

**ORVANA MINERALS CORP.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**  
**(EXPRESSED IN UNITED STATES DOLLARS)**  
**(UNAUDITED)**

**Notice to Reader**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**ORVANA MINERALS CORP.**  
**Interim Consolidated Balance Sheets**  
**(In thousands of United States dollars)**

(Unaudited)	December 31 2007	September 30 2007
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 67,307	\$ 55,667
Gold sales receivable	-	1,462
Value-added taxes receivable and prepaid expenses	3,481	3,585
Gold inventory	892	949
Supplies inventory	2,078	1,920
	73,758	63,583
Property, plant and equipment (note 5)	16,369	17,570
	\$ 90,127	\$ 81,153
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,191	\$ 2,912
Income taxes payable	6,076	4,351
	9,267	7,263
Asset retirement obligations (note 6)	2,030	1,988
Provision for statutory labour obligations	937	946
	12,234	10,197
<b>Shareholders' equity</b>		
Share capital	74,777	74,777
Contributed surplus	1,426	1,354
Retained earnings (deficit)	1,690	(5,175)
	77,893	70,956
	\$ 90,127	\$ 81,153

Commitments and contingencies (note 8)

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

# ORVANA MINERALS CORP.

## Interim Consolidated Statements of Income and Comprehensive Income

Three months ended December 31

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

(Unaudited)	2007	2006
<b>Revenues</b>		
Gold sales	\$ 16,077	\$ 11,130
<b>Costs and expenses of mining operations</b>		
Cost of sales	3,018	2,629
Royalties and mining rights	511	351
Mining royalty taxes (note 10)	117	-
Depreciation and amortization	2,112	1,866
Accretion (note 6)	42	40
	5,800	4,886
	10,277	6,244
<b>Expenses (recoveries) and other income</b>		
General and administration	894	541
Stock-based compensation (note 7)	72	107
Exploration	306	292
Business development	19	-
Community relations	54	105
Interest and other income	(678)	(220)
Foreign exchange	64	-
	731	825
<b>Income before provision for income taxes and provision (recovery) of future income taxes</b>		
	9,546	5,419
Provision for income taxes		
Current income taxes	2,681	1,642
Future income taxes (recovery)	-	(14)
	2,681	1,628
<b>Net income and comprehensive income</b>		
	6,865	3,791
<b>Earnings per share</b>		
Basic and diluted	\$ 0.06	\$ 0.03
Weighted average number of shares outstanding - basic	115,233,173	115,233,173
Weighted average number of shares outstanding - diluted	115,418,207	115,235,091

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

# ORVANA MINERALS CORP.

## Interim Consolidated Statements of Changes in Shareholders' Equity

Three months ended December 31

(In thousands of United States dollars)

(Unaudited)	Number of common shares	2007	Number of common shares	2006
<b>Share capital</b>				
<b>Authorized</b>				
Unlimited number of common shares				
<b>Issued</b>				
Common shares				
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Balance, at beginning and end of period	115,233,173	\$ 74,777	115,233,173	\$ 74,777
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<b>Contributed surplus</b>				
Balance at beginning of period		\$ 1,354		\$ 1,510
Stock-based compensation (note 7)		72		107
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Balance at end of period		\$ 1,426		\$ 1,617
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<b>Retained earnings (deficit)</b>				
Balance at beginning of period		\$ (5,175)		\$ (31,198)
Net income		6,865		3,791
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Balance at end of period		\$ 1,690		\$ (27,407)
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<b>Shareholders' equity at the end of the period</b>		<b>\$ 77,893</b>		<b>\$ 48,987</b>

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

**ORVANA MINERALS CORP.**  
**Interim Consolidated Statements of Cash Flows**  
**Three months ended December 31**  
**(In thousands of United States dollars)**

