ORVANA MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

and

SEPTEMBER 30, 2003

(AUDITED)

November 19, 2004

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 year ended September 30, 2004 were audited by PricewaterhouseCoopers LLP Canada and the consolidated financial statements for the nine month period ended September 30, 2003 were audited by PricewaterhouseCoopers S.R.L. Bolivia. Their reports outline the scope of their examination and opinion on the consolidated financial statements.

(signed)

Jaime Urjel
President and Chief Executive Officer

(signed)

Jorge Szasz
Vice President, Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of
Orvana Minerals Corp.

We have audited the consolidated balance sheet of **Orvana Minerals Corp.** as at September 30, 2004 and the statement of operations and deficit and cash flows for the twelve month period 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 audit.

We conducted our audit 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, 2004 and the results of its operations and its cash flows for the twelve month period then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at September 30, 2003 and for the period then ended prior to the adjustment for accounting changes described in Note 8, were audited by other auditors, who expressed an opinion on those statements in their report dated November 24, 2003. We have audited the adjustments to the 2003 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants
Toronto, Canada
November 19, 2004

ORVANA MINERALS CORP.

Consolidated Balance Sheets
(Expressed in United States Dollars)

	September 30, 2004	September 30, 2003 (Restated - see note 8)
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,920,752	$ 228,472
Receivables and prepaid expenses	4,309,228	3,182,822
Gold and ore inventories	322,330	360,876
Supplies	1,922,922	1,182,759
	10,475,232	4,954,929
Mineral properties and deferred development costs (Note 3)	6,146,849	7,351,435
Mining operations (Note 4)	16,765,100	18,336,703
Future income tax asset (Note 12)	1,913,291	-
	$ 35,300,472	**$ 30,643,067**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,184,431	$ 2,650,219
Current portion of loans payable	3,600,000	2,800,000
Current portion of notes payable	114,402	159,653
	5,898,833	5,609,872
Loan payable - Banco de Credito de Bolivia (Note 5)	4,000,000	6,000,000
Loan payable - Compania Minera del Sur S.A. (Note 6)	5,466,667	7,200,000
Notes payable (Note 14)	182,227	158,313
Debenture - Compania Minera del Sur S.A. (Note 7)	92,488	92,488
Provision for statutory workers' settlements	219,328	107,911
Asset retirement obligations (Note 8)	544,358	499,411
	16,403,901	19,667,995
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	74,696,915	74,617,452
Deficit	(55,800,344)	(63,642,380)
	18,896,571	10,975,072
	$ 35,300,472	**$ 30,643,067**

Approved by the Board of Directors:

(signed) George Hamilton Director

(signed) Jeffrey Lloyd Director

ORVANA MINERALS CORP.

Consolidated Statements of Operations and Deficit
(Expressed in United States Dollars)

	For the year ended September 30, 2004	For the nine months ended September 30, 2003 (Restated - see note 8)
Revenue		
Gold sales	$ 19,121,002	$ 2,984,933
Interest and other income	37,471	7,901
	19,158,473	2,992,834
Operating expenses		
Cost of sales	5,084,217	1,359,416
Depreciation and amortization	4,319,956	896,083
Corporate, general and administration	1,067,460	360,137
Production royalties	655,335	101,960
Exploration costs	268,780	-
Foreign exchange loss	85,383	23,714
Interest on long term debt	929,385	259,595
Accretion related to asset retirement obligation (Note 8)	44,947	41,236
	12,455,463	3,042,141
Income (loss) before restructuring costs and provision for (recovery of) income taxes	6,703,010	(49,307)
Restructuring costs (Note 7)	-	92,488
Income (loss) before provision for (recovery of) income taxes	6,703,010	(141,795)
Income tax provision (Note 12)	(774,265)	(115,975)
Future income tax recovery (Note 12)	1,913,291	-
Net income (loss) for the year	**7,842,036**	**(257,770)**
DEFICIT, beginning of year	(63,642,380)	(63,384,610)
DEFICIT, end of year	**$ (55,800,344)**	**$ (63,642,380)**
Earnings per share (Note 13)		
Basic	$ 0.07	$ 0.00
Diluted	$ 0.07	$ 0.00

ORVANA MINERALS CORP.

Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	For the year ended September 30, 2004	For the nine months ended September 30, 2003 (Restated - see note 8)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Income (loss) for the period	$ 7,842,036	$ (257,770)
Depreciation and amortization	4,319,956	896,083
Accretion of asset retirement obligations (Note 8)	44,947	41,236
Future income tax recovery (Note 12)	(1,913,291)	-
Provision for statutory workers' settlements	111,417	107,911
	10,405,065	787,460
Changes in non-cash working capital items		
Receivables and prepaid expenses	(1,126,407)	(1,774,623)
Gold and ore inventories	38,546	(360,876)
Accounts payable and accrued liabilities	(465,788)	1,472,288
Supplies	(740,163)	(39,677)
	8,111,253	84,572
FINANCING ACTIVITIES		
Proceeds from share issues	79,463	192,961
Debenture payable to Compania Minera del Sur S.A.	-	96,650
Issue of and (repayment of) loan payable - Banco de Credito de Bolivia	(2,000,000)	4,000,000
Repayment of loan payable - Compania Minera del Sur S.A.	(933,333)	-
Notes payable	(21,337)	(9,874)
	(2,875,207)	4,279,737
INVESTING ACTIVITIES		
Mineral properties	-	(40,274)
Purchase of equipment	(1,543,766)	(5,601,502)
	(1,543,766)	(5,641,776)
CHANGE IN CASH AND CASH EQUIVALENTS	3,692,280	(1,277,467)
CASH AND CASH EQUIVALENTS, beginning of period	228,472	1,505,939
CASH AND CASH EQUIVALENTS, end of period	**$ 3,920,752**	**$ 228,472**
OTHER INFORMATION		
Income taxes paid	**$ 774,265**	$ 115,975
Interest paid	**$ 1,103,778**	$ 324,161

1. The Company

Orvana Minerals Corp. (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 (Note 3(a)), which is held through its 100% owned subsidiary, Empresa Minera Paititi S.A.

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.

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 mineral claims, 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 write downs of the carrying values.

2. Summary of significant accounting policies

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

Basis of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of Orvana Minerals Corp. and its 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.
Cupesi S.A.
Compania Minera Las Tojas S.A.

Revenue Recognition

Revenue is mainly derived from the sale of gold bullion. Revenue is recognized when significant risks and ownership title are transferred to the the purchaser of the gold bullion, which is upon shipment. Minor adjustments to the receivable for each shipment at the settlement date, primarily caused by final assay results, are adjusted through gold sales at each balance sheet date.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of six months or less.

Inventory

Gold bullion and inventories of ore stockpiled at the surface are stated at the lower of cost and net realizable value using the first in, first out method. Cost represents average production cost. Materials and supplies inventories are stated at the lower of cost and replacement cost. At September 30, 2004, gold bullion inventory was $161,534 (2003 - $135,742) and stockpiled ore inventories were $160,796 (2003 - $225,134).

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ significantly from those estimates.

Specific items requiring estimates are the net realizable values and recoverable amount of deferred property costs, asset retirement obligations, income taxes and gold reserves.

Transactions and balances not denominated in U.S. Dollars

Assets and liabilities denominated in currency other than U.S. dollars are translated using the temporal method, whereby monetary items are translated using rates of exchange prevailing at the balance sheet date and non-monetary items are translated at rates prevailing at the date of acquisition. Revenues and expenses are translated using average rates of exchange for the period. Foreign exchange gains or losses are included in the statement of operations and deficit.

Mineral properties and exploration costs

Mineral properties are carried at cost less accumulated amortization.

