CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THIRD QUARTER OF FISCAL 2015

THREE AND NINE MONTHS ENDED JUNE 30, 2015 AND 2014

UNAUDITED

(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
Unaudited
(in thousands of United States dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Nine months ended June 30, 2015	Nine months ended June 30, 2014
Revenue	$ 32,162	$ 34,064	$ 101,040	$ 98,409
Cost of sales				
Mining costs (note 5)	29,834	24,506	81,748	72,433
Depreciation and amortization	8,119	7,480	22,557	21,563
Impairment charge	-	29,228	-	29,228
	37,953	61,214	104,305	123,224
Gross margin	(5,791)	(27,150)	(3,265)	(24,815)
Expenses				
General and administrative (note 6)	816	998	4,599	4,682
Exploration	537	345	1,417	665
Community relations	256	91	463	438
Other expense	27	1,979	370	2,266
Finance costs (note 7)	(49)	1,132	803	3,879
Expenses before derivative instruments loss (gain)	1,587	4,545	7,652	11,930
Derivative instruments loss (gain)	-	3,786	-	(2,355)
Loss before income taxes	(7,378)	(35,481)	(10,917)	(34,390)
Provision for income taxes				
Current income taxes (recovery) (note 17)	(384)	85	2,177	1,589
Deferred income tax recovery (note 17)	(1,472)	(9,529)	(4,180)	(9,998)
	(1,856)	(9,444)	(2,003)	(8,409)
Loss from continuing operations	(5,522)	(26,037)	(8,914)	(25,981)
Income (loss) from discontinued operations (note 4)	-	135	-	(866)
Net loss and comprehensive loss	$ (5,522)	$ (25,902)	$ (8,914)	$ (26,847)
Net loss per share (note 8)				
Loss from continuing operations				
Basic and diluted	$ (0.04)	$ (0.19)	$ (0.07)	$ (0.19)
Loss from discontinued operations				
Basic and diluted	$ -	$ -	$ -	$ (0.01)
Net loss				
Basic and diluted	$ (0.04)	$ (0.19)	$ (0.07)	$ (0.20)

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

ORVANA MINERALS CORP.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited
(in thousands of United States dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Nine months ended June 30, 2015	Nine months ended June 30, 2014
Operating activities				
Net loss	$ (5,522)	$ (26,037)	$ (8,914)	$ (25,981)
Adjustments for:				
Depreciation and amortization	8,148	7,509	22,642	21,651
Impairment charge	-	29,228	-	29,228
De-recognition of assets	-	1,822	-	1,822
Loss on disposal of assets	5	91	195	380
Accretion	33	130	91	403
Interest on Copperwood (note 4)	-	(36)	(259)	(36)
Amortization of deferred financing fees (note 7)	-	199	714	594
Stock-based compensation (note 19)	19	26	70	111
Warrants	(34)	(143)	(20)	(87)
Long-term compensation	26	150	52	759
Deferred income tax recovery (note 17)	(1,472)	(9,529)	(4,180)	(9,998)
Provision for statutory labour obligations	125	65	(21)	(323)
Foreign exchange loss (gain)	(302)	(33)	773	123
Derivative instruments unrealized loss	-	5,470	-	2,371
	1,026	8,912	11,143	21,017
Changes in non-cash working capital				
Concentrate and doré sales receivables	1,309	(1,190)	3,612	(604)
Value added taxes and other receivables and prepaid expenses	(1,317)	199	8,641	(1,509)
Inventory	4,028	(1,232)	2,192	(5,161)
Accounts payable and accrued liabilities	2,128	2,434	143	5,064
Income taxes payable	(507)	(373)	422	(2,286)
	5,641	(162)	15,010	(4,496)
Cash provided by operating activities from continuing operations	6,667	8,750	26,153	16,521
Cash used in operating activities from discontinued operations	-	(190)	-	(631)
Cash provided by operating activities	6,667	8,560	26,153	15,890
Financing activities				
Repayment of bank debt	(3,943)	(1,479)	(9,364)	(2,464)
Repayment of Fabulosa Loan (note 14)	-	(4,731)	-	(2,731)
Repayment of El Valle Loan (note 15)	-	(3,990)	(16,614)	(10,973)
Repayment of finance leases	-	(155)	-	(627)
Cash used in financing activities	(3,943)	(10,355)	(25,978)	(16,795)
Investing activities				
Capital expenditures	(1,720)	(6,486)	(7,777)	(13,988)
Restricted cash	1,413	448	7,212	382
Proceeds from sale of Copperwood (note 4)	-	13,000	7,533	13,000
Cash (used in) provided by investing activities from continuing operations	(307)	6,952	6,968	(606)
Cash used in investing activities from discontinued operations	-	(85)	-	(460)
Cash (used in) provided by investing activities	(307)	6,877	6,968	(1,066)
Change in cash	2,417	5,082	7,143	(1,971)
Cash, beginning of the period	21,512	5,914	16,545	13,039
Effect of exchange rate change on cash held in foreign currencies	(55)	33	186	(39)
Cash, end of period	$ 23,874	$ 11,029	$ 23,874	$ 11,029

