

ORVANA MINERALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
and
DECEMBER 31, 2002

December 16, 2003

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 estimate 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 nine-month period ended September 30, 2003 were audited by PriceWaterhouseCoopers Bolivia and the consolidated financial statements for the twelve-month period ended December 31, 2002 were audited by De Visser Gray, Chartered Accountants. 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 of Finance

Auditors' Report

To the Shareholders of Orvana Minerals Corp.

We have audited the consolidated balance sheet of Orvana Minerals Corp. as at September 30, 2003 and the consolidated statements of operations and deficit and cash flows for the nine-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 financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2003 and the results of its operations and its cash flows for the nine-month period then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2002 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 31, 2003.

Chartered Accountants
November 24, 2003

ORVANA MINERALS CORP.

Consolidated Balance Sheets
(Expressed in United States Dollars)

	September 30 2003	December 31 2002
ASSETS		
Current assets		
Cash and cash equivalents	\$ 228,472	\$ 1,505,939
Accounts receivable and prepaid expenses	3,182,822	1,408,199
Gold and ore inventories	360,876	-
Supplies	1,182,759	1,143,082
	<u>4,954,929</u>	<u>4,057,220</u>
Mineral properties and deferred development costs (Note 3)	7,351,435	7,542,000
Construction in progress (Note 4)	-	12,923,245
Capital assets (Note 4)	17,659,869	-
	<u>\$ 29,966,233</u>	<u>\$ 24,522,465</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,646,057	\$ 1,173,769
Current portion of loans payable	2,800,000	-
Current portion of notes payable	159,653	182,600
	<u>5,605,710</u>	<u>1,356,369</u>
Loan payable - Banco de Credito de Bolivia (Note 5)	6,000,000	4,000,000
Loan payable - Compania Minera del Sur S.A. (Note 7)	7,200,000	8,000,000
Notes payable (Note 15)	158,313	145,240
Debenture - Compania Minera del Sur S.A. (Note 6)	96,650	-
Provision for statutory workers' settlements	107,911	-
Reclamation (Note 8)	35,287	-
	<u>19,203,871</u>	<u>13,501,609</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	74,617,452	74,405,466
Deficit	(63,855,090)	(63,384,610)
	<u>10,762,362</u>	<u>11,020,856</u>
	<u>\$ 29,966,233</u>	<u>\$ 24,522,465</u>

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 Nine months ended September 30, 2003	For the year, ended December 31, 2002
Revenue		
Gold sales	\$ 2,984,933	\$ -
Interest and other income	7,901	16,896
	<u>2,992,834</u>	<u>16,896</u>
Cost and expenses		
Cost of sales	1,623,525	-
Depreciation, amortization and reclamation	885,920	-
Corporate, general and administration	360,137	327,225
Production royalties	101,960	-
Foreign exchange (gain) loss	23,714	(39,265)
Interest on long term debt	259,595	-
	<u>3,254,851</u>	<u>287,960</u>
Loss before under-noted items and income taxes	<u>262,017</u>	<u>271,064</u>
Loss (gain) on restructuring costs (Note 13)	92,488	(839,367)
Write-off of capital assets	-	30,797
	<u>92,488</u>	<u>(808,570)</u>
Income (loss) before income taxes	(354,505)	537,506
Income taxes paid	115,975	-
Net income (loss) for the year	<u>(470,480)</u>	<u>537,506</u>
DEFICIT, beginning of period	<u>(63,384,610)</u>	<u>(63,922,116)</u>
DEFICIT, end of period	<u>\$ (63,855,090)</u>	<u>\$ (63,384,610)</u>
Income (loss) per share (Note 14)	<u>\$ 0.00</u>	<u>\$ 0.00</u>

ORVANA MINERALS CORP.

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

	For the Nine months ended September 30, 2003	For the year, ended December 31, 2002
	<u>2003</u>	<u>2002</u>
Cash provided by (used in):		
OPERATING ACTIVITIES		
Income (loss) for the period	\$ (470,480)	\$ 537,506
Loss (Gain) on restructuring costs (Note 13)	-	(839,367)
Depreciation, amortization and reclamation	885,920	30,797
	<u>415,440</u>	<u>(271,064)</u>
Changes in non-cash working capital items:		
Receivables and prepaid	(1,774,623)	(640,916)
Gold and ore inventories	(360,876)	-
Accounts payable and accrued liabilities	1,472,288	68,966
Supplies and other	(39,677)	(1,143,082)
Provision for statutory workers' settlements	107,911	-
	<u>(179,537)</u>	<u>(1,986,096)</u>
FINANCING ACTIVITIES		
Proceeds from share issues	192,961	4,223,988
Due to Compania Minera del Sur S.A.	-	8,000,000
Debenture payable to Compania Minera del Sur S.A.	96,650	-
Loan payable, Banco de Credito de Bolivia	4,000,000	4,000,000
(Repayment)/advance of loans payable	-	(142,148)
Notes payable	(9,874)	327,840
	<u>4,279,737</u>	<u>16,409,680</u>
INVESTING ACTIVITIES		
Mineral properties	(40,274)	-
Capital assets and construction in progress	(5,337,393)	(12,923,245)
	<u>(5,377,667)</u>	<u>(12,923,245)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,277,467)	1,500,339
CASH AND CASH EQUIVALENTS, beginning of period	1,505,939	5,600
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 228,472</u>	<u>\$ 1,505,939</u>

