ORVANA MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 and 2007

(AUDITED)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Orvana Minerals Corp. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

Carlos Mirabal
President and Chief Executive Officer

(signed)

Malcolm King
Vice President and Chief Financial Officer

Toronto, Canada
December 2, 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215

Auditors' Report

To the Shareholders of
Orvana Minerals Corp.

We have audited the consolidated balance sheets of Orvana Minerals Corp. as at September 30, 2008 and 2007 and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
December 2, 2008

ORVANA MINERALS CORP.

Consolidated Balance Sheets
As at September 30
(In thousands of United States dollars)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	$ 91,041	$ 55,667
Gold sales receivable	1,785	1,462
Value-added taxes receivable and prepaid expenses	4,275	3,585
Gold inventory	641	949
Supplies inventory	2,871	1,920
	100,613	63,583
Property, plant and equipment (note 3)	20,072	17,570
	$ 120,685	$ 81,153
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,786	$ 2,912
Income taxes payable	7,792	4,351
Current portion of long-term debt (note 4)	1,601	-
	16,179	7,263
Long-term debt (note 4)	2,644	-
Asset retirement obligations (note 5)	2,156	1,988
Provision for statutory labour obligations	1,307	946
Future income tax liability (note 8)	1,537	-
	23,823	10,197
Shareholders' equity		
Share capital (note 6(b))	74,777	74,777
Contributed surplus	1,553	1,354
Retained earnings (Deficit)	20,532	(5,175)
	96,862	70,956
	$ 120,685	$ 81,153

Commitments and contingencies (note 12)
Subsequent event (note 14)

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

Approved by the Board of Directors:

(signed) Carlos Mirabal Director

(signed) Robert Mitchell Director

ORVANA MINERALS CORP.

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

	2008	2007
Revenues		
Gold sales	$ 69,064	$ 55,920
Costs and expenses of mining operations		
Cost of sales	13,226	11,285
Royalties and mining rights	2,075	1,809
Mining royalty taxes	3,817	-
Depreciation and amortization	7,591	6,539
Accretion (note 5)	168	160
	26,877	19,793
	42,187	36,127
Expenses (other income)		
General and administration	4,437	2,208
Exploration	1,666	1,474
Stock-based compensation (note 6(c))	199	(156)
Community relations	195	330
Interest on long-term debt	179	-
Interest and other income	(2,195)	(1,676)
Foreign exchange	100	123
	4,581	2,303
Income before provision for income taxes and provision for future income taxes	37,606	33,824
Provision for income taxes (note 8)		
Current income taxes	10,362	8,035
Future income tax expense (recovery)	1,537	(234)
	11,899	7,801
Net income and comprehensive income	$ 25,707	$ 26,023
Earnings per share (note 9)		
Basic and diluted	$ 0.22	$ 0.23
Weighted average number of shares outstanding - basic	115,233,173	115,233,173
Weighted average number of shares outstanding - diluted	115,296,803	115,273,899

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

ORVANA MINERALS CORP.

Consolidated Statements of Changes in Shareholders' Equity

Year ended September 30

(In thousands of United States dollars)

	Share capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, September 30, 2006	$ 74,777	$ 1,510	$ (31,198)	$ 45,089
Grant of stock options	-	107	-	107
Vesting of previously issued stock options	-	112	-	112
Forfeiture of previously issued stock options	-	(375)	-	(375)
Net income	-	-	26,023	26,023
Balance, September 30, 2007	74,777	1,354	(5,175)	70,956
Grant of stock options	-	151	-	151
Vesting of previously issued stock options	-	48	-	48
Net income	-	-	25,707	25,707
Balance, September 30, 2008	$ 74,777	$ 1,553	$ 20,532	$ 96,862

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)

