

GROWING & DIVERSIFYING



ORVANA MINERALS CORP.

2009 ANNUAL REPORT

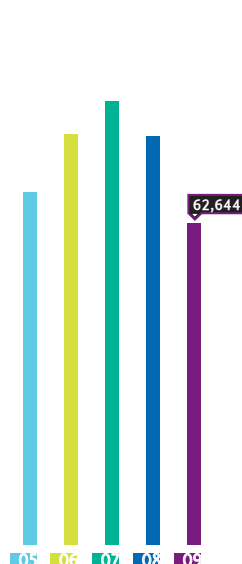
FINANCIAL AND OPERATING HIGHLIGHTS

ANNUAL REPORT FOR THE YEAR
ENDED SEPTEMBER 30, 2009
(IN THOUSANDS OF UNITED STATES DOLLARS)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|
| FINANCIAL HIGHLIGHTS | | | | | |
| Revenue | \$ 56,005 | \$ 69,064 | \$ 55,920 | \$ 44,875 | \$ 29,350 |
| Net income | 13,400 | 25,707 | 26,023 | 15,682 | 8,920 |
| Cashflow from operating activities | 19,631 | 41,212 | 31,488 | 24,724 | 18,810 |
| Cash and equivalents | 58,036 | 91,041 | 55,667 | 26,850 | 5,310 |
| Long-term debt | 4,144 | 4,245 | - | - | - |
| Shareholders' equity | 110,367 | 96,862 | 70,956 | 45,089 | 28,859 |
| Earnings per share - basic and diluted | \$ 0.12 | \$ 0.22 | \$ 0.23 | \$ 0.14 | \$ 0.08 |
| OPERATING HIGHLIGHTS | | | | | |
| Gold production (ounces) | 62,644 | 79,604 | 86,381 | 80,028 | 68,759 |
| Gold sold (ounces) | 63,230 | 79,813 | 86,322 | 79,621 | 68,273 |
| Average realized gold price per ounce | \$ 885.74 | \$ 865.33 | \$ 647.81 | \$ 563.61 | \$ 429.89 |
| Total cash costs per ounce | \$ 339.60 | \$ 240.63 | \$ 156.53 | \$ 139.43 | \$ 117.57 |

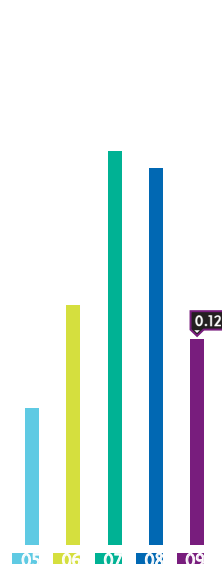
DON MARIO GOLD PRODUCTION

FOR THE YEARS ENDED
SEPTEMBER 30,
(FINE TROY OUNCES)



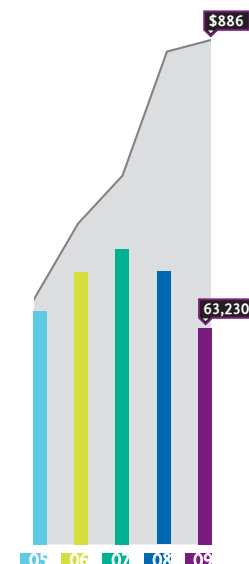
EARNINGS PER SHARE

FOR THE YEARS ENDED
SEPTEMBER 30,
(BASIC & DILUTED)



OUNCES SOLD VS. AVERAGE GOLD PRICE PER OUNCE REALIZED

US\$



REVIEW OF OPERATIONS



EL VALLE-BOINÁS/CARLÉS

Overview | Orvana acquired the El Valle-Boinás/Carlés project through its acquisition of Kinbauri Gold Corp. in the last quarter of fiscal 2009. The property consists of 14 concessions comprising 4,298 hectares. The El Valle-Boinás and Carlés deposits are located approximately 10 kilometres from each other and will share the same mill and plant facilities. Key infrastructure, including a fully-equipped mill with a capacity to treat up to 750,000 tonnes per year, underground workings and auxiliary facilities, was already in place.



