

**ORVANA MINERALS CORP.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(UNAUDITED)**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

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

<b>Unaudited</b>	<b>As at June 30, 2011</b>	<b>As at September 30, 2010</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 16,896	\$ 11,947
Value added taxes receivable and prepaid expenses	10,978	10,992
Gold inventory	-	753
Supplies inventory	5,405	5,473
Income tax receivable	-	79
	<hr/> 33,279	<hr/> 29,244
Long term value-added taxes receivable	2,647	-
Restricted cash (note 3)	2,224	753
Reclamation bonds	3,493	3,287
Property, plant and equipment (note 5)	182,186	123,188
Future income tax asset (note 9)	9,225	-
	<hr/> \$ 233,054	<hr/> \$ 156,472
<b>Liabilities</b>		
Current liabilities		
Bank debt (note 4)	\$ 6,583	\$ 3,049
Accounts payable and accrued liabilities	19,780	15,346
Income taxes payable	133	-
Bridge loan (note 15)	15,087	-
Current portion of long-term debt (note 6)	5,070	1,749
Current portion of obligations under capital leases (note 7)	1,552	975
Current portion of derivative instruments (note 9)	6,980	-
	<hr/> 55,185	<hr/> 21,119
Long-term debt (note 6)	42,658	833
Obligations under capital leases (note 7)	1,658	1,547
Asset retirement obligations (note 8)	7,934	7,538
Derivative instruments (note 9)	23,770	-
Provision for statutory labour obligations	1,930	1,771
Future income tax liability	13,184	12,402
Long-term compensation (note 11)	1,718	1,860
	<hr/> 148,037	<hr/> 47,070
<b>Shareholders' equity</b>		
Share capital (note 10(b))	82,834	76,227
Contributed surplus	2,406	1,674
(Deficit) retained earnings	(223)	31,501
	<hr/> 85,017	<hr/> 109,402
	<hr/> \$ 233,054	<hr/> \$ 156,472

Commitments and contingencies (note 12)

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

**ORVANA MINERALS CORP.****Interim Consolidated Statements of Loss and Comprehensive Loss****(In thousands of United States dollars except per share amounts)**

<b>Unaudited</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>				
Gold Sales	\$ 1,752	\$ 7,758	\$ 14,509	\$ 25,612
<b>Costs and expenses of mining operations</b>				
Cost of sales	1,308	4,911	9,180	13,644
Royalties and mining rights	125	264	582	866
Mining royalties	130	538	1,025	1,790
Depreciation and amortization	175	651	1,373	2,375
Accretion (note 8)	142	44	438	143
	1,880	6,408	12,598	18,818
	(128)	1,350	1,911	6,794
<b>Expenses (other income)</b>				
General and administrative	1,454	1,692	3,747	4,435
Exploration	44	12	56	475
Stock-based compensation	301	62	1,173	385
Stock-based consideration (notes 10 and 15)	5,214	-	5,214	-
Long-term compensation	(316)	54	324	361
Community relations	47	36	397	123
Interest on long-term debt	-	77	169	248
Other expense	113	74	308	44
Foreign exchange	327	80	242	85
Derivatives loss (gain) (note 9)	(656)	-	30,750	-
	6,528	2,087	42,380	6,156
<b>(Loss) income before provision for current and future income taxes</b>				
	(6,656)	(737)	(40,469)	638
<b>Provision for income taxes</b>				
Current income taxes	160	200	480	2,002
Future income tax expense (recovery) (note 9)	197	169	(9,225)	200
	357	369	(8,745)	2,202
<b>Net loss and comprehensive loss</b>				
	\$ (7,013)	\$ (1,106)	\$ (31,724)	\$ (1,564)
<b>Loss per share (note 14)</b>				
Basic and diluted	\$ (0.06)	\$ (0.01)	\$ (0.27)	\$ (0.01)

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

**ORVANA MINERALS CORP.****Interim Consolidated Statements of Changes in Shareholders' Equity****(In thousands of United States dollars)**

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<b>(Unaudited)</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance, September 30, 2009</b>	\$ 74,777	\$ 1,658	\$ 33,932	\$ 110,367
Exercise of stock options	1,191	(376)	-	815
Stock-based compensation	-	385	-	385
Net loss	-	-	(1,564)	(1,564)
<b>Balance June 30, 2010</b>	\$ 75,968	\$ 1,667	\$ 32,368	\$ 110,003