Acquisition costs and mineral exploration costs directly related to mineral properties have historically been capitalized and deferred until such time as the properties are brought into commercial production, abandoned or sold. These costs are being amortized over the estimated productive life of the properties commencing with the start of commercial production or written off if the properties are abandoned or sold. Amortization of such cost is calculated on the units of production method over the expected economic life of the mine. Management reviews the carrying value of its property interests on a regular basis, and where necessary, these interests are written down to their estimated net recoverable amount. All other exploration costs are expensed in the year incurred.

Mining operations

Amortization of mine buildings and mills, equipment and pre-production and development costs commences when a property is put into commercial production, and is calculated on the units of production method over the expected economic life of the mine.

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

Mine development

In order to conform with Canadian generally accepted accounting principles, the Company has changed its method of recording mine development costs. From July 1, 2003 to September 30, 2003, the Company followed the practice of including these expenditures 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. In 2004 and 2003, this amounted to $726,808 and $264,109 respectively.

In 2003, the change resulted in an increase to mining operations of $264,109, a decrease in deficit of $264,109 and a reduction to cost of sales of $264,109. No amortization was taken in 2003. In 2004, the change resulted in an increase to mining operations of $726,808, a decrease in deficit of $726,808 and a reduction to cost of sales of $726,808.

Asset retirement obligations

Effective September 30, 2003, the Company retroactively adopted the new Canadian accounting standard with respect to asset retirement obligations. Under the new standard, legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion which are included in the statement of operations and deficit.

It is possible that the Company's estimates of its ultimate 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 these estimates are revised.

The asset retirement cost is amortized on a straight line basis over the expected payout schedule of the asset retirement obligations.

Earnings per share

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

Stock based compensation

Effective October 1, 2003, the company adopted CICA 3870 "Stock Based Compensation and other Stock Based Payments" which requires that the fair value of all stock options awarded to employees and directors be expensed on a prospective basis. The Company has not issued any stock options subsequent to the effective date of the standard and it has not had an impact on the financial statements to date.

Fair value of financial instruments

The carrying values of financial instruments approximate their estimated fair values unless otherwise disclosed in these consolidated financial statements.

(Expressed in United States Dollars Unless Otherwise Noted)

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. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in 2004.

3. Mineral properties and deferred development costs

	September 30, 2004	September 30, 2003
Mineral properties and deferred development costs	$ 7,601,299	$ 7,601,299
Less: accumulated amortization	(1,454,450)	(249,864)
	$ 6,146,849	$ 7,351,435

a) Description of the Don Mario Mine and Property

The Company has a 100% working interest in eight mineral concessions totaling 53,900 hectares located in eastern Bolivia. Annual payments aggregating approximately $66,000 are made to maintain the mining rights and to keep these concessions in good standing. These concessions are available for further exploration and development.

In February 2002, the Company commenced construction of a mining and milling operation and the mine commenced commercial production on July 1, 2003. Based upon the current mine plan, the Company has sufficient reserves to sustain continuous operations for five to six years.

Certain of the mineral concessions are subject to a 3% net smelter royalty payable to a third party.

All of the mineral concessions are subject to a government tax, referred to as the Complementary Mining Tax (ICM). At a gold price less than $400 per ounce, the ICM rate is 4% of the gold price. At prices above $400 per ounce, the tax increases at an accelerating rate up to a limit of 7% when the prices reaches $700 per ounce of gold. Amounts paid for ICM are a credit against income taxes otherwise payable if such income tax is payable during a certain year, otherwise the ICM tax is consolidated as a minimum tax payable.

b) Pederson Property, Bolivia

The Company has a 35% interest (with an option to acquire an additional 15%) in the Pederson Property, which is located 300 km south of La Paz, Bolivia. The Company has no immediate plans for the development of this property.