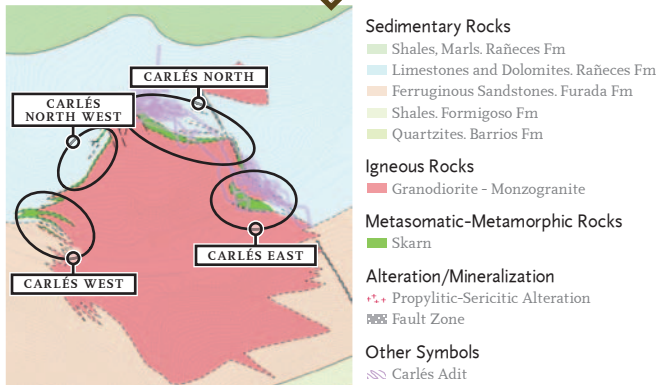
The El Valle-Boinás/Carlés Project is located in the Rio Narcea Gold Belt in Northern Spain. First mined by the Romans, this area was explored by various companies during the late twentieth century and mined between 1997 and 2006, producing about 950,000 ounces gold and 14,000 tonnes copper.

Mine Development Plan | Orvana started development of El Valle-Boinás/Carlés in November 2009 and plans to begin production from the mine in fiscal 2011. Once a mine plan is submitted to Spanish authorities and the applicable environmental permits are reactivated, development will focus on improving the existing underground access and the sinking of a shaft. Existing ramps and other infrastructure will be utilized for early production while the shaft is sunk in the current location of a ventilation raise in the El Valle-Boinás area. At Carlés, the current ramp will be extended to access deeper lying mineralizations.

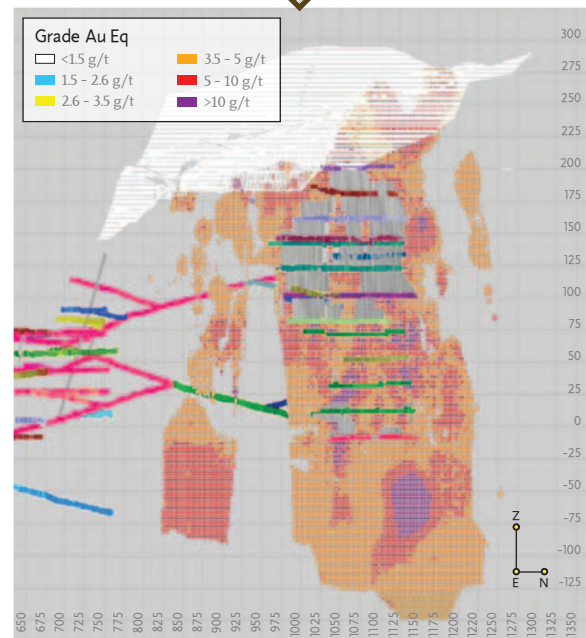


Orvana estimates pre-production capital costs to be US\$50 million. The infrastructure currently in place requires some refurbishment, but its existence reduces start-up costs and accelerates the time to production. A senior management team has been put in place and includes experienced personnel from the previous mine operation and mining professionals from Bolivia.

CARLÉS MINERALIZED ZONES



LONGITUDINAL SECTION



Resources | Orvana's preliminary estimates for annual production from El Valle-Boinás/Carlés are approximately 100,000 ounces of gold and 9 million pounds of copper. Based on a recent National Instrument ("NI") 43-101-compliant technical report, resources are estimated in the table below:

| | |
|-----------|-------------------------------------------------------------------------|
| Measured | 2.4Mt @ 3.6 g/t Au, 0.85% Cu 272,000 ounces Au, 44 million lbs. Cu |
| Indicated | 4.0Mt @ 5.4 g/t Au, 0.80% Cu 698,000 ounces Au, 71 million lbs. Cu |
| Inferred | 7.3Mt @ 5.4 g/t Au, 0.45% Cu 1,267,000 ounces Au, 76 million lbs. Cu |