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

ORVANA MINERALS CORP.
Condensed Interim Consolidated Balance Sheets
Unaudited
(in thousands of United States dollars)

	As at June 30, 2015	As at September 30, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 23,874	$ 16,545
Restricted cash (note 9)	2,683	9,897
Concentrate and doré sales receivables	1,065	4,677
Value added taxes and other receivables and prepaid expenses	9,678	19,377
Copperwood note (note 4)	-	7,274
Inventory (note 10)	15,850	18,537
	53,150	76,307
Non-current assets		
Value-added taxes and other receivables	7,428	6,234
Restricted cash (note 9)	1,840	1,838
Reclamation bonds (note 9)	8,418	9,466
Property, plant and equipment (note 11)	112,398	127,273
	$ 183,234	$ 221,118
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	$ 28,986	$ 29,495
Income taxes payable (note 17)	2,031	1,609
Bank debt (note 13)	-	9,364
El Valle Loan (note 15)	-	15,900
	31,017	56,368
Non-current liabilities		
Decommissioning liabilities (note 16)	19,543	19,316
Provision for statutory labour obligations	2,273	2,294
Deferred income tax liability (note 17)	7,660	11,840
Other liabilities	1,581	1,239
Long-term compensation (note 19(b))	755	784
Warrants (note 18)	49	77
	62,878	91,918
Shareholders' equity		
Share capital (note 18)	116,206	116,206
Contributed surplus	3,471	3,401
Retained earnings	679	9,593
	120,356	129,200
	$ 183,234	$ 221,118

Commitments and contingencies (note 21)

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

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

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2014	$	116,206	$	3,401	$	9,593	$	129,200
Stock-based compensation		-		70		-		70
Net loss		-		-		(8,914)		(8,914)
Balance, June 30, 2015	$	116,206	$	3,471	$	679	$	120,356

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2013	$	116,206	$	3,226	$	39,336	$	158,768
Stock-based compensation		-		111		-		111
Net loss		-		-		(26,847)		(26,847)
Balance, June 30, 2014	$	116,206	$	3,337	$	12,489	$	132,032

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

1. Nature of operations and corporate information

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company involved in the evaluation, development and mining of precious and base metal deposits. The Company owns and operates the El Valle Mine ("El Valle") in Spain, which is held indirectly through its wholly-owned subsidiary OroValle Minerals S.L. ("OroValle") and the Don Mario Upper Mineralized Zone Mine (the "Don Mario Mine") in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). OroValle also owns the Carlés Mine which is located in close proximity to El Valle. Carlés Mine was placed under care and maintenance during the second quarter of fiscal 2015.

The Company is controlled by Fabulosa Mines Limited ("Fabulosa") which holds 51.9% of the Company's common shares. The Company's ultimate controlling party is the Oslo Trust, which controls Fabulosa.

The Company's head and registered office is 181 University Avenue, Suite 1901, Toronto, Ontario, Canada. The Company is incorporated under the laws of Ontario, Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol TSX:ORV.

2. Basis of preparation

The Company prepares its condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") which do not include all of the information required for full annual consolidated financial statements. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2014.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2014, except as highlighted in note 3, Accounting policies and new accounting pronouncements, below.

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in note 4 of the Company's consolidated financial statements for the year ended September 30, 2014. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements for the periods ended June 30, 2015 were approved by the Board of Directors of the Company on August 6, 2015.

3. Accounting policies and new accounting pronouncements

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2014. There was no significant impact on the Company's condensed interim consolidated financial statements as a result of new standards that became effective during fiscal 2015.

4. Divestiture of Copperwood

Through its formerly wholly-owned subsidiary, Orvana Resources US Corp. ("Orvana US"), the Company held the Copperwood Project, which was comprised of certain long-term mineral leases, certain surface rights that secured access and provided space for future infrastructure, and options in respect of certain additional mineral leases. The Company had previously completed a feasibility study and obtained all major permits in respect of the development of the Copperwood Project.