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<b>(Unaudited)</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>(Deficit) Retained Earnings</b>	<b>Total</b>
<b>Balance, September 30, 2010</b>	\$ 76,227	\$ 1,674	\$ 31,501	\$ 109,402
Exercise of stock options	1,393	(441)	-	952
Stock-based compensation	-	1,173	-	1,173
Stock-based consideration (notes 10 and 15)	5,214	-	-	5,214
Net loss	-	-	(31,724)	(31,724)
<b>Balance June 30, 2011</b>	\$ 82,834	\$ 2,406	\$ (223)	\$ 85,017

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

**ORVANA MINERALS CORP.**  
**Interim Consolidated Statements of Cash Flows**  
(In thousands of United States dollars)

(Unaudited)	Three months ended June 30		Nine months ended June 30	
	2011	2010	2011	2010
<b>Operating activities</b>				
Net loss	\$ (7,013)	\$ (1,106)	\$ (31,724)	\$ (1,564)
Depreciation and amortization	175	651	1,373	2,375
Accretion	142	44	438	143
Stock-based compensation	301	62	1,173	385
Stock-based consideration (notes 10 and 15)	5,214	-	5,214	-
Long-term compensation	(316)	54	324	361
Future income taxes (recovery)	197	169	(9,225)	200
Provision for statutory labour obligations	236	158	411	296
Payments of statutory labour obligations	-	-	(252)	-
Foreign exchange	110	183	472	369
Derivatives loss (gain) (note 9)	(656)	-	30,750	-
	(1,610)	215	(1,046)	2,565
<b>Changes in non-cash working capital</b>				
Value added taxes receivable and prepaids	(928)	(1,678)	(2,633)	(4,300)
Gold inventory	1,322	(167)	753	(372)
Supplies inventory	1,627	202	68	678
Accounts payable and accrued liabilities	(4,904)	2,684	(10,026)	2,976
Income taxes payable	39	(324)	212	(5,518)
Asset retirement obligations	(42)	-	(42)	-
	(4,496)	932	(12,714)	(3,971)
<b>Financing activities</b>				
Bank debt (note 4)	2,947	-	3,534	-
Proceeds from bridge loan (note 15)	15,000	-	15,000	-
Proceeds from long-term debt (note 6)	-	-	50,000	1,000
Financing fees (note 6)	115	-	(4,157)	-
Repayment of long-term debt (note 6)	(208)	(644)	(1,540)	(1,909)
Exercise of stock options (note 10(b))	272	493	951	815
Settlement of long-term compensation	-	-	(32)	-
	18,126	(151)	63,756	(94)
<b>Investing activities</b>				
Capital expenditures	(20,286)	(13,129)	(44,871)	(25,019)
Restricted cash and reclamation bonds	-	(1,945)	(1,420)	(1,945)
	(20,286)	(15,074)	(46,291)	(26,964)
<b>Change in cash and cash equivalents</b>	(6,656)	(14,293)	4,751	(31,029)
<b>Cash and cash equivalents, beginning of the period</b>	23,546	41,295	11,947	58,036
<b>Effect of exchange rate change on cash held in foreign currencies</b>	6	(80)	198	(85)
<b>Cash and cash equivalents, end of period</b>	\$ 16,896	\$ 26,922	\$ 16,896	\$ 26,922

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

**ORVANA MINERALS CORP.**  
**Notes to Interim Consolidated Financial Statements**  
**June 30, 2011**  
**(Unaudited)**  
**(In thousands of United States Dollars unless otherwise noted)**

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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. The Company owns and operates the El Valle-Boinás/Carlés Mine ("EVBC") in Spain, which is held indirectly through its wholly-owned subsidiary Kinbauri España S.L.U. ("Kinbauri") and the Don Mario Mine and property in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). In addition, the Company holds mineral leases in the state of Michigan, USA, referred to as the Copperwood Project 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 ("TSX").

**2. Basis of presentation and new accounting policies**

(a) Basis of presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian 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, 2010, since they do not contain all disclosures required by Canadian 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.

(b) New accounting policies

Derivatives

The Company has entered into derivative instruments (forward contracts) as required under the terms of a credit facility with Credit Suisse A.G. All of the forward contracts the Company has entered into are classified as held for trading. Changes in the fair value of these derivatives are recognized in the income statement.