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
(Expressed in United States Dollars Unless Otherwise Noted)
September 30, 2003 and December 31, 2002

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 3a), which is held through its 100% owned subsidiary, "*Empresa Minera Paititi S.A.*". The Company completed the construction of the mine, mill and related facilities and commenced commercial production on July 1, 2003.

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 there from 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

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.

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.

Change in functional currency

Management has determined that the Company's operations and investing activities are substantially denominated in United States dollars. Accordingly, the Company's functional currency changed to the United States dollar as of December 31, 2002. Revenues and expenses for 2002 were translated using the average rate of exchange for that year.

Change in year end reporting

During the year, the Company changed its financial reporting year end from December 31 to September 30 to coincide with that of the Company's controlling shareholder Compania Minera del Sur S.A.

Revenue Recognition

Revenue is mainly derived from the sale of gold bullion. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the purchaser of the gold bullion, which is upon shipment.

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
(Expressed in United States Dollars Unless Otherwise Noted)
September 30, 2003 and December 31, 2002

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 ore inventories are stated at the lower of cost and net realizable value using the first in, first out method. Materials and supplies inventories are stated at the lower of cost and replacement cost. Cost represents average production cost.

Use of estimates

The preparation of financial statements in accordance with 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 and capital assets.

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 unit 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.

Capital assets

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 unit 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.

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
(Expressed in United States Dollars Unless Otherwise Noted)
September 30, 2003 and December 31, 2002.

2. Summary of significant accounting policies (Continued)

Reclamation Costs

Estimated future expenses for decommissioning and reclamation costs of resource properties, including site restoration where reasonably determinable, take into account expected costs and recoveries after shutdown. These costs are accrued and charged against earnings as incurred over the estimated life of the mine using the unit of production method on an incremental basis.

Net income (loss) per share

Net income (loss) per share has been calculated using the weighted average number of shares outstanding during the year.

Stock - based compensation

Effective January 1, 2002, the Company adopted the recommendations of Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to non-employees of an entity must be systematically accounted for in the entity's financial statements. These standards define a fair value-based method of accounting and encourage entities to adopt this method of accounting for their stock-based employee compensation plans. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. An entity that does not adopt the fair value method of accounting for its awards granted to employees is required to include in its financial statements pro forma disclosures of net earnings and earnings per share as if the fair value method of accounting had been applied.

Fair value of financial instruments

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

Income Taxes

The Company accounts for and measures future tax assets and liabilities in accordance with the liability method under which future tax assets and liabilities are recognized for their future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential net future benefit is taken and no net assets are recognized.

The Company's accounting policy for future income taxes has no effect on the financial statements of any of the fiscal years presented.

3. Mineral properties and deferred development costs

	September 30, <u>2003</u>	December 31, <u>2002</u>
Mineral properties and deferred development costs	\$ 7,601,299	\$ 7,542,000
Less: accumulated amortization	<u>249,864</u>	<u>-</u>
	<u>\$ 7,351,435</u>	<u>\$ 7,542,000</u>

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars Unless Otherwise Noted)

September 30, 2003 and December 31, 2002.

3. Mineral properties, deferred development costs (Continued)

a) Description of the Don Mario Mine and Property

The Company has a 100% working interest in five mineral concessions totaling 65,675 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. The mine property has two distinct zones of mineralization: the lower mineralized zone and the upper mineralized zone. Mine operations have focused on the lower mineralized zone, which is estimated to contain approximately 414,000 fine troy ounces of gold. Based upon the current mine plan, the Company has sufficient reserves to sustain continuous operations for several years.

The upper mineralized zone is a metallurgically complex near-surface deposit of approximately 4.5 million tonnes containing gold, silver and copper. Exploitation of this ore body requires further study, which is expected to begin in the near future.

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

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 price 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) Pedersen Property, Bolivia

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

4. Capital assets and Construction in progress

	September 30, <u>2003</u>	December 31, <u>2002</u>
Construction in progress	\$ -	\$ 12,923,245
Plant and Equipment - Don Mario Property	18,260,638	-
Less: accumulated amortization	<u>600,769</u>	<u>-</u>
	<u>\$ 17,659,869</u>	<u>\$ 12,923,245</u>

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
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September 30, 2003 and December 31, 2002.