(Expressed in United States Dollars Unless Otherwise Noted)

4. Mining operations

Mining operations consist of the following categories:

	September 30, 2004	September 30, 2003
Plant and Equipment - Don Mario Property	$ 20,526,688	$ 18,982,922
Less: accumulated amortization	(3,761,588)	(646,219)
	$ 16,765,100	$ 18,336,703

Details of the mining operations cost allocation are as follows:

	September 30, 2004	September 30, 2003
Buildings	$ 2,298,153	$ 2,298,153
Plant and equipment	4,342,511	4,246,461
Heavy equipment	2,579,036	2,025,243
Energy generating plant	1,396,498	1,396,498
Tools	218,984	98,757
Vehicles	71,284	53,784
Furniture	98,054	88,503
Camp equipment	14,634	10,113
Computer equipment	235,939	224,188
Plant installation	5,420,708	5,420,708
Tailings dam	1,485,718	1,485,718
Electrical equipment	533,217	529,652
Gas pipe	382,860	382,860
Mine development	990,917	264,109
Asset retirement cost (Note 8)	458,175	458,175
	20,526,688	18,982,922
Less: accumulated amortization	(3,761,588)	(646,219)
	$ 16,765,100	$ 18,336,703

5. Loan payable - Banco de Credito de Bolivia

Paititi, the Company's wholly owned subsidiary, has entered into a financing arrangement with the Banco de Credito de Bolivia for a $8,000,000 loan facility which was fully utilized as at September 30, 2003. As of September 30, 2004, the principal balance of the loan facility was $6,000,000 (2003 - $8,000,000). The interest rate of the loan payable is LIBOR plus 3.75%.

(Expressed in United States Dollars Unless Otherwise Noted)

5. Loan payable - Banco de Credito de Bolivia (continued)

The facility is re-payable in six installments as follows:

March 1, 2005	$1,000,000
August 29, 2005	1,000,000
February 24, 2006	1,000,000
August 23, 2006	1,000,000
February 19, 2007	1,000,000
August 20, 2007	1,000,000
	$6,000,000
Less: current portion	(2,000,000)
	$4,000,000

6. Loan payable to a related party - Comsur

In accordance with the Definitive Agreement dated January 11, 2002, Comsur sold mining rights, land, plant and equipment to Paititi for $8,000,000. In connection with the asset purchase, Comsur has provided financing through a loan facility of $8,000,000. The principal balance at September 30, 2004 is $7,066,667. The loan payable has the following terms:

(a) The interest rate is LIBOR plus 4.50%.

(b) Principal repayments over the next five years are as follows:

2005	$1,600,000
2006	1,600,000
2007	1,600,000
2008	1,600,000
2009	666,667
	$7,066,667
Less: current portion	(1,600,000)
	$5,466,667

7. Debenture - Compania Minera del Sur S.A ("Comsur")

The Company has issued a debenture in the amount of $92,488 to Comsur. The debenture bears interest at 6% per annum, is payable quarterly in arrears and matures three years from the date of issuance, subject to prepayment in certain circumstances. The debenture is repayable at Comsur's option in cash or by the issuance of common shares of the Company at the then-current market price.

(Expressed in United States Dollars Unless Otherwise Noted)

8. Asset Retirement Obligations

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 time. The amortization will generally be determined on a units-of-production basis over the life of the mine, while the accretion to be recognized will escalate over the life of the producing assets.

For the Company, asset retirement obligations primarily relate to the dismantling of the mine facilities and environmental reclamation.

At September 30, 2003, the change resulted in an increase to mining operations of $458,175, an increase in the asset retirement obligations of $458,175 and a reduction to deficit of $35,287. 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%.