Fair values for derivative instruments held for trading are determined using valuation techniques, incorporating assumptions based on market conditions existing at the balance sheet date. Realized gains and losses are recognized in the income statement.

Long-term debt

Long-term debt instruments are initially recognized at fair value, net of debt issuance costs incurred. Debt instruments are subsequently valued at amortized cost. Debt issue costs are deducted from the balance of the underlying debt and amortized using the effective interest rate method.

**2. Basis of presentation and new accounting policies (continued)**

(c) New accounting policies not yet adopted

*Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

**3. Restricted cash**

Restricted cash includes approximately \$800 (September 30, 2010 - \$753) of cash on deposit in favour of the Spanish government pending audit by the government of compliance with the terms of certain capital investment subsidies received by the Company and \$1,424 (September 30, 2010 - \$nil) of cash on deposit in favour of the Bolivian government pending the appeal of the VAT audit.

**4. Bank debt**

EMIPA has short-term credit facilities with Banco de Credito de Bolivia S.A. and Banco Bisa S.A. for up to \$6,600 payable in 90-150 days with annual interest rates ranging from 4% to 6% with certain of the Company's assets pledged as security against these loans. As at June 30, 2011, \$6,583 (September 30, 2010 - \$3,049) was drawn on these facilities.

In addition, at June 30, 2011, EMIPA has bank guarantees with Banco Bisa S.A. amounting to approximately \$750 (September 30, 2010 - \$716), related to refunded amounts of value-added taxes and chemical and natural gas purchases.

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**(Unaudited)**  
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**5. Property, plant and equipment**

June 30, 2011	Cost	Accumulated Amortization	Net carrying value
Land	\$ 2,276	\$ -	\$ 2,276
Plant and equipment	96,181	31,899	64,282
Furniture and equipment	1,023	176	847
Equipment under capital lease	6,431	540	5,891
	105,911	32,615	73,296
Mineral properties			
Don Mario - UMZ	11,336	-	11,336
Copperwood	10,565	-	10,565
El Valle-Boinás/Carlés	86,989	-	86,989
	108,890	-	108,890
<b>Total</b>	<b>\$ 214,801</b>	<b>\$ 32,615</b>	<b>\$ 182,186</b>

September 30, 2010	Cost	Accumulated Amortization	Net carrying value
Land	\$ 1,910	\$ -	\$ 1,910
Plant and equipment	80,368	30,580	49,788
Furniture and equipment	564	122	442
Equipment under capital lease	4,574	-	4,574
	87,416	30,702	56,714
Mineral properties			
Don Mario - UMZ	3,756	-	3,756
Copperwood	6,677	-	6,677
El Valle-Boinás/Carlés	56,041	-	56,041
	66,474	-	66,474
<b>Total</b>	<b>\$ 153,890</b>	<b>\$ 30,702</b>	<b>\$ 123,188</b>

**6. Long-term debt**

(a) On October 8, 2010, the Company's wholly-owned subsidiary, Kinbauri, entered into a \$50,000 five-year term corporate credit agreement with Credit Suisse AG ("Credit Suisse"). The funds are being used to complete construction of the Company's EVBC gold-copper-silver project, in Spain and by Orvana for general corporate purposes.

Interest on the outstanding principal is calculated at a rate per annum equal to LIBOR plus 3.85%. As permitted under the terms of the credit agreement, the Company opted to defer interest amounts otherwise payable until April 8, 2011 such that the credit limit is increased by such deferred interest amounts. Quarterly principal repayments are required commencing June 30, 2012. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the full principal amount of the credit outstanding, are: 2012 – 16.7%; 2013 – 34.6%; 2014 – 23.7%; and 2015 – 25.0%.

The security for the credit facility includes a fixed and floating charge over the assets of Kinbauri and the shares of Kinbauri, 100% of which are held indirectly by Orvana. In addition, payment and performance of Kinbauri's obligations under the credit facility are guaranteed by Orvana.

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**6. Long-term debt (continued)**

The credit agreement required Kinbauri to enter into forward contracts (see Derivative Instruments, note 9) on the sale of a portion of its gold production in the period January 2012 to December 2015; the sale of a portion of its copper production in the period July 2011 to December 2015; and the purchase of a portion of its Euro requirements in the period March 2012 to December 2015.