(in thousands of United States dollars unless otherwise noted)

On February 11, 2014, the Company announced that it had entered into a definitive agreement with Highland Copper Company Inc. ("Highland") to sell the Copperwood Project through the sale of all of the outstanding shares of Orvana US for total cash consideration of up to $25,000 in aggregate, of which $20,000 would be paid in cash on closing and $5,000 would be paid in cash or shares of Highland, at the Company's option, upon the occurrence of certain events following closing.

On June 17, 2014, the Company closed the sale of the Copperwood Project to Highland. On closing, the Company received a cash payment of $13,000 and a secured promissory note in the amount of $7,000 (the "Copperwood Note") in respect of the remainder of the base consideration. On December 15, 2014, the Copperwood Note was repaid and the Company received $7,000 as repayment of principal and $533 in interest.

The additional consideration of up to $5,000 will be paid by Highland in cash or shares of Highland, at Orvana's option, upon occurrence of the events described below:

- $1,250 upon the earliest of (i) commencement of commercial production of Copperwood and (ii) the date that is 36 months after closing; and an additional $1,250 on the first anniversary of this payment; and
- $1,250 if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb; and an additional $1,250 if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

The results from operations of Orvana US in prior periods have been presented separately as *income (loss) from discontinued operations* on the condensed interim consolidated statements of net loss and comprehensive loss.

5. Mining costs

Mining costs include mine production costs, transportation costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, incurred at the El Valle Mine, which are capitalized and depreciated over the specific useful life or reserves related to that development. The mining costs for the three and nine months ended June 30, 2015 and 2014 relate to the El Valle Mine and Don Mario Mines.

	For the three months ended June 30,		For the nine months ended June 30,	
	2015	2014	2015	2014
Direct mining costs	$ 27,614	$ 22,628	$ 74,403	$ 66,735
Royalties and mining rights (1)	1,013	992	3,153	2,926
Mining royalty taxes (2)	1,207	886	4,192	2,772
Total mining costs	$ 29,834	$ 24,506	$ 81,748	$ 72,433

(1) Royalties and mining rights refers to royalties payable to third parties in respect of the El Valle Mine and the Don Mario Mine.
(2) Mining royalty taxes refers to amounts payable to government authorities in respect of the Don Mario Mine.

6. General and administrative expenses

	For the three months ended June 30,		For the nine months ended June 30,	
	2015	2014	2015	2014
Salaries, directors fees and office administration	$ 1,313	$ 1,101	$ 4,244	$ 3,817
Depreciation	28	30	84	89
Stock-based compensation expense	19	26	70	111
Warrants	(33)	(155)	(28)	(92)
Long-term compensation	(39)	128	107	736
Foreign exchange	(472)	(132)	122	21
Total general and administrative expenses	$ 816	$ 998	$ 4,599	$ 4,682

(in thousands of United States dollars unless otherwise noted)

7. Finance costs

	For the three months ended June 30, 2015	2014	For the nine months ended June 30, 2015	2014
Interest on credit facilities	$ 19	$ 595	$ 302	$ 2,164
Other interest (income) expense	(100)	91	(303)	601
Financing fees	-	117	-	117
Amortization of financing fees	-	199	714	594
Accretion expense on decommissioning obligations	78	137	227	410
Accretion gains on Copperwood deferred payments	(46)	(7)	(137)	(7)
Total finance costs	$ (49)	$ 1,132	$ 803	$ 3,879

8. Net loss per share

	For the three months ended June 30, 2015	2014	For the nine months ended June 30, 2015	2014
Loss from continuing operations	$ (5,522)	$ (26,037)	$ (8,914)	$ (25,981)
Income (loss) from discontinued operations	-	135	-	(866)
Net loss	$ (5,522)	$ (25,902)	$ (8,914)	$ (26,847)
Weighted average number of common shares outstanding – basic	136,623,171	136,623,171	136,623,171	136,623,171
Dilutive effect of stock options	10,111	28,189	-	23,259
Dilutive effect of warrants	-	90,927	-	62,846
Weighted average number of common shares outstanding – diluted	136,633,282	136,742,287	136,623,171	136,709,276
Net loss per share from continuing operations – basic and diluted	$ (0.04)	$ (0.19)	$ (0.07)	$ (0.19)
Net loss per share from discontinued operations – basic and diluted	-	-	-	(0.01)
Net loss per share – basic and diluted	$ (0.04)	$ (0.19)	$ (0.07)	$ (0.20)

9. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at June 30 2015 was $2,683 (September 30, 2014 – $9,897), primarily consisting of $2,446, in restricted cash placed on deposit with Canadian and Bolivian commercial banks in favour of Bolivian courts pending the result of ongoing claims. Refer to note 21 – Commitments and contingent liabilities.