	2008	2007
Operating activities		
Net income	$ 25,707	$ 26,023
Depreciation and amortization	7,591	6,539
Accretion (note 5)	168	160
Stock-based compensation (note 6(c))	199	(156)
Future income taxes (recovery) (note 8)	1,537	(234)
Provision for statutory labour obligations	361	379
Foreign exchange	100	123
	35,663	32,834
Changes in non-cash working capital items		
Gold sales receivable	(323)	(1,462)
Value-added taxes receivable and prepaid expenses	(690)	(306)
Gold inventory	198	(326)
Supplies inventory	(951)	627
Accounts payable and accrued liabilities	3,874	(74)
Income taxes payable	3,441	195
	41,212	31,488
Financing activities		
Issue of long-term debt (note 4)	5,000	-
Repayment of long-term debt (note 4)	(755)	-
	4,245	-
Investing activities		
Capital expenditures	(9,983)	(2,548)
Change in cash and cash equivalents	35,474	28,940
Cash and cash equivalents, beginning of period	55,667	26,850
Effect of exchange rate changes on cash held in foreign currencies	(100)	(123)
Cash and cash equivalents, end of period	$ 91,041	$ 55,667

Other information

	2008	2007
Income taxes paid	$ 5,902	$ 7,924
Interest paid	$ 170	$ -

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

1. Nature of operations

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company based in Toronto, Ontario, involved in the evaluation, development and mining of precious and base metal deposits in the Americas. The Company owns and operates the Don Mario Mine and property (note 3(a)) in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). In addition, in fiscal 2008, the Company acquired the Copperwood Project (note 3(c)) in the United States which is held indirectly through its wholly owned subsidiary, Orvana Resources US Corp. ("Orvana Resources"). The Company's shares are listed on the Toronto Stock Exchange.

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. ("EMIPA")
Orvana Resources US Corp. ("Orvana Resources")

Non-operating companies:

Orvana Cyprus Limited
Orvana Sweden International AB
Orvana Pacific Minerals Corp.
Minera El Alto S.A.
Minera Orvana Peru S.A.
Clarendon Mining Limited
Minera Orvana Mexico S.A. de C.V.

(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.

(c) Revenue recognition

Revenue is recorded in the financial statements when title as well as risks and rewards have passed to the buyer, which occurs on the date of export.

2. Summary of significant accounting policies (continued)

(d) Exploration and development expenditures

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. The Company periodically assesses its capitalized exploration and development expenditures for impairment and where there are circumstances indicating that an impairment exists, the carrying value of the impaired assets are written down to fair value.

(e) Stock-based compensation

The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense over the vesting period of the options with a corresponding increase recorded to contributed surplus. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in note 6(c). Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(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. The effect on future income tax assets and liabilities of a change in the enacted tax rate is included in income in the period in which the change is substantially enacted. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that 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 all "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

Gold inventory which consists of gold bullion and gold in circuit is stated at the lower of carrying value and net realizable value. 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 of mine property, plant and equipment 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. The capitalized cost is amortized on a unit-of-production basis. 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. 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. These estimates are also based on expected remediation requirements relating to the LMZ and will change if the Company proceeds with the UMZ base metals project. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

(l) Foreign currency translation

The functional and reporting 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.

(In thousands of United States Dollars unless otherwise noted)

2. Summary of significant accounting policies (continued)

(m) Financial Instruments

Effective October 1, 2007, all financial instruments have been classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company made the following classifications:

Cash and cash equivalents	Held for trading
Gold sales receivable	Loans and receivables
Value-added taxes receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Income taxes payable	Other financial liabilities
Long-term debt	Other financial liabilities
Provision for statutory labour obligations	Other financial liabilities

Transaction costs are expensed as incurred for all financial instruments.

(n) Change in accounting policies

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

Capital Disclosures
Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has not complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 7 to these consolidated financial statements.

Financial Instruments
Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in note 10 to these consolidated financial statements.

(In thousands of United States Dollars unless otherwise noted)

2. Summary of significant accounting policies (continued)

(o) Future accounting changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will be required for Orvana's interim and annual financial statements for the fiscal year beginning October 1, 2011.

The Company is currently assessing the impact of IFRS on its consolidated financial statements.