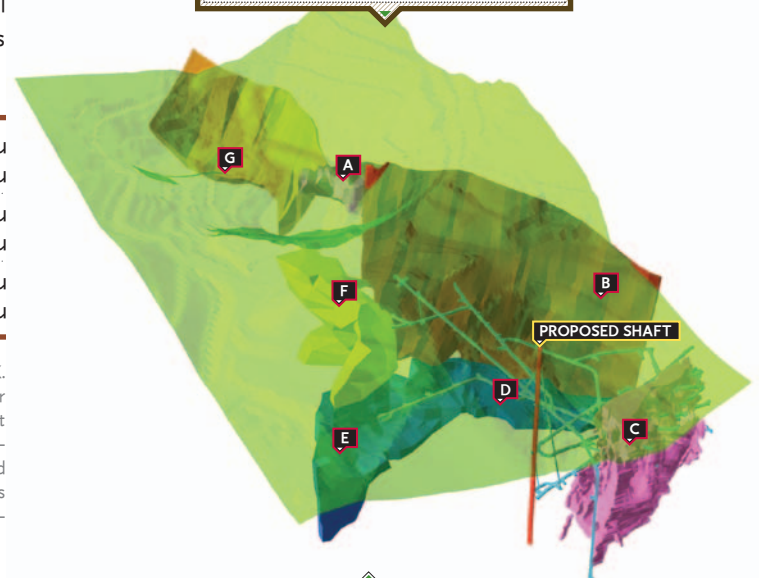
*The technical report referenced above was completed by Scott Wilson Ltd. of the U.K. in April 2009, and subsequently readdressed to, and filed by, Orvana in November 2009. The report was prepared under the supervision of P. Birchall, an independent Qualified Person for the purposes of NI 43-101. The April 2009 technical report updated the NI 43-101-compliant technical report by Ore Reserves Engineering prepared under the supervision of A. Noble, an independent Qualified Person for the purposes of NI 43-101, dated January 2009 and subsequently readdressed to, and filed by, Orvana in November 2009.

Underground drilling at El Valle-Boinás and Carlés is ongoing, with the principal purpose of upgrading inferred resources to measured and indicated and to test areas where inferred resources can be added. An updated resource estimate is expected to be completed during the second quarter of fiscal 2010.

ENVIRONMENT AND PERMITS

Orvana is working to re-activate suspended environmental permits in order to expedite initial production. The 2010 mine plan will be presented to regional authorities early in fiscal 2010. Overall, the community and regulatory environment appears to be positive.

EL VALLE-BOINÁS-DISPLAY



| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| A AREA 208 - Inf: 0.36 Mt at 6.1 g/t Au; 50,000 oz Au 0.10% Cu; 0.26 kt Cu | B AREA 107 - M+Ind: 0.80 Mt at 9.5 g/t Au; 243,000 oz Au 0.75% Cu; 5.97 kt Cu • Inf: 0.79 Mt at 8.7 g/t Au; 221,000 oz Au 0.45% Cu; 3.56 kt Cu |
| C BOINÁS EAST - M+Ind: 1.91 Mt at 3.2 g/t Au; 199,000 oz Au 0.97% Cu; 18.54 kt Cu • Inf: 0.45 Mt at 3.2 g/t Au; 46,000 oz Au 1.00% Cu; 4.48 kt Cu | D SAN MARTIN - M+Ind: 0.71 Mt at 4.6 g/t Au; 105,000 oz Au 1.05% Cu; 7.46 kt Cu • Inf: 0.56 Mt at 5.4 g/t Au; 98,000 oz Au 0.65% Cu; 3.67 kt Cu |
| E BLACK SKARN - M+Ind: 1.60 Mt at 3.7 g/t Au; 188,000 oz Au 0.77% Cu; 12.32 kt Cu • Inf: 0.54 Mt at 3.5 g/t Au; 61,000 oz Au 0.62% Cu; 3.34 kt Cu | F CHARNELA - M+Ind: 0.14 Mt at 11.5 g/t Au; 52,000 oz Au 0.25% Cu; 0.35 kt Cu • Inf: 0.23 Mt at 7.9 g/t Au; 58,000 oz Au 0.65% Cu; 1.49 kt Cu |
| G EAST BRECCIA - Inf: 0.62 Mt at 7.0 g/t Au; 139,000 oz Au 0.45% Cu; 2.78 kt Cu | |

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
SEPTEMBER 30, 2009

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. ("Orvana" or the "Company") was prepared on December 11, 2009 (the "Report Date") and describes the operating and financial results of the Company for the fiscal year ended September 30, 2009. The MD&A should be read in conjunction with Orvana's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2009. The Company prepares and files its financial statements and MD&A in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In this MD&A, all dollar amounts (except per unit amounts) are in thousands of United States dollars unless otherwise stated and gold production, in fine troy ounces, is referred to as "ounces".