The credit agreement contains covenants that restrict, among other things, the Company's ability to incur additional indebtedness, to make distributions in certain circumstances, to sell material assets, or to carry on business other than one related to the mining business. Kinbauri and Orvana are also required to maintain certain financial ratios as well as, on a consolidated basis at the Orvana level, a minimum tangible net worth. Amounts included in calculations required to determine adherence to financial covenants exclude unrealized gains and losses resulting from mark-to-market adjustments of the metals and foreign exchange forward contracts entered into as required under the credit agreement.

(b) On March 4, 2008, EMIPA entered into a term credit facility agreement of \$5,000 with Banco Bisa S.A. ("BISA"). During fiscal 2011, \$915 was repaid against this loan. The Company used the proceeds of this credit facility to purchase additional electrical generation equipment and a ball mill to increase ore treatment capacity.

(c) On September 29, 2009, EMIPA entered into a second BISA credit agreement of \$2,500. This facility bears interest at 7.8% and is payable in equal quarterly instalments over a three-year period. At June 30, 2011, \$1,041 (September 30, 2010 - \$1,667) was outstanding under this facility. During the three and nine months ended June 30, 2011, \$208 and \$625, respectively (comparative periods - \$208 and \$625, respectively) was repaid against this loan. The proceeds of this second credit facility were used to fund the construction of the mineral flotation plant for the Upper Mineralized Zone project. The Company has the option of repaying this loan prior to the end of its term without penalties and there are no specific covenants related to this credit facility. This loan is secured by certain machinery and equipment of EMIPA.

Minimum long-term debt repayments are as follows:

Long-term debt repayments are as follows:	Banco Bisa Credit Facility	Credit Suisse Credit Facility	Total Long- term Debt
2011	\$ 208	\$ -	\$ 208
2012	833	8,475	9,308
2013	-	17,583	17,583
2014	-	12,075	12,075
2015	-	12,711	12,711
	1,041	50,844	51,885
Less: current portion	(833)	(4,237)	(5,070)
Total – long term debt	208	46,607	46,815
Financing fees	-	(4,157)	(4,157)
Total	\$ 208	\$ 42,450	\$ 42,658

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**7. Obligations under capital leases**

During fiscal 2010 and fiscal 2011, the Company entered into leases to purchase mining trucks, scoop trams and other mining equipment at a total cost of \$6,431 including deposits of \$1,960 paid at the time of purchase. The leases are repayable in quarterly instalments at annual interest rates of 5.5% to 6.2%. At June 30, 2011, the obligation outstanding was \$3,210 (September 30, 2010 - \$2,522). During the three and nine months ended June 30, 2011, the Company made lease payments of \$385 and \$1,036, respectively. Each lease contract contains a bargain purchase option of €10 per contract.

The following is a schedule of future minimum lease payments under these capital leases which expire in December 2013.

Fiscal	2010	\$	383
	2011		1,725
	2012		1,082
	2013		192
			3,382
Amount representing interest at 5.74%			(172)
			3,210
Less: current portion			(1,552)
		\$	1,658

The equipment under capital leases is being amortized over the estimated useful life of the assets. Amortization began in the second quarter as the assets had been put into use.

**8. Asset retirement obligations**

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

	Nine months ended June 30, 2011	Year ended September 30, 2010
Balance, beginning of period	\$ 7,538	\$ 2,792
Incremental obligation – Don Mario Mine	-	829
Incremental obligation – El Valle-Boinás/Carlés Mine	-	3,726
	7,538	7,347
Closure costs – Don Mario Mine –Las Tojas	(42)	-
Accretion expense	438	191
	\$ 7,934	\$ 7,538

Balance consists of:	As at June 30, 2011	As at September 30, 2010
Don Mario Mine - Bolivia	\$ 3,452	\$ 3,296
El Valle-Boinás/Carlés Mine - Spain	4,482	4,242
	7,934	7,538

**ORVANA MINERALS CORP.**  
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**(Unaudited)**  
**(In thousands of United States Dollars unless otherwise noted)**

**9. Derivative Instruments**

Pursuant to the terms of the Credit Suisse credit agreement, the Company entered into a number of gold, copper, and Euro/US dollar forward contracts relating to a portion of the expected gold and copper production from the EVBC Mine.

Changes in the fair value of derivatives are recognized through earnings.

The mark-to-market fair value of all contracts is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty risk.