4. Capital assets and Construction in progress (continued)

Details of the cost relating to the above are as follows:	<u>September 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
Process plant	\$ 5,528,833	\$ 4,230,933
Energy plant and electrical equipment	2,521,685	1,908,182
Heavy equipment	1,338,000	1,338,000
Other equipment	300,000	300,000
Roads	117,644	88,098
Site preparation	239,971	183,250
Shaft construction	625,057	236,636
Mine development	320,345	209,563
New mine equipment	950,977	581,371
Fresh water dam	405,009	294,040
Tailings dam	1,080,709	485,890
Buildings	1,260,392	1,066,007
Construction costs	581,170	442,846
Safety and environment	167,523	71,316
Engineering and supervision	906,878	460,582
Administration	774,973	566,011
Interest	464,857	170,410
Commissioning	408,119	-
Other costs	<u>268,496</u>	<u>290,110</u>
	18,260,638	12,923,245
Less: accumulated amortization	<u>600,769</u>	<u>-</u>
	<u>\$ 17,659,869</u>	<u>\$ 12,923,245</u>

5. Loan payable - Banco de Credito de Bolivia

Empresa Minera Paititi S.A. ("Paititi"), a wholly-owned subsidiary of the Company, has entered into a financing arrangement with the Banco de Credito de Bolivia for an \$8,000,000 loan facility which was fully utilized as at September 30, 2003. Terms of the facility are as follows:

- The facility is a project financing and was guaranteed by Compania Minera del Sur S.A. until certain levels of production were reached during August 2003,
- The interest rate was LIBOR plus 4.25% during construction and start-up and LIBOR plus 3.75% beginning the October 1st, 2003. As of September 30, 2003, \$25,359 (December 31, 2002 - \$ 49,789) was accrued for interest and is included in accounts payable and accrued liabilities;
- The facility is payable in eight installments commencing March 8, 2004 as follows:

March 8, 2004	\$1,000,000
September 2, 2004	1,000,000
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	<u>1,000,000</u>
Total	<u>\$8,000,000</u>

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
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6. Transactions with Compania Minera del Sur S.A.

The Company and certain of its subsidiaries entered into an agreement with Comsur dated September 12, 2001, as amended (the "Definitive Agreement"). Under the terms of the Definitive Agreement, on January 11, 2002 (the "Share Purchase Closing Date") Comsur invested \$4 million in return for the issuance by the Company to Comsur of 52,995,143 common shares, together with the right to receive additional common shares, at no additional cost to Comsur, on a one-for-one basis for each common share issued by the Company either (i) as a result of the exercise of warrants, options or other convertible securities of the Company outstanding on the Share Purchase Closing Date or (ii) in settlement of liabilities and obligations owed by the Company on the Share Purchase Closing Date, up to a maximum of 29,154,190 additional common shares. Comsur is also entitled to receive common shares of the Company in the event that it is entitled to indemnification for a breach of a representation or warranty in the Definitive Agreement. As of December 31, 2002, 1,834,333 common shares had been issued to Comsur pursuant to its right to receive additional common shares at no additional cost to Comsur. For the nine months ended September 30, 2003, an additional 1,350,500 common shares were issued at no additional cost to Comsur.

In addition, on January 11, 2002, 668,219 common shares of the Company were issued to Comsur in settlement of a loan advanced by Comsur to the Company under an interim financing arrangement agreed to on November 28, 2001.

Under the Definitive Agreement, Comsur has a pre-emptive right with respect to the issuance of additional common shares or securities convertible into common shares of the Company to other persons after the Share Purchase Closing Date, entitling Comsur to acquire common shares or convertible securities on the same terms and conditions as those so issued by the Company, subject to applicable requirements of the Toronto Stock Exchange.

Under the Definitive Agreement, if the aggregate liabilities of the Company and its subsidiaries at the Share Purchase Closing Date were determined to be in excess of \$1,101,000, Comsur was entitled to receive a debenture in the principal amount equal to the amount by which such liabilities exceeded \$1,100,000. The Company has issued a debenture in the amount of \$92,488 to Comsur pursuant to the Definitive Agreement. 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. Interest accrued to September 30, 2003 is \$4,162.