Long-term restricted cash consists of $1,840 (September 30, 2014 – $1,838) on deposit with a local bank in favour of the Bolivian government pending the appeal of a value added taxes ("VAT") audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. As of June 30, 2015, the matter remains unresolved.

Reclamation bonds

At June 30, 2015, cash backing reclamation bonds held in a Spanish financial institution was $8,418 (September 30, 2014 – $9,466) and is expected to be released after all reclamation work at the El Valle Mine and Carlés Mine has been completed. Prior to its acquisition by OroValle, the El Valle Mine and Carlés Mine had been shut down by the owner thereof and remediation measures required were completed. On OroValle's acquisition of the El Valle Mine and Carlés Mine a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by OroValle relating to its tailings facility. Refer to note 21 – Commitments and contingent liabilities.

(in thousands of United States dollars unless otherwise noted)

10. Inventory

	June 30, 2015	September 30, 2014
Ore in stockpiles	$ 46	$ 79
Ore in-process	1,419	831
Gold doré	357	717
Gold and copper concentrates	5,054	9,143
Materials and supplies	8,974	7,767
	$ 15,850	$ 18,537

11. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2014	$1,600	$53,173	$440	$72,060	$127,273
Additions	-	5,824	113	1,530	7,467
Disposals	-	(195)	-	-	(195)
Depreciation [(1)]	-	(9,733)	(152)	(12,262)	(22,147)
Net book value, June 30, 2015	$1,600	$49,069	$401	$61,328	$112,398
Total cost	$1,600	$111,813	$2,169	$118,761	$234,343
Total accumulated depreciation	-	(62,744)	(1,768)	(57,433)	(121,945)
Net book value, June 30, 2015	$1,600	49,069	401	61,328	112,398

(1) Depreciation includes amounts recorded in inventory.

On the condensed interim consolidated statement of cash flow for the nine months ended June 30, 2015, capital expenditures exclude approximately $1,197 of capital expenditures incurred but unpaid in fiscal 2015, and include $1,507 of capital expenditures incurred in fiscal 2014 but paid in fiscal 2015 (June 30, 2014 – $183 and $1,209 respectively).

Mineral properties in production

(a) Don Mario Mine (Bolivia)

Through EMIPA, the Company owns and operates the open pit copper-gold-silver Don Mario Mine. The Don Mario Mine is part of the Don Mario district comprising ten mineral concessions located in south eastern Bolivia. The Company mined the Don Mario Mine previously as an underground mine until 2009. Commercial production of the open pit commenced on January 1, 2012.

(b) El Valle Mine (Spain)

Orvana acquired the El Valle Mine and Carlés Mine in Spain in August 2009. The gold-copper-silver El Valle Mine is located in the Rio Narcea Gold Belt in northern Spain. The Company commenced commercial production on August 1, 2011.

The El Valle and Carlés mineral properties in production were reduced by $6,459 (€4,995,378) with respect to a government subsidy grant, recorded during the fourth quarter of fiscal 2012. This grant was awarded by the

(in thousands of United States dollars unless otherwise noted)

Economic Development Institute of the Principality of Asturias for business projects generating employment that promote alternative development of mining areas for the periods of 2007 through 2012. OroValle has completed the required investment. The first payment was received in January 2013 for €1,399,706 and during November 2013, the Company received a second payment of €1,098,983. The remainder of the grant receivable of €2,449,281 was received during the second quarter of fiscal 2015.

12. Accounts payable and accrued liabilities

		June 30, 2015		September 30, 2014
Accounts payable	$	23,810	$	24,452
Accrued liabilities		5,176		5,043
Total accounts payable and accrued liabilities	$	28,986	$	29,495

13. Bank debt

EMIPA had short-term credit facilities with a Bolivian bank payable in 90 to 180 days from the date of advance with an annual interest rate of 6.0%. Certain of EMIPA's assets are pledged as security against these loans. During the third quarter of fiscal 2015, EMIPA repaid the outstanding loans of $3,943. The balance drawn under these facilities was $nil (September 30, 2014, $9,364). Subsequent to quarter end, $1,478 was drawn down on these facilities.