The mark-to-market gain of \$656 related future income tax expense of \$197 for the three months ended June 30, 2011 and a loss of \$30,750 and the related future income tax recovery of \$9,225 for the nine months ended June 30, 2011, were recorded through earnings on these forward contracts.

The following table summarizes the gold, copper and foreign exchange forward contracts:

	As at June 30, 2011	As at September 30, 2010
Gold forwards:		
Ounces	37,500	-
Price /ounce	\$ 1,333.70	\$ -
Copper forwards:		
Tonnes	13,671	-
Price/tonne	\$ 7,260.00	\$ -
Price/lb	\$ 3.29	\$ -
US dollar/Euro forwards:		
Amount in US (\$ 000's)	\$ 80,000	\$ -
Contracted Average US dollar/Euro exchange rate	\$ 1.38	\$ -

Derivative instruments included in the balance sheet comprise of:

	As at June 30, 2011	As at September 30, 2010
Fair value of derivatives, start of period	\$ -	\$ -
Contracts matured during period resulting in cash receipts (payments)	-	-
Mark-to-market fair value loss for the three months ended December 31, 2010	26,606	-
Mark-to-market fair value loss for the three months ended March 31, 2011	4,800	-
Mark-to-market fair value gain for the three months ended June 30, 2011	(656)	-
Fair value of derivatives, end of period	30,750	-
Less: current portion	6,980	-
Total non-current derivative instruments	\$ 23,770	\$ -

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**(Unaudited)**  
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**10. Share capital**

- (a) Authorized - unlimited number of common shares
- (b) Common shares issued

	Number of Common shares	Stated Value
Balance, September 30 2010	116,318,172	\$ 76,227
Exercise of stock options	1,035,000	952
Fair value assigned to exercise of stock options		443
Shares issued to Fabulosa Mines Limited (note 15)	1,969,999	5,214
Balance, June 30, 2011	119,323,171	\$ 82,834

- (c) Stock options

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

	Stock options	Weighted Average Exercise Price C\$
Balance, September 30 2010	2,680,000	\$0.91
Granted	1,030,000	3.59
Exercised	(1,035,000)	0.90
Forfeited	(100,000)	1.06
Balance, June 30, 2011	2,575,000	\$1.97

Stock options have been expensed as follows:

	Cumulative expense to June 30, 2011	Remainder to be expensed	Total Stock-based compensation
Stock-based compensation expense	\$ 2,847	\$ 743	\$ 3,590

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**10. Share capital (continued)**

(c) Stock options (continued)

As at June 30, 2011, outstanding and exercisable stock options granted were as follows:

Grant Date	Fair Value US\$	Number of Non-Vested Options	Weighted Average Contractual Life (in years)	Number of Vested Options	Exercise price C\$	Expiry date
December 14, 2006	\$ 71	-	0.46	250,000	\$ 0.60	December 14, 2011
August 9, 2007	9	-	1.11	25,000	0.69	August 8, 2012
December 3, 2007	81	-	1.43	175,000	0.81	December 3, 2012
March 3, 2008	22	-	1.68	50,000	0.75	March 3, 2013
March 5, 2009	40	-	1.68	150,000	0.64	March 4, 2014
October 23, 2009	64	50,000	3.31	100,000	0.88	October 23, 2014
February 26, 2010	61	41,666	3.66	83,334	1.01	February 26, 2015
March 1, 2010	255	150,000	3.67	350,000	1.01	March 1, 2015
May 17, 2010	12	10,000	3.88	10,000	1.31	May 17, 2015
August 13, 2010	84	66,666	4.12	33,334	1.57	August 13, 2015
December 10, 2010	1,595	619,995	4.44	310,005	3.65	December 10, 2015
April 1, 2011	163	66,666	4.75	33,334	3.01	April 1, 2016
	\$ 2,457	1,004,993	3.34	1,570,007		
Total vested and non-vested stock options				2,575,000		

The Company uses the fair value method of accounting for stock options and, during the three-month and nine-month periods ended June 30, 2011 recognized stock-based compensation expense of \$301 and \$1,173, respectively (three and nine months ended June 30, 2010 - \$62 and \$385, respectively).