3. Property, plant and equipment

Year ended September 30, 2008	Cost	Accumulated amortization	Net carrying value
Plant and equipment	$ 33,693	$ 21,975	$ 11,718
Construction in process	3,957	-	3,957
Mineral properties and deferred development costs (note 3(a) and note 3(b))	9,627	5,902	3,725
Asset retirement costs	1,499	1,054	445
Furniture and equipment	121	63	58
Copperwood project - (note 3(c))	169	-	169
	$ 49,066	$ 28,994	$ 20,072

Year ended September 30, 2007	Cost	Accumulated amortization	Net carrying value
Plant and equipment	$ 29,136	$ 15,894	$ 13,242
Construction in process	164	-	164
Mineral properties and deferred development costs (note 3(a) and note 3(b))	8,174	4,813	3,361
Asset retirement costs	1,499	766	733
Furniture and equipment	111	41	70
	$ 39,084	$ 21,514	$ 17,570

3. Property, plant and equipment (continued)

(a) Description of the Don Mario Mine and property (Bolivia)

The Company has a 100% working interest in the Don Mario property comprising eleven mineral concessions located in eastern Bolivia. Annual payments aggregating $123 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 (note 12).

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

(b) Pederson and other exploration properties (Bolivia)

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.

(c) Copperwood Project (United States)

In September 2008, the Company's wholly-owned subsidiary, Orvana Resources, entered into a minerals lease in respect of an area of the “Western Syncline” located in the Upper Peninsula of the State of Michigan. The leased area is referred to as the Copperwood Project.

Under the minerals lease, in consideration for annual lease payments, Orvana Resources will have mineral rights until the later of the 20th anniversary of the date of the lease or the date Orvana Resources ceases to be actively engaged in development, mining, or related operations on the property. Lease payments will be applied to any royalty payments due under a related NSR agreement that Orvana Resources has entered into with the lessor. The NSR, which will be determined quarterly, ranges from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. The minerals lease may be terminated by Orvana Resources on 60 days’ notice.

4. Long-term debt

On March 4, 2008, EMIPA entered into a term credit facility agreement of $5,000 with Banco Bisa S.A. This facility bears interest at 7.75% and is payable in equal quarterly installments over a three-year period as set out in the repayment table of this note. The Company has the option of prepaying the loan prior to the end of its term without penalties.

At September 30, 2008, $4,245 was outstanding under this facility. During the year, repayments of $374 and $381 were made on June 17, 2008 and September 17, 2008, respectively. The Company used the proceeds of this new credit facility to purchase additional electrical generation equipment and a ball mill to increase ore treatment capacity including ore from the Los Tojas concession.

(In thousands of United States Dollars unless otherwise noted)

4. Long-term debt (continued)

There are no specific covenants related to this facility.

Long-term debt repayments are as follows:

fiscal 2009	$	1,601
2010		1,729
2011		915
		4,245
Less: current portion		(1,601)
	$	2,644

5. Asset retirement obligations

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

Year ended September 30		2008		2007
Balance, October 1	$	1,988	$	1,828
Accretion expense		168		160
Balance, September 30	$	2,156	$	1,988

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, 2008, 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 2010 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.

6. Share capital

(a) Authorized - unlimited number of common shares

(b) Common shares issued

	Number of common shares		Stated value
Balance, September 30, 2007 and September 30, 2008	115,233,173	$	74,777

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(c) Stock options

The stated purpose of the Orvana Stock Option Plan (the "Plan") established in 2006, 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 (i.e. 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 and vest one-third immediately and one-third after each of the first and second anniversaries of the date of grant.

As at September 30, 2008, the Company has granted 2,990,001 stock options and was authorized to grant stock options under the Plan for the purchase of up to 4,750,000 additional common shares. Common shares in respect of which outstanding options expire unexercised are available for subsequent option grants under the Plan.