In addition, at June 30, 2015, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $1,240 (September 30, 2014 – $2,345), related to refunded amounts of VAT and natural gas and chemical purchases. The bank guarantees on the VAT credit notes expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. EMIPA also has provided guarantees for the purchase of natural gas from government suppliers that are for one year and are renewed annually and would only be executed by the government suppliers if EMIPA failed to pay the invoices related to these purchases.

14. Fabulosa Loan

The Company entered into a secured loan facility agreement ("the Fabulosa Loan") with Fabulosa in the amount of $11,500 in 2011. During the third quarter of fiscal 2014, the outstanding balance of $6,515 was repaid with the proceeds from the sale of the Copperwood Project (note 4).

The amendment of the El Valle Loan during the fourth quarter of 2014 was conditional on the establishment of a $6,500 line of credit. Accordingly, the Fabulosa Loan was amended effective July 11, 2014. The maturity period was extended from September 30, 2014 to December 31, 2014 and the amount which could be drawn under the Fabulosa Loan was amended to $6,500. In connection with such amendment, the Company issued warrants to Fabulosa to purchase 100,000 common shares of the Company exercisable at a price of $0.54 until July 11, 2019. The Company also paid a structuring fee of 2% for a total of $130. No amounts were drawn under the Fabulosa Loan prior to the end of its availability period. The Fabulosa Loan was not renewed and all such security was discharged.

Concurrent with the initial Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding Common Shares, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest is of the Common Shares.

For the three and nine months ended June 30, 2015, the Company paid $nil and $24, respectively, in stand-by fees on the Fabulosa Loan (June 30, 2014 – interest and stand-by fees of $159 and $399, respectively).

(in thousands of United States dollars unless otherwise noted)

15. El Valle Loan

In October 2010, OroValle entered into the El Valle Loan, a $50,000 five-year term corporate credit facility. The funds were primarily used to complete the construction of the El Valle Mine and Carlés Mine. In February 2012, the El Valle Loan was extended by one year to September 30, 2016 and increased by $13,844 including approximately $6,500 (€5,000,000) to fund an environmental bond. In July 2014, the El Valle Loan was amended, resulting in a new maturity date of November 30, 2014 (the “New Maturity Date”). As a condition to the amendments of the El Valle Loan, Orvana had to establish a line of credit in the minimum amount of $6,500 in the form of the Fabulosa Loan until the New Maturity Date.

The El Valle Loan required gold, copper and US dollars/EUR derivative instruments that were previously put in place. Subsequent to the end of the third quarter of fiscal 2014, all outstanding derivative instruments were closed for net proceeds of $7,098 with the proceeds applied as a repayment of principal under the El Valle Loan.

Orvana completed repayment of the El Valle Loan on November 10, 2014, two years ahead of schedule. The associated guarantees have been released and the remaining security has been discharged.

For the three and nine months ended June 30, 2015, the Company paid $nil and $62, respectively, in interest on the El Valle Loan (June 30, 2014 – $435 and $1,465, respectively).

16. Decommissioning liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company’s estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

The following table summarizes the changes in decommissioning liabilities during the periods presented:

		June 30, 2015		September 30, 2014
Balance, beginning of period	$	19,316	$	15,639
Revision in estimated cash flows, timing of payments and discount rates				
– El Valle Mine		-		2,911
– Don Mario Mine		-		221
		19,316		18,771
Accretion expense		227		545
Total decommissioning liabilities	$	19,543	$	19,316

(in thousands of United States dollars unless otherwise noted)

The decommissioning liability balance consists of:

		June 30, 2015		September 30, 2014
El Valle Mine	$	14,063	$	13,917
Don Mario Mine		5,480		5,399
Total decommissioning liabilities	$	19,543	$	19,316

As at June 30, 2015, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate(1)		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine	$	16,021	1.4%	$	14,063
Don Mario Mine		5,556	2.0%		5,480
Total	$	21,577		$	19,543

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred in 2016 through 2024 in respect of the Don Mario Mine and the El Valle Mine. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $8,418 at June 30, 2015 (September 30, 2014 – $9,466) and is expected to be released after all reclamation work has been completed. Refer to note 9 – Restricted cash and reclamation bonds.

17. Income tax

Taxation on income comprises current and deferred income tax. Current income tax is generally the expected tax payable on the taxable income for the year calculated using rates enacted or substantively enacted at the statements of financial position date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statements carrying amounts of assets and liabilities and their respective income tax bases.

The Company operates in a specialized industry and in several tax jurisdictions. As a result, its income is subject to various rates of taxation. The breadth of its operations and the global complexity of tax regulations require assessments of uncertainties and judgements in estimating the taxes the company will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and