The fair value of the options granted during the nine months ended June 30, 2011 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	December 10, 2010	April 1, 2011
Grant date:		
Options granted:	930,000	100,000
Risk-free interest rate:	2.34%	2.45%
Expected life in years:	5.00	5.00
Expected volatility:	59.06%	58.98%
Expected dividend yield:	Nil	Nil

The weighted-average grant date fair value of these options of \$1,758 or Cdn \$1.71 per option is expensed over the vesting periods of the option being 24 months from the grant dates.

As at June 30, 2011, the fair value associated with non-vested stock options is \$1,351 (June 30, 2010 - \$315).

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**11. Long-term compensation**

A summary of the deferred share unit ("DSU's") transactions during the period are as follows:

	DSU's		Fair Value
Balance, September 30, 2010	192,178	\$	606
Issued	36,785		99
Redeemed	(12,377)		(32)
Reversal of accrued awards from September 30, 2010	-		(102)
Mark-to-market adjustment	-		(33)
Balance, June 30, 2011	216,586	\$	538

A summary of the restricted share units ("RSU's") transactions during the period are as follows:

	RSU's		Fair Value
Balance, September 30, 2010	305,447	\$	1254
Issued	170,925		472
Reversal of accrued awards from September 30, 2010	-		(453)
Mark-to-market adjustment	-		(93)
Balance, June 30, 2011	476,372	\$	1,180

Balance, June 30, 2011 – DSU's & RSU's		\$	1,718
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**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 may change and are 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 Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of mineral concessions or other mineral rights. Any changes in laws or regulations in the jurisdictions in which the Company operates, or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

(c) On June 27, 2011, as a condition of the operating of an environmental permit on that date by the Government of the Principality of Asturias, the Company committed to post an additional reclamation bond in the amount of €10 million (approximately \$14.4 million). The first instalment of €5 million (approximately \$7,200) is to be made within a reasonable time of the permit grant date and the second instalment of €5 million (approximately \$7,200) is required to be made by June 27, 2012.

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**12. Commitments and contingencies (continued)**

(d) In August of 2010, Orvana Resources entered into an agreement to purchase land adjacent to the Copperwood Project to facilitate road access to the site and to provide additional space for mining infrastructure. The purchase price was \$1,900, which included \$300 on signing and the balance payable in five instalments over the next two years, with annual interest of 6% on the unpaid balances. Orvana Resources has the right to put the property back to the Vendor on the same terms as the original purchase.

The following is a schedule of the future payments for the land purchase:

Fiscal	2011	\$	339
	2012		1,045
			1,384

**13. Segmented information**

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

As at June 30, 2011 and the nine months then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
Bolivia	\$ 14,509	\$ 4,910	\$ 37,293	\$ 1,424	\$ 12,266	\$ 55,893
Spain		2,535	132,938	4,293	15,282	155,048
United States		247	11,256	-	20	11,523
Canada		8,851	699	-	678	10,228
Sweden		126	-	-	-	126
Cyprus		227	-	-	9	236
	\$ 14,509	\$ 16,896	\$ 182,186	\$ 5,717	\$ 28,255	\$ 233,054

As at September 30, 2010 and the year then ended

	Gold Sales	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
Bolivia	\$ 32,344	\$ 2,234	\$ 22,891	\$ -	\$ 15,040	\$ 40,165
Spain		3,910	93,010	4,040	1,705	102,665
United States		13	6,993	-	37	7,043
Canada		1,307	294	-	509	2,110
Sweden		3,239	-	-	-	3,239
Cyprus		1,244	-	-	6	1,250
	\$ 32,344	\$ 11,947	\$ 123,188	\$ 4,040	\$ 17,297	\$ 156,472

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**14. Loss per share**

	Three months ended June 30		Nine months ended June 30	
	2011	2010	2011	2010
Loss per share				
Basic and diluted	\$ (0.06)	\$ (0.01)	\$ (0.27)	\$ (0.01)
Weighted average number of shares				
outstanding – basic	117,746,468	115,674,876	116,873,575	115,384,437
Dilutive effect of stock options	1,046,409	941,478	1,082,933	603,010
Weighted average number of shares				
outstanding - diluted	118,792,877	116,616,354	117,956,508	115,987,447

**15. Related party**

Under an agreement entered into on September 12, 2001 in connection with the initial investment in Orvana by a then affiliate of Fabulosa Mines Limited (“Fabulosa”) (which investment and such agreement were subsequently transferred to Fabulosa), Fabulosa had a pre-emptive right to acquire additional common shares on a one-for-one basis in connection with the issuance of common shares to parties other than Fabulosa. Fabulosa’s pre-emptive right under such agreement required that Orvana provide Fabulosa with notice of the terms of any proposed issuance of common shares at least 30 days in advance of the completion of any such issuance. This notice requirement effectively precluded Orvana from undertaking certain types of equity financings, including bought deals and overnight marketed public offerings. In addition, the application of Fabulosa’s pre-emptive right to the issuance of common shares upon the exercise of options had been a matter of dispute between the parties.