A summary of the stock option transactions for the years ended September 30, 2008 and 2007 is as follows:

	Stock options	Weighted average exercise price
Balance, September 30, 2006	4,383,332	Cdn $1.72
Granted	500,000	0.63
Expired	(923,333)	4.21
Forfeited	(583,333)	0.97
Balance, September 30, 2007	3,376,666	1.01
Granted	475,000	0.79
Expired	(861,665)	1.26
Balance, September 30, 2008	2,990,001	Cdn $0.90

Stock options have been expensed as follows:

	Cumulative expense to September 30, 2008	Remainder to be expensed	Total stock option compensation
Stock option expense	$ 1,553	$ 72	$ 1,625

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(c) Stock options (continued)

As at September 30, 2008, outstanding and exercisable stock options granted were as follows:

Grant Date	Fair Value	Number of Non-Vested Options	Weighted Average Contractual Life (in years)	Number of Vested Options	Exercise Price	Expiry Date
December 8, 1998	$ -	-	0.19	65,000	Cdn $1.00	December 8, 2008
April 1, 2005	471	-	1.50	1,025,000	1.03	April 1, 2010
June 30, 2005	210	-	1.75	470,000	1.00	June 30, 2010
September 26, 2005	16	-	1.99	30,000	1.20	September 26, 2010
May 12, 2006	19	-	2.62	41,667	1.05	May 12, 2011
June 23, 2006	129	-	2.73	325,000	0.89	June 23, 2011
July 5, 2006	24	-	2.76	58,334	0.91	July 5, 2011
December 14, 2006	99	-	3.21	350,000	0.60	December 14, 2011
August 9, 2007	55	50,000	3.86	100,000	0.69	August 8, 2012
December 3, 2007	150	216,667	4.18	108,333	0.81	December 3, 2012
March 3, 2008	65	100,000	4.43	50,000	0.75	March 3, 2013
	$1,238	366,667	2.12	2,623,334		
Total vested and non-vested stock options				2,990,001		

The Company uses the fair value method of accounting and, during fiscal 2008 recognized stock-based compensation expense of $199. During fiscal 2007, the Company recognized stock-based compensation expense of $219 which was offset by a credit to income of $375 in respect of unvested stock options forfeited by departing officers and directors, resulting in a net credit of $156.

The fair value of each option grant in fiscal 2008 and fiscal 2007 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate:	4.0 % - 4.5%
Expected life in years:	4
Expected volatility:	70% - 73%
Expected dividend yield:	0%

For fiscal 2008, the weighted-average grant date fair value of these options was $215 (fiscal 2007 - $154) or Cdn $0.45 (fiscal 2007 - $0.35) per option and this amount is expensed over the vesting periods.

For fiscal 2008, the fair value associated with non-vested stock options is $162 (fiscal 2007 - $138).

(In thousands of United States Dollars unless otherwise noted)

6. Share capital (continued)

(d) Controlling shareholder's rights

Under a share acquisition agreement dated January 11, 2002, 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 outstanding on the date of the agreement. At September 30, 2008, the number of options to which this right relates include 65,000 options exercisable at Cdn. $1.00 expiring December 8, 2008.

7. Capital management

Orvana's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued production and maintenance at the Don Mario Mine and to acquire, explore and develop other precious and base metal deposits in the Americas. In order to achieve this objective, the Company invests its capital in highly liquid, highly rated financial instruments.

Orvana manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, Orvana expects that it will be able to obtain long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that such financing will be available on terms acceptable to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the year ended September 30, 2008. The Company is not subject to externally imposed capital requirements.