Changes in asset retirement obligations were as follows:

	September 30, 2004	September 30, 2003
Asset retirement obligation / reclamation, beginning of year	$ 499,411	$ 35,287
Change in accounting policy	-	(35,287)
Liabilities incurred	-	458,175
Accretion expense	44,947	41,236
Asset retirement obligation, end of year	$ 544,358	$ 499,411

As of September 30, 2004, management estimates that undiscounted expected cash flows required to settle the Company's asset retirement obligations will be incurred as follows:

2009	$ 251,668
2010	251,668
2011	201,665
2012	185,000
2013	122,500
2014	107,499
	$ 1,120,000

(Expressed in United States Dollars Unless Otherwise Noted)

9. Capital stock

(a) AUTHORIZED - Unlimited number of common shares

(b) COMMON SHARES ISSUED

	NUMBER OF SHARES		STATED VALUE
Balance, December 31, 2002	110,327,170	$	74,405,466
Issued in consideration of property acquired	30,000		19,025
Exercise of stock options	1,320,500		192,961
Private placement - Compania Minera del Sur S.A.(*)	1,350,500		nil
Balance, September 30, 2003	113,028,170	$	74,617,452
Exercise of stock options	572,000		79,463
Private placement - Compania Minera del Sur S.A. (*)	572,000		nil
Common share adjustment	337		nil
Balance, September 30, 2004	114,172,507	$	74,696,915

(*) Comsur 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.

10. Stock options

In 1996, the Company adopted a stock option plan (the "Orvana Stock Option Plan", or the "Plan") which was approved by the Company's shareholders under the policies of The Toronto Stock Exchange. The Plan replaced a previous stock option plan (the "Pre-1996 Plan") and all options under the Pre-1996 Plan either expired or were exercised prior to January 1, 2003.

The stated purpose of the Orvana Stock Option Plan 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 to be 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.

In addition to the outstanding stock options described below, as at September 30, 2004 the Company was authorized to issue stock options under the Plan for the purchase of up to 2,000,859 additional common shares. Common shares in respect of which outstanding options expire unexercised are available for subsequent option grants under the Plan.

(Expressed in United States Dollars Unless Otherwise Noted)

10. Stock options (continued)

As at September 30, 2004, all stock options were fully vested. Stock options granted under the plan were outstanding and exercisable as follows:

NUMBER OF 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
65,000	1.00	December 8, 2008
130,333	0.25	August 17, 2005
80,000	0.15	December 5, 2005
320,000	0.15	May 23, 2006
1,568,331		

As at September 30, 2003, stock options granted under the plan were outstanding and exercisable as follows:

NUMBER OF 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
65,000	1.00	December 8, 2008
309,833	0.25	August 17, 2005
80,000	0.15	December 5, 2005
569,500	0.15	May 23, 2006
30,000	0.15	May 30, 2004
113,000	0.15	September 5, 2006
2,140,331		

The following summarizes the stock option activity for the year ended September 30, 2004 and the nine months ended September 30, 2003

	Stock options	Weighted Average price
Balance, December 31, 2002	3,460,831	Cdn $1.54
Exercised	(1,320,500)	0.21
Balance, September 30, 2003	2,140,331	2.32
Exercised	(572,000)	0.19
Balance, September 30, 2004	1,568,331	$3.16

(Expressed in United States Dollars Unless Otherwise Noted)

11. Related party transactions

All transactions with related parties have occurred in the normal course of operations or have occurred pursuant to the Definitive Agreement and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company's wholly owned subsidiary Paititi has entered into an agreement with Comsur to provide managerial, technical and commercial support to the Company. The contract is renewable annually on September 30 and currently requires payments totalling $420,000 annually.

All transactions with the Company and a legal firm, who has a partner as a board member, 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.

12. Income taxes

The Company's income tax provision (recovery) has been calculated as follows:

		September 30, 2004
Net income (loss) for the year	$	6,703,010
Income tax recovery (provision) at Canadian federal and provincial statutory rates		2,435,337
Effect of differences in foreign tax rates		(713,265)
Effect of change in temporary differences not recognized		(21,362)
Current year losses not recognized		nil
Permanent differences		(791,349)
Utilization of prior year losses not previously recognized		(135,096)
Provision for (recovery of) income taxes	$	774,265

The components of the provision for (recovery of) income taxes comprise:

Current tax expense:		
Canada	$	nil
Foreign		774,265
Future tax expense:		
Canada		nil
Foreign		nil
	$	774,265

(Expressed in United States Dollars Unless Otherwise Noted)