(Unaudited)	2007	2006
<b>Operating activities</b>		
Net income	\$ 6,865	\$ 3,791
Depreciation and amortization	2,112	1,866
Accretion (note 6)	42	40
Stock-based compensation (note 7)	72	107
Future income taxes (recovery)	-	(14)
Provision for statutory labour obligations	(9)	85
Foreign exchange	64	-
	9,146	5,875
Changes in non-cash working capital items		
Gold sales receivable	1,462	-
Value-added taxes receivable and prepaid expenses	104	(22)
Gold inventory	32	(97)
Supplies inventory	(158)	(322)
Accounts payable and accrued liabilities	279	182
Income taxes payable	1,725	971
	12,590	6,587
<b>Investing activities</b>		
Capital expenditures	(886)	(413)
<b>Change in cash and cash equivalents</b>	11,704	6,174
<b>Cash and cash equivalents, beginning of period</b>	55,667	26,850
<b>Effect of exchange rate changes on cash held in foreign currencies</b>	(64)	-
<b>Cash and cash equivalents, end of period</b>	\$ 67,307	\$ 33,024

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

# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

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### 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 Gold Mine and property in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). The Company's shares are listed on the Toronto Stock Exchange.

### 2. Summary of significant accounting policies

#### Basis of presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

#### Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the 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 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 3 to these interim 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 section in note 4 to these interim financial statements.

# ORVANA MINERALS CORP.

Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

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## 2. Summary of significant accounting policies (continued)

### Future accounting change

Handbook Section 3031, Inventories, relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The new standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008, and will be effective for the Company's annual and interim financial statements for the periods beginning on and after October 1, 2008.

The Company is currently evaluating the impact of this standard on its consolidated financial statements.

## 3. 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, in order to support continued production and maintenance at the Don Mario Gold Mine and to acquire, explore and develop other precious and base metal deposits in the Americas.

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 these initiatives will be successful.

In order to achieve these objectives, the Company invests its capital in highly liquid, highly rated financial instruments.

## 4. Financial risk factors

Orvana's risk exposures and the impact on the Company's financial instruments are summarized below:

### Credit risk

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 which is closely monitored by management. Value-added taxes receivable are collectable from the Bolivian government.

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

### Liquidity risk

The Company has sufficient funds (December 31, 2007 - \$67,307 and September 30, 2007 - \$55,667) to settle current and long-term liabilities.

### Market risk

#### (a) Interest rate risk

Orvana has significant cash balances and no interest-bearing debt. 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.

# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

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### 4. Financial risk factors (continued)

Market risk (continued)

#### (b) 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 dollars bank accounts.

#### (c) Price risk

Orvana marks its unsettled transactions to market. Orvana does not hedge any of its gold sales.

### Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value.

As of December 31, 2007, the carrying amount of the financial instruments equals fair market value.

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

Cash and cash equivalents include deposits at call which are at floating interest rates. Sensitivity to a plus or minus 1% change in rates would affect net income by \$121.

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

Cash and cash equivalents would be impacted by changes in average realized gold prices resulting in changes in net income in the quarter. A plus or minus 10% change in average realized gold prices would affect net income by approximately \$980.

### 5. Property, plant and equipment

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December 31, 2007	Cost	Accumulated amortization	Net carrying value
Plant and equipment	\$ 29,394	\$ 17,544	\$ 11,850
Construction in process	194	-	194
Mineral properties and deferred development costs	8,772	5,154	3,618
Asset retirement costs	1,499	856	643
Furniture, equipment and leasehold improvements	111	47	64
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	\$ 39,970	\$ 23,601	\$ 16,369

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# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

### 5. Property, plant and equipment (continued)

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	8,174	4,813	3,361
Asset retirement costs	1,499	766	733
Furniture, equipment and leasehold improvements	111	41	70
	\$ 39,084	\$ 21,514	\$ 17,570

### 6. Asset retirement obligations

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

	Three months ended December 31 2007	Three months ended December 31 2006	Year ended September 30 2007
Balance, beginning of period	\$ 1,988	\$ 1,828	\$ 1,828
Accretion expense	42	40	160
Balance, end of period	\$ 2,030	\$ 1,868	\$ 1,988

### 7. Stock options

A summary of the stock option transactions for the three-month period is as follows:

	Stock options	Weighted average exercise price
Balance, September 30, 2007	3,376,666	Cdn \$1.01
Granted <sup>(1)</sup>	325,000	0.81
Expired	(566,666)	1.00
Balance, December 31, 2007	3,135,000	Cdn \$0.99

(1) During the period ended December 31, 2007, the fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate:	4.135%
Expected life in years:	4
Expected volatility:	73%
Expected dividend yield:	0%

# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

### 7. Stock options (continued)

The weighted-average grant date fair value of these options was \$150 or Cdn. \$0.46 per share and this amount is expensed over the vesting periods.