Throughout this MD&A, the Company has also used some non-GAAP measures, including direct mine operating costs, cash operating costs, total cash costs and total production costs, and related unit cost information, because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with Canadian GAAP do not fully illustrate the ability of its operating mine to generate cash flow. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP, should not be construed as an alternative to Canadian GAAP reporting of operating expenses, and may not be comparable to similar measures presented by other companies. The measures are not necessarily indicative of cost of sales as determined under Canadian GAAP. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects", "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might", "will" or "are projected to" be taken or achieved) are not statements of historical fact, but are forward-looking statements.

Forward-looking statements relate to, among other things, all aspects of the development of the Upper Mineralized Zone ("UMZ") deposit at the Don Mario Mine in Bolivia, the El Valle-Boinás/Carlés project in Spain and the Copperwood project in Michigan and their potential operations and production; the outcome and timing of decisions with respect to whether and how to proceed with such development and production; the timing and outcome of any such development and production; estimates of future capital expenditures; mineral resource estimates; estimates of permitting time lines; statements and information regarding future feasibility studies and their results; production forecasts; future transactions; future gold, copper and silver prices; the ability to achieve additional growth and geographic diversification; future production costs; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

CONSOLIDATED BALANCE

SHEETS

AS AT SEPTEMBER 30
(IN THOUSANDS OF UNITED STATES DOLLARS)

| | 2009 | 2008 |
|---------------------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 58,036 | \$ 91,041 |
| Gold sales receivable | - | 1,785 |
| Value-added taxes receivable and prepaid expenses | 5,751 | 4,275 |
| Gold inventory | 751 | 641 |
| Supplies inventory | 3,829 | 2,871 |
| | <u>68,367</u> | <u>100,613</u> |
| Reclamation bonds (note 6(b)) | 1,309 | - |
| Property, plant and equipment (note 4) | 70,931 | 20,072 |
| | <u>\$ 140,607</u> | <u>\$ 120,685</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 7,174 | \$ 6,786 |
| Income taxes payable | 5,990 | 7,792 |
| Current portion of long-term debt (note 5) | 2,229 | 1,601 |
| | <u>15,393</u> | <u>16,179</u> |
| Long-term debt (note 5) | 1,915 | 2,644 |
| Asset retirement obligations (note 6) | 2,792 | 2,156 |
| Provision for statutory labour obligations | 1,406 | 1,307 |
| Future income tax liability (note 9) | 8,346 | 1,537 |
| Long-term compensation (note 7(d)) | 388 | - |
| | <u>30,240</u> | <u>23,823</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 7(b)) | 74,777 | 74,777 |
| Contributed surplus | 1,658 | 1,553 |
| Retained earnings | 33,932 | 20,532 |
| | <u>110,367</u> | <u>96,862</u> |
| | <u>\$ 140,607</u> | <u>\$ 120,685</u> |
| Commitments and contingencies (note 12) | | |

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

Approved by the Board of Directors:



CARLOS MIRABAL
Director



ROBERT MITCHELL
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008
(IN THOUSANDS OF UNITED STATES DOLLARS
UNLESS OTHERWISE NOTED)

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 Don Mario Mine and property (note 4(a)) in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). The Company also owns the El Valle-Boinás/Carles project in Spain referred to as the Kinbauri project (note 4(b)), which is held indirectly through its wholly-owned subsidiary Orvana Minerals Asturias Corp ("Orvana Asturias"). In addition, the Company holds mineral leases in the state of Michigan, USA, referred to as the Copperwood project (note 4(c)) 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")
- ▶ Kinbauri Espana S.L.
- ▶ Kinbauri Galicia S.L.
- ▶ Orvana Resources US Corp. ("Orvana Resources")

Non-operating companies:

- ▶ Orvana Minerals Asturias Corp. ("Orvana Asturias")
- ▶ 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.