assessed as economically viable are written down to fair value, which is determined using a discounted cash flow model.

(k) Asset retirement obligations

The accounting for asset retirement obligations encompasses the accounting for legal obligations associated with the retirement of a long-lived tangible asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is its other than temporary removal from service, including its sale, abandonment, recycling or disposal in some other manner.

The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the cost of the related long-lived asset. Changes in the liability for an asset retirement obligation resulting from the passage of time and/or revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized in the period of change and the related costs are recognized in the period of change or in the period of change and future periods, if the change affects more than one period. Over time, the liability is increased to reflect an interest element (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on a unit-of-production basis. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

It is possible that the Company's estimates of its asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

(l) Foreign currency translation

The functional currency of the Company is the US dollar. The Company's foreign operations are classified as integrated for foreign currency translation purposes. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate during the year with the exception of depreciation and amortization which is translated at the historical rate recorded for property, plant and equipment. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income for the current period.

(m) Hedging transactions

The Company has not entered into any hedging transactions.

(n) Comparative figures

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

(In thousands of United States Dollars unless otherwise noted)

3. Property, plant and equipment

September 30		2005		2004
Plant and equipment	$	25,863	$	20,527
Mineral properties and deferred development costs (note 3(a) and note 3(b))		7,601		7,601
Less: accumulated depreciation and amortization		(9,343)		(5,216)
	$	24,121	$	22,912

(a) Description of the Don Mario Mine and Property

The Company has a 100% working interest in the Don Mario property comprising eleven mineral concessions located in eastern Bolivia. Annual payments aggregating $131 are made to maintain the mining rights and to keep these concessions in good standing. According to the Bolivian Mining Code, mining rights in Bolivia are granted in perpetuity and can be lost only if the annual mining rights upon the concession are not being paid. These concessions are available for further exploration and development.

The Don Mario Mine commenced commercial production on July 1, 2003.
Certain of the mineral concessions are subject to a 3% net smelter royalty payable to a third party.

(b) Pederson and other exploration properties in Bolivia

The Company holds certain joint venture interests in a number of mineral concessions, located in the Altiplano region of Bolivia, including a joint venture interest in the Pederson property, which covers approximately 7,800 hectares. The Company believes that it holds a 50% interest in the Pederson joint venture, subject to this interest being reduced to 35% if the Company fails to issue, within 30 days of being notified that a decision has been made to place the Pederson property into commercial production, 200,000 common shares of the Company plus additional common shares of the Company having a value of $1,500 at the time these shares are issued. The Company has been advised that a third party is of the view that it holds a 15% interest in the Pederson joint venture and that the Company holds 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 which may be exercised by the Company issuing 200,000 common shares of the Company having a value of $1,500 at the time the option is exercised. Prior to year end, the Company reached an agreement in principle to sell its interest in the Pederson property to Castillian Resources Corp. ("Castillian"). Management expects that a definitive agreement will be signed early in fiscal 2006. Following completion of this sale, the Company intends to enter into negotiations with respect to a possible sale to Castillian of the Company's interests in its remaining exploration properties located in the Altiplano region.

Under the agreement in principle, Castillian would acquire 100% of Orvana's interest in the Pederson property. To acquire the interest, Castillian would be required to make cash payments of US$50 and issue the equivalent of US$50 worth of common shares of Castillian to Orvana upon receipt of regulatory approval for the transaction. Additionally, Orvana would receive US$50 and the equivalent of US$50 of common shares of Castillian within 90 days, an additional 1,000,000 common shares and the equivalent of US$1,000 of common shares within 12 months and a final cash payment of US$1,400 within five years of completion of a feasibility study on the Pederson property. Orvana would retain a 50% interest in a 1.5% net smelter royalty on the Pederson property, with advance royalty payments on the 1.5% net smelter royalty of US$200 per year commencing on the second anniversary of the agreement (with those payments counting towards a US$2,000 buyout of the royalty). Orvana believes it has an indirect 50% interest in the Pederson property, subject to such interest being reduced to 35% in certain circumstances. In the event that Orvana has only a 35% indirect interest in the Pederson property at the time any consideration is to be paid to Orvana, then pursuant to the agreement in principle, the consideration payable to Orvana would be reduced proportionately.

The Pederson and other exploration properties are carried at a nominal amount in the Company's consolidated financial statements and related liabilities and expenses are not material.