With a view to Orvana obtaining greater flexibility to complete equity financings and resolution of the disagreement regarding the application of Fabulosa’s pre-emptive rights to shares issued upon the exercise of options, on May 16, 2011, Orvana and Fabulosa agreed to terminate their prior agreement by entering into an agreement under which Fabulosa’s existing pre-emptive rights to acquire common shares were amended and Fabulosa also committed to provide Orvana with a six-month, secured convertible \$15,000 bridge loan bearing interest at a rate of 8% per annum. As consideration for the amendments and the provision of bridge loan financing, Orvana issued to Fabulosa 1,969,999 common shares (refer to note 10) (the “Consideration Shares”) and agreed to issue to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. As a result of the issuance of the Consideration Shares, Fabulosa increased its ownership interest from 51.6% to 52.4% of the issued and outstanding common shares. The warrants will be exercisable only upon the issuance of, and in equal numbers to, common shares issuable upon the exercise of any of Orvana’s outstanding stock options as of May 16, 2011. 1,300,000 warrants will be issued on September 6, 2011, and 1,425,000 warrants will be issued on March 5, 2012. All of the warrants will have an exercise price equal to the volume-weighted average price of the common shares on the TSX for the five trading days preceding the date such warrants are issued.

In addition, Orvana agreed to approve the implementation of a normal course issuer bid (“NCIB”) prior to March 3, 2012, subject to TSX approval. The purpose of the NCIB will primarily be to acquire common shares to mitigate the dilutive effect of common shares issued upon the exercise of stock options granted under Orvana’s Stock Option Plan after May 16, 2011.

On June 3, 2011, the Company entered into an agreement with Fabulosa for a bridge loan amounting to \$15,000. The bridge loan is secured against all personal property of Orvana (excluding the shares of Orvana Minerals Asturias Corp. and all proceeds there from). The full amount of the bridge loan of \$15,000 was drawn down.

**15. Related party (continued)**

The bridge loan has a term of six months and the outstanding amount of the loan may be repaid by Orvana at any time without penalty. Pursuant to the terms of the bridge loan, if Orvana completes an equity financing prior to repayment of the loan, the outstanding amount of the loan may, at Orvana's sole discretion, be converted into common shares at the price common shares are sold under the equity financing, provided that the number of common shares issued to Fabulosa in connection with such equity financing does not exceed the number of common shares issued under such equity financing.

In the event that the bridge loan is not repaid or converted into equity by Orvana prior to maturity, at maturity, the outstanding amount (plus accrued and unpaid interest) may be converted, at Fabulosa's option, into common shares based on a share price that is the volume-weighted average trading price on the TSX for the five trading days preceding the maturity date less the maximum allowable discount permitted by the TSX.

**16. Subsequent event**

On July 27, 2011 the Company entered into an underwriting agreement to sell 8,500,000 common shares of Orvana at a price of C\$2.00 per common share for aggregate gross proceeds of C\$17 million (the "Offering"). This transaction closed on August 11, 2011.

Concurrent with the closing of the Offering, the Company repaid in full the outstanding amount of the \$15,225 bridge loan, including accrued interest, by issuing 7,319,969 common shares to Fabulosa at the same price and on the same terms as those issued under the Offering. Fabulosa also acquired 1,180,031 common shares, on a private placement basis at a price of C\$2.00 per common share. As a result, Fabulosa has acquired 8,500,000 common shares in total when combined with the shares issued to it on repayment of the bridge loan. Following the completion of the Offering, Fabulosa's holdings in Orvana declined from 52.3% to 52.0%.

**17. Comparative Information**

Certain comparative figures have been reclassified to conform to current year financial statement presentation. Restricted cash has been reclassified from cash and cash equivalents on the balance sheet and cash flow statements to a separate classification under long term assets.