8. Income taxes

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

Year ended September 30	2008	2007
Current income taxes:		
Canada	$ -	$ -
Foreign	10,362	8,035
	10,362	8,035
Future income taxes:		
Canada	-	-
Foreign	1,537	(234)
Provision for income taxes	$ 11,899	$ 7,801

(In thousands of United States Dollars unless otherwise noted)

8. 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		2008		2007
Income before provision for income taxes	$	37,606	$	33,824
Income tax provision at the combined Canadian Federal and provincial statutory rates of 34.2% (32.5% in 2007)		12,861		10,993
Effect of differences in foreign tax rates		(1,343)		(2,370)
Stock-based compensation		68		(51)
Non-deductible items		34		43
Non-taxable income		(222)		-
Valuation allowance - current year tax losses		956		372
Special tax deduction on exploration expenditures		(641)		(512)
Foreign exchange loss available for tax in a foreign subsidiary		(85)		(373)
Prior years' expenses not previously deducted for tax		-		(301)
Bolivian current value accounting adjustment		146		-
Other		125		-
Provision for income taxes	$	11,899	$	7,801
Effective tax rate		31.6		23.1

At September 30, 2008, the Company has available non-capital loss carry-forwards for Canadian tax purposes at current rates of exchange with expiry as follows:

2009	$	512
2010		448
2014		592
2015		1,560
2016		4,255
2017		2,266
2018		2,796
	$	12,429

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

Year ended September 30		2008		2007
Non-capital losses carried forward - net future income tax asset	$	4,251	$	2,885
Valuation allowance		(4,251)		(2,885)
Net future income tax asset	$	-	$	-
Accounts payable and accrued liabilities	$	345	$	-
Property, plant and equipment		(1,882)		-
Net future income tax liability	$	(1,537)	$	-

(In thousands of United States Dollars unless otherwise noted)

8. Income taxes (continued)

The Company has recorded a valuation allowance in respect of its Canadian losses in the amount of $4,251 at September 30, 2008 (2007 - $2,885) because management believes that the future income tax assets in respect of such losses are unlikely to be realized in the carry-forward period. At September 30, 2008, a net future tax liability of $1,537 (2007 - $nil) is recorded in respect of other timing differences relating to Bolivian income taxes.

On November 23, 2007, the Bolivian Congress approved legislation amending the country's mining and income tax laws. Under Bolivia's constitution, the tax changes became effective on a prospective basis from the date of their enactment, which was December 14, 2007. The tax increases take two forms:

(a) A new tax on income of 7.5% (12.5% for companies not processing minerals beyond the concentrate stage), resulting in an effective income tax rate of 32.5%.

(b) A new mining royalty tax, calculated as a percentage of the gross invoice value of metals exported, which is payable in addition to income tax. The mining royalty tax rate is a function of the particular metal and its market price. For gold, the rate ranges from a minimum of 4%, at a gold price of $400 or less, to a maximum of 7%, at a gold price of $700 or more. The new mining royalty tax is deductible in determining income taxes.

9. Earnings per share

Year ended September 30	2008	2007
Earnings available to common stockholders and on assumed conversions	$ 25,707	$ 26,023
Weighted average shares outstanding - basic	115,233,173	115,233,173
Dilutive stock options	63,630	40,726
Weighted average shares outstanding - diluted	115,296,803	115,273,899

Basic earnings per share is computed by dividing net income (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.

10. Property and financial risk factors

(a) Property risk

The Don Mario Mine is the only property that is currently material to the Company. Unless and until the Company acquires or develops additional material properties, the Company will be solely dependent upon the Don Mario Mine. If no additional mineral properties are acquired by Orvana, any adverse development affecting the Don Mario Mine would have a material adverse effect on Orvana's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate and gold price risk) and other risks.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

10. Property and financial risk factors (continued)

(b) Financial risk (continued)

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to gold sales and value-added taxes receivable. The Company has a concentration of credit risk with one customer to which gold is sold under an escrow agreement securing payment to the Company prior to the release of each shipment to the customer. Value-added taxes receivable are collectable from the Bolivian government and are in good standing as of September 30, 2008. Management believes that the credit risk with respect to financial instruments attributable to gold sales and value-added taxes receivable is minimal.

In addition, the majority of the Company's cash and cash equivalents are on deposit with four highly-rated banks in Sweden and Canada. A lesser amount is held in local banks in Bolivia (note 11).