As at December 31, 2007, outstanding and exercisable stock options granted were as follows:

Grant Date	Fair Value	Number of non-vested options	Number of vested options	Exercise price	Expiry date
March 31, 1998	\$ -	-	294,999	Cdn \$1.75	March 31, 2008
December 8, 1998	-	-	65,000	1.00	December 8, 2008
April 1, 2005	471	-	1,025,000	1.03	April 1, 2010
June 30, 2005	210	-	470,000	1.00	June 30, 2010
September 26, 2005	16	-	30,000	1.20	September 26, 2010
May 12, 2006	19	-	41,667	1.05	May 12, 2011
June 23, 2006	129	91,666	233,334	0.89	June 23, 2011
July 5, 2006	24	-	58,334	0.91	July 5, 2011
December 14, 2006	99	116,667	233,333	0.60	December 14, 2011
August 9, 2007	55	100,000	50,000	0.69	August 8, 2012
December 3, 2007	150	216,667	108,333	0.81	December 3, 2012
	<b>\$1,173</b>	<b>525,000</b>	<b>2,610,000</b>		

**Total vested and non-vested stock options** **3,135,000**

Stock options have been expensed as follows:

	Cumulative expense to December 31, 2007	Remainder to be expensed	Total stock option compensation
Stock option expense	\$ 1,426	\$ 134	\$ 1,560

As at December 31, 2007, the fair value associated with non-vested stock options is \$206 (December 31, 2006 - \$339).

The Company uses the fair value method of accounting for stock options and for the three months ended December 31, 2007 recognized stock-based compensation expense of \$72 (three months ended December 31, 2006 - \$107). This policy was effective on October 1, 2003 and has been applied on a prospective basis. The fair value of each option grant was estimated using the Black-Scholes option-pricing model.

# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

### 8. Commitments and contingencies

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company 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.

The mining concessions on which the Company is actively pursuing its exploration and development activities are all 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 mining concessions or other mineral rights. Any changes in laws or regulations, including changes to the Bolivian Mining Code and taxation of mining companies or shifts in political attitudes, are beyond the control of the Company and may adversely affect its business.

### 9. Segmented information

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

As at and the quarter ended December 31, 2007

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Other assets	Total assets
Bolivia	\$ 16,077	\$ 3,903	\$ 16,273	\$ 6,036	\$ 26,212
Canada	-	14,418	96	415	14,929
Sweden	-	48,910	-	-	48,910
Cyprus	-	76	-	-	76
	\$ 16,077	\$ 67,307	\$ 16,369	\$ 6,451	\$ 90,127

As at and the quarter ended December 31, 2006

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Other assets	Total assets
Bolivia	\$ 11,130	\$ 9,276	\$ 20,020	\$ 6,638	\$ 35,934
Canada	-	611	77	263	951
Sweden	-	23,031	-	-	23,031
Cyprus	-	106	-	-	106
	\$ 11,130	\$ 33,024	\$ 20,097	\$ 6,901	\$ 60,022

# ORVANA MINERALS CORP.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

(In thousands of United States Dollars unless otherwise noted)

December 31, 2007

### 9. Segmented information (continued)

As at and the year ended September 30, 2007

	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

### 10. Income tax information

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 become effective on a prospective basis from the date of their enactment, which was December 14, 2007. The tax increases take two forms:

(a) An income tax rate increase from 25% to 37.5%.

(b) Effective December 14, 2007, a new mining royalty tax, calculated as a percentage of the gross invoice value of metals exported is payable in addition to income tax. The mining royalty tax rate will be a function of the particular metal and its market price. For gold, the rate will range from a minimum of 4%, at a gold price of \$400, to a maximum of 7%, at a gold price of \$700 or more. The new mining royalty tax is deductible in determining income taxes.

The combined effect of the increase in the income tax rate and the new mining royalty tax was a reduction in net income of \$456 for the first quarter of fiscal 2008.

If the new taxes described above had been in effect for the entire quarter the reduction in net income would have been approximately \$1,700.