12. Income taxes (continued)

The Company's future income tax assets at September 30, 2004 are summarized as follows:

	September 30, 2004
Property plant and equipment	$ nil
Exploration and development	nil
Non-capital losses carried forward	3,472,652
Other	nil
Net future income tax asset	3,472,652
Valuation allowance	(1,559,361)
Net future income tax asset recorded	$ 1,913,291

The Company has recorded a valuation allowance in respect of its Canadian losses in the amount of $1,559,361 as at September 30, 2004 because management believes that the future income tax assets are in respect of such losses are unlikely to be realized in the carryforward period. The $1,913,291 represents the full value of the tax carryforward losses in Bolivia.

As at September 30, 2004, the Company has available non-capital loss carry-forwards for Canadian federal and Ontario tax purposes that will expire as follows:

2004	629,813
2006	1,991,398
2007	nil
2008	929,742
2009	408,607
2010	357,607

13. Earnings per share

	September 30, 2004	September 30, 2003
Earnings available to common stockholders	7,842,036	(257,770)
Effect of dilutive securities on earnings	-	-
Earnings available to common stockholders and on assumed conversions	7,842,036	(257,770)
Weighted average shares outstanding - basic	113,669,885	111,677,670
Effect of dilutive stock options	1,190,666	-
Effect of conversion of debenture - Compania Minera del Sur S.A.	96,342	-
Weighted average shares outstanding and on assumed conversions	114,956,893	111,677,670

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.

(Expressed in United States Dollars Unless Otherwise Noted)

14. Notes payable

The Company entered into a series of agreements relating to the acquisition of mining equipment. The equipment has been capitalized. Interest rates on the notes to acquire the mining equipment vary from 5.61% to 8.00% per annum. Payments to complete the acquisition of the mining equipment are as follows:

2005	$ 114,402
2006	114,402
2007	67,825
Total principal payments	296,629
Less: current portion	(114,402)
Long-term portion	$ 182,227

15. Segmented information

(a) Segmented assets

September 30, 2004

	Canada	Bolivia	Consolidated
Current assets	$ 108,909	$ 10,366,323	$ 10,475,232
Long-term assets	-	24,825,240	24,825,240
	$ 108,909	$ 35,191,563	$ 35,300,472

September 30, 2003

	Canada	Bolivia	Consolidated
Current assets	$ 100,682	$ 4,854,247	$ 4,954,929
Long-term assets	-	25,688,138	25,688,138
	$ 100,682	$ 30,542,385	$ 30,643,067

(Expressed in United States Dollars Unless Otherwise Noted)

15. Segmented information (continued)

(b) Segmented profits

For the year ended September 30, 2004

	Canada	Bolivia	Consolidated
Gold sales	$ -	$ 19,121,002	$ 19,121,002
Interest and other income	-	37,471	37,471
	-	19,158,473	19,158,473
Interest on long-term debt	$ 5,799	$ 923,586	$ 929,385
Deprecation and amortization	$ -	$ 4,319,956	$ 4,319,956
Accretion	$ -	$ 44,947	$ 44,947
Income taxes	$ -	$ (1,139,026)	$ (1,139,026)
Segmented profit (loss)	$ (517,489)	$ 8,359,525	$ 7,842,036

For the nine month period ended September 30, 2003

	Canada	Bolivia	Consolidated
Gold sales	$ -	$ 2,984,933	$ 2,984,933
Interest and other income	1,676	6,225	7,901
	$ 1,676	$ 2,991,158	$ 2,992,834
Interest on long-term debt	$ -	$ 259,595	$ 259,595
Depreciation and amortization	$ -	$ 896,083	$ 896,083
Accretion	$ -	$ 41,236	$ 41,236
Income taxes	$ -	$ 115,975	$ 115,975
Segmented profit (loss)	$ (198,136)	$ (59,634)	$ (257,770)

(c) Major customer

Revenues from gold sales from the Bolivia segment are derived from one customer.