(In thousands of United States Dollars unless otherwise noted)

4. Long-term debt

September 30	2005	2004
Loan payable - Banco de Credito de Bolivia (a)	$ -	$ 6,000
Loan payable - Fabulosa Mines Limited (b)	-	7,067
Debenture - Fabulosa Mines Limited (c)	-	92
	-	13,159
Less: current portion - Banco de Credito de Bolivia (a)	-	(2,000)
Less: current portion - Fabulosa Mines Limited (b)	-	(1,600)
	$ -	$ 9,559

(a) Paititi, the Company's wholly owned subsidiary, entered into a financing arrangement with the Banco de Credito de Bolivia for an $8,000 loan facility bearing interest at LIBOR plus 3.75% which was fully drawn at September 30, 2003. During fiscal 2005, this loan was repaid in full.

(b) In accordance with the Definitive Agreement dated January 11, 2002, Compania Minera del Sur S.A. ("Comsur"), the Company's former controlling shareholder, sold mining rights, land, plant and equipment to Paititi for $8,000. In connection with this asset purchase, Comsur provided financing through a loan facility of $8,000, bearing interest at LIBOR plus 4.50%. During fiscal 2005, the loan was assigned to Fabulosa Mines Limited ("Fabulosa") and was repaid in full prior to the year end (note 6(e)).

(c) The Company issued a debenture in the amount of $92, bearing interest at 6%, to Comsur. This debenture was assigned to Fabulosa and was discharged on September 26, 2005 (note 6(e)).

5. Asset retirement obligations

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

Year ended September 30	2005	2004
Balance, October 1,	$ 544	$ 499
Liabilities incurred	599	-
Revisions in estimated cash flows	443	-
Accretion expense	95	45
Balance, September 30	$ 1,681	$ 544

Asset retirement obligations relate to the Company's Don Mario Mine in eastern Bolivia and the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Associated long-lived assets include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination.

At September 30, 2005, management estimates that the total undiscounted amount of the estimated cash flows required to settle the Company's asset retirement obligations is $2,800. It is expected that this amount will be incurred in approximately equal amounts over the years 2009 to 2014. The credit-adjusted risk-free interest rates used to discount estimated cash flows for liabilities incurred in 2005 and 2004 were 8% and 10% respectively. Accretion expense is recorded using the resulting weighted average credit-adjusted risk-free interest rate.

(In thousands of United States Dollars unless otherwise noted)

6. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued

	Number of common shares		Stated value
Balance, September 30, 2003	113,028,170	$	74,618
Exercise of stock options	572,000		79
Private placement - Fabulosa Mines Limited (note 6(e))	572,000		-
Common share adjustment	337		-
Balance, September 30, 2004	114,172,507	$	74,697
Exercise of stock options	180,333		34
Private placement - Fabulosa Mines Limited (note 6(e))	180,333		-
Balance, September 30, 2005	114,533,173	$	74,731

(c) Contributed surplus

A summary of the transactions in the contributed surplus account in fiscal 2005 and fiscal 2004 is as follows:

	Number of common shares		Stated value
Balance, October 1, 2003	-	$	-
Grant of stock options	-		-
Balance, September 30, 2004	-		-
Grant of stock options (notes 6(d) and (7))	3,375,000		1,008
Balance, September 30, 2005	3,375,000	$	1,008

(d) Stock options

The stated purpose of the Orvana Stock Option Plan (the "Plan") established in 1996, is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to, the Company and its subsidiaries and affiliates. The Plan is administered by a committee appointed by the Board of Directors. Subject to the terms of the Plan the committee may determine, among other things, the number of stock options to be granted to any person, the exercise price (which may not be less than the market price, as defined in the Plan, of the Company's common shares) and the time or times when options will be exercisable (ie. any vesting period). The term of stock options granted under the Plan may not exceed ten years from the date of grant but generally options are granted for five years.

In addition to the outstanding stock options described below, as at September 30, 2005 the Company is authorized to issue stock options under the Plan for the purchase of up to 765,103 additional common shares. Common shares in respect of which outstanding options expire unexercised are available for subsequent option grants under the Plan.