7. Loan payable to Compania Minera del Sur S.A.

In accordance with the Definitive Agreement, 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 under the following terms:

- (a) The interest rate is LIBOR plus 4.50%. As at September 30, 2003, \$372,438 (December 31, 2002 - \$86,207) was accrued for interest and is included in accounts payable and accrued liabilities;
- (b) Principal plus interest are payable in 60 equal monthly installments commencing April 1, 2004.
- (c) Principal repayments over the next five years are as follows:

2004	\$ 800,000
2005	1,600,000
2006	1,600,000
2007	1,600,000
2008	1,600,000
2009	<u>800,000</u>
Total	<u>\$8,000,000</u>

ORVANA MINERALS CORP.

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(Expressed in United States Dollars Unless Otherwise Noted)
September 30, 2003 and December 31, 2002.

8. Reclamation

Reclamation costs of \$35,287 for the Don Mario Property are accrued as at September 30, 2003. Total closure costs are estimated at \$1,060,000 and will be recorded during the life of mine using the units of production method on an incremental basis.

9. Capital stock

(a) AUTHORIZED - Unlimited number of common shares

(b) COMMON SHARES ISSUED

	Number of <u>Shares</u>	Stated <u>Value</u>
Balance, December 31, 2001	52,995,142	\$ 70,126,337
Private placement - Compania Minera del Sur S.A. (Note 6)	52,995,143	4,000,000
Private placement - Compania Minera del Sur S.A. (Note 6)	1,834,333	nil
Exercise of warrants (Note 8(c))	750,000	85,612
Exercise of stock options	1,084,333	162,157
Private placement - Compania Minera del Sur S.A.(Note 6)	<u>668,219</u>	<u>31,360</u>
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. (Note 6)	<u>1,350,500</u>	<u>nil</u>
Balance, September 30, 2003	<u>113,028,170</u>	\$ <u>74,617,452</u>

Subsequent to September 30, 2003, the Company issued an additional 116,500 common shares on exercise of stock options for a net consideration of \$7,500 and an additional 116,500 common shares to Comsur pursuant to the Definitive Agreement.

10. Stock options

The Company has adopted a stock option plan back in 1991 and 1996 for directors, officers, employees and consultants. Options terminate no later than 10 years after the date of grant.

ORVANA MINERALS CORP.

Notes to Consolidated Financial Statements
(Expressed in United States Dollars Unless Otherwise Noted)
September 30, 2003 and December 31, 2002.

10. Stock options (continued)

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

<u>Number of Options</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
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
<u>113,000</u>		0.15	September 5, 2006
<u>2,140,331</u>			

The following summarizes the stock option activity for the year ended December 31, 2002 and the nine months ended September 30, 2003

	<u>Stock options</u>	<u>Weighted Average price</u>
Balance, December 31, 2001	4,545,164	Cdn \$1.23
Exercised	<u>(1,084,333)</u>	<u>0.24</u>
Balance, December 31, 2002	<u>3,460,831</u>	<u>1.54</u>
Balance, December 31, 2002	3,460,831	Cdn \$1.54
Exercised	<u>(1,320,500)</u>	<u>0.21</u>
Balance, September 30, 2003	<u>2,140,331</u>	<u>2.32</u>

Subsequent to September 30, 2003, 116,500 stock options were exercised to acquire 116,500 common shares.

The Company has not issued any stock options to participants for the year ended December 31, 2002 and the nine months ended September 30, 2003. As a result, compensation cost and net income for the year ended December 31, 2002 and the nine months ended September 30, 2003 would not have been different had the Company applied the fair value based method of accounting for stock options.

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.

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September 30, 2003 and December 31, 2002.

12. Income taxes

Canada

As at September 30, 2003, the Company has losses, exploration costs, and other deductions for tax purposes of approximately \$ 15 million, which may be carried forward and applied against future taxable income. Canadian exploration costs of approximately \$ 4,9 million may be carried forward indefinitely. The potential effect on future income tax that may result from application of these losses and exploration costs has not been reflected in these financial statements.

Bolivia

The Company has explorations costs for tax purposes of approximately \$ 21 million, which may be carried forward and applied against future Bolivian income taxes. The potential effect on future income tax that may result from application of these losses has not been reflected in these financial statements.

13. Loss (gain) on restructuring costs

During 2002, management determined that costs previously recorded in respect of certain anticipated expenditures will not be paid. As a result, these costs have been reversed.

In addition, the recognition of accounts receivable and value added taxes recoverable have been recorded in the Company's accounts. Management is confident that these amounts will be collected.

14. Net income (loss) per share

Net income (loss) share has been calculated using the weighted average number of shares outstanding during the year.

Fully diluted loss per share has not been presented because the conversion would be anti-dilutive for the periods ended December 31, 2002 and September 30, 2003.

15. Notes payable

The Company has 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:

2004	\$	159,653
2005		59,075
2006		59,075
2007		<u>40,163</u>
Total principal payments		317,966
Less: current portion		<u>(159,653)</u>
Long-term portion	\$	<u>158,313</u>