Liquidity risk
The Company has sufficient funds (September 30, 2008 - $91,041 and September 30, 2007 - $55,667) to settle current and long-term liabilities. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's subsidiary's long-term debt is based on contractual terms between the subsidiary and an unrelated third party.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and gold prices.

(i) Interest rate risk

Orvana has significant cash balances and long-term debt, with the latter having a fixed rate of interest of 7.75% (refer to note 4). The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency risk

Orvana's functional currency is primarily the US dollar. Gold sales and major purchases are transacted in US dollars. The Company maintains US dollar bank accounts in Canada, Bolivia, Cyprus, Sweden and the United States. The Company maintains and funds some operating and administrative expenses in the local currencies from its US dollar bank accounts.

(iii) Price risk

Gold price risk is defined as the potential adverse impact on earnings and economic value due to gold price movements and volatilities. The Company closely monitors gold prices to determine the appropriate course of action to be taken by the Company. Orvana does not hedge any of its gold sales.

Orvana marks its unsettled transactions to market.

10. Property and financial risk factors (continued)

(b) Financial risk (continued)

Other risks
In March 2008, the Bolivian government discontinued an exploration incentive initiative introduced in 2004 by a previous administration and, at the same time, challenged the legality of this incentive. The 2004 incentive provided for a double deduction of exploration expenses in determining taxable income. Like most mining companies operating in Bolivia, the Company has taken advantage of this incentive since 2004. The Bolivian tax authorities have accepted the application of the double deduction tax incentive for exploration expenses for each of the four taxation years ended September 30, 2007. The Company has sought advice from its tax counsel on the significance to it of this current challenge to the legality of the incentive. Until the apparent contradiction between the two decrees issued by two different government administrations is clarified, the Company intends to file its tax returns claiming the tax incentive up to the date of its discontinuance in March 2008.

Sensitivity analysis

As of September 30, 2008, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, Orvana believes the following movements are "reasonably possible" over a twelve-month period.

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus change in rates of one percentage point would have affected net income by $528 for the year ended September 30, 2008.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) Net income would be impacted by changes in average realized gold prices. A 10% decrease in average realized gold prices would affect net income by a decrease of approximately $4,265 for the year ended September 30, 2008 and a 10% increase in average realized gold prices would have affected net income by an increase of approximately $4,265 for such period.

(In thousands of United States Dollars unless otherwise noted)

11. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration, development and commercial production of mineral properties in Bolivia and the United States. The Company has administrative offices in Toronto, Canada, Stockholm, Sweden and Nicosia, Cyprus. Geographical information is as follows:

As at September 30, 2008 and for the year then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Other assets	Total assets
Bolivia	$ 69,064	$ 757	$ 19,846	$ 9,142	$ 29,745
United States	-	-	169	-	169
Canada	-	37,037	57	359	37,453
Sweden	-	53,200	-	66	53,266
Cyprus	-	47	-	5	52
	$ 69,064	$ 91,041	$ 20,072	$ 9,572	$ 120,685

As at September 30, 2007 and for the year then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Other assets	Total assets
Bolivia	$ 55,920	$ 3,307	$ 17,470	$ 7,493	$ 28,270
Canada	-	14,868	100	412	15,380
Sweden	-	37,409	-	11	37,420
Cyprus	-	83	-	-	83
	$ 55,920	$ 55,667	$ 17,570	$ 7,916	$ 81,153

12. Commitments and contingencies

(a) 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 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.

(b) The mining concessions on which the Company is actively pursuing its exploration and development activities are still largely located in eastern Bolivia. As a result, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability in Bolivia, which may result in the impairment or loss of mineral concessions or other mineral rights. Any changes in laws or regulations, including possible changes to the Bolivian Mining Code, or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

13. Comparative Information

Certain comparative figures have been reclassified to conform with current year financial statement presentation.

14. Subsequent event

In October 2008, Orvana Resources entered into a second minerals lease and a second exclusive option to lease in respect of areas of the "Western Syncline" in the Upper Peninsula of Michigan.