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(d) Stock options (continued)

A summary of the stock option transactions for the years ended September 30, 2005 and 2004 is as follows:

	Stock options	Weighted average price
Balance, September 30, 2003	2,140,331	Cdn $2.32
Exercised	(572,000)	0.19
Balance, September 30, 2004	1,568,331	3.16
Granted	3,375,000	0.98
Exercised	(180,333)	0.22
Balance, September 30, 2005	4,762,998	Cdn $1.73

As at September 30, 2005, outstanding and exercisable stock options granted were as follows:

	Number of non-vested options	Number of vested options	Exercise price	Expiry date
	-	80,000	Cdn$ 0.15	December 5, 2005
	-	270,000	0.15	May 23, 2006
	-	88,000	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
	-	65,000	1.00	December 8, 2008
(note 7)	-	1,025,000	1.03	April 1, 2010
(note 7)	666,666	333,334	0.91	April 1, 2010
(note 7)	880,000	440,000	1.00	June 30, 2010
(note 7)	20,000	10,000	1.20	September 26, 2010
	1,566,666	3,196,332		
Total vested and non-vested stock options		4,762,998		

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(d) Stock options (continued)

As at September 30, 2004, outstanding and exercisable stock options granted were as follows:

Number of options	Exercise price	Expiry date
130,333	Cdn$ 0.25	August 17, 2005
80,000	0.15	December 5, 2005
320,000	0.15	May 23, 2006
88,000	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
65,000	1.00	December 8, 2008
1,568,331		

(e) Controlling shareholder's rights

In a private transaction completed during fiscal 2005, Minera S.A. sold the parent company of Comsur which, prior to the sale, was the Company's controlling shareholder. Prior to the sale, 59,914,695 common shares of the Company, being all of the shares formerly held by Comsur, were transferred from Comsur to Fabulosa, a wholly-owned subsidiary of Minera S.A. In connection with the transfer, Comsur's rights and obligations under the Definitive Agreement dated January 11, 2002 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 which was discharged on September 26, 2005. 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.

7. Stock-based compensation

The Company's stock option plan is described in note 6(d). The Company uses the fair value method of accounting and, during fiscal 2005, recognized stock-based compensation expense of $1,008 (fiscal 2004 - $0). This policy was effective on October 1, 2003 and applied on a prospective basis.

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:	5
Expected volatility:	60%
Expected dividend yield:	0%

For fiscal 2005, the weighted-average grant date fair value of these options was $1,482 or Cdn. $0.54 per share and this amount is expensed over the vesting periods.

(In thousands of United States Dollars unless otherwise noted)

8. 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 Comsur, the Company's former controlling shareholder (note 6(e)), 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 Comsur whereby Comsur provided managerial, technical and commercial support to Paititi. Management services fees incurred under the agreement during that portion of the year ended September 30, 2005 in which Comsur was the Company's controlling shareholder totaled $177 (2004 - $420). Although no longer a related party, Comsur 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 with fees amounting to $70 (2004 - $60).

General and administration expenses include director fees of $99 (2004 - $53) and consulting fees of $83 (2004 - $38) 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.

9. Income taxes

(a) The components of the provision for income taxes are as follows:

Year ended September 30	2005	2004
Current income tax expense:		
Canada	$ -	$ -
Foreign	1,933	774
Future income tax expense:		
Canada	-	-
Foreign	2,221	(1,913)
Provision for income taxes	$ 4,154	$ (1,139)

(In thousands of United States Dollars unless otherwise noted)

9. Income taxes (continued)

(b) The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective income tax rate is as follows:

Year ended September 30	2005	2004
Income before provision for income taxes	$ 13,074	$ 6,703
Income tax provision at the combined Canadian federal and provincial statutory rates of 36.1% (36.3% in 2004)	4,722	2,434
Effect of differences in foreign tax rates	(1,902)	(713)
Stock-based compensation	364	-
Non-deductible expenses	68	-
Valuation allowance set up against current year tax losses	481	-
Special tax deduction on exploration expenditures	(84)	-
Permanent differences	505	(791)
Recognition of a future tax benefit from prior years' losses	-	(1,913)
Effect of change in temporary differences not recognized	-	(21)
Utilization of prior years' losses not previously recognized	-	(135)
Provision for income taxes	$ 4,154	$ (1,139)
Effective tax rate	31.8%	(17.0%)

In Bolivia, mining companies are subject to a minimum tax, referred to as the Complementary Mining Tax (ICM), which is calculated on gross invoice value and paid at the time of each export of minerals. For gold, at prices of $400 per ounce or less, the ICM rate is 4% of the gold price. At prices above $400 per ounce, the tax rate is determined by multiplying the per ounce price of gold by 1/100th, with the result expressed as a percentage, up to a maximum rate of 7% when the price reaches $700 or more per ounce of gold. Corporate income tax (IUE) is calculated on taxable income at a rate of 25%. If IUE exceeds ICM, IUE is payable and total ICM paid during the year is applied as installments against total IUE. If ICM exceeds IUE, then the total ICM paid becomes the minimum tax for the year. In this latter case, the amount of ICM paid is itself deductible in the following year in determining taxable income and IUE and, thus, becomes a timing difference in the calculation of deferred income taxes.

At September 30, 2005, the Company has available non-capital loss carry-forwards for Canadian tax purposes with expiry as follows:

2006	$2,165
2008	1,010
2009	444
2010	389
2014	514
2015	1,449
	$5,971

(In thousands of United States Dollars unless otherwise noted)

9. Income taxes (continued)

(c) The Company's future income tax assets are as follows:

Year ended September 30	2005	2004
Non-capital losses carried forward	$ 2,157	$ 3,472
Other	-	-
Net future income tax asset	2,157	3,472
Valuation allowance	(2,157)	(1,559)
Net future income tax asset	$ -	$ 1,913

The Company has recorded a valuation allowance in respect of its Canadian losses in the amount of $2,157 at September 30, 2005 (2004 - $1,559) because management believes that the future income tax assets in respect of such losses are unlikely to be realized in the carry-forward period. The future income tax asset of $1,913 recorded in fiscal 2004 in respect of Bolivian losses carried forward was fully utilized in fiscal 2005. At September 30, 2005, a net future tax liability of $307 is recorded in respect of other timing differences relating to Bolivian income taxes.

10. Earnings per share

Year ended September 30	2005	2004
Earnings available to common stockholders and on assumed conversions	$ 8,920	$ 7,842
Weighted average shares outstanding - basic	114,241,002	113,669,885
Dilutive stock options	449,467	595,333
Controlling shareholder's rights on exercise of stock options (note 6(e))	576,128	595,333
Conversion of debenture - Fabulosa (note 6(e))	93,721	96,342
Weighted average shares outstanding - diluted	115,360,318	114,956,893

Basic earnings per share is computed by dividing net income or loss (the numerator) by the weighted average number of outstanding common shares for the year (the denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding stock options and other convertible instruments.

(In thousands of United States Dollars unless otherwise noted)

11. Segmented information

(a) Segmented assets

September 30, 2005	Canada	Bolivia	Consolidated
Current assets	$ 493	$ 10,549	$ 11,042
Long-term assets	42	24,079	24,121
	$ 535	$ 34,628	$ 35,163

September 30, 2004	Canada	Bolivia	Consolidated
Current assets	$ 109	$ 10,366	$ 10,475
Long-term assets	-	24,825	24,825
	$ 109	$ 35,191	$ 35,300

(b) Segmented income

Year ended September 30, 2005	Canada	Bolivia	Consolidated
Revenues - gold sales	$ -	$ 29,350	$ 29,350
Interest and other income	39	43	82
	39	29,393	29,432
General and administration	1,243	902	2,145
Interest on long-term debt	6	919	925
Depreciation and amortization	6	3,891	3,897
Accretion expense	-	95	95
Provision for income taxes	-	4,154	4,154
Segmented net income (loss)	$ (2,254)	$ 11,174	$ 8,920

(In thousands of United States Dollars unless otherwise noted)

11. Segmented information (continued)

(b) Segmented income (continued)

	Year ended September 30, 2004		
	Canada	Bolivia	Consolidated
Revenues - gold sales	$ -	$ 19,121	$ 19,121
Interest and other income	-	37	37
	-	19,158	19,158
General and administration	486	581	1,067
Interest on long-term debt	6	923	929
Depreciation and amortization	-	4,320	4,320
Accretion expense	-	45	45
Provision for income taxes	-	(1,139)	(1,139)
Segmented net income (loss)	$ (517)	$ 8,359	$ 7,842

12. 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.

13. Subsequent event

Subsequent to September 30, 2005, the Company reached an agreement in principle with the third party referred to in note 3(b) with respect to the respective interests of the Company and that third party in the Pederson property. Under the agreement in principle, in connection with the transaction with Castillian described in note 3(b) the third party would receive consideration from Castillian reflecting a 10% ownership interest of the third party in the Pederson property and Orvana would receive consideration from Castillian reflecting a 40% interest in the Pederson property. As a result, Orvana would receive $40 and the equivalent of $40 worth of common shares of Castillian upon receipt by Castillian of regulatory approval for the transaction. Additionally, Orvana would 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 would retain a 40% interest in a 1.5% net smelter royalty on the Pederson property, with 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 a $2,000 buyout of the royalty). Under the agreement in principle, Orvana would also pay $10 to the third party at such time as Orvana receives its first payment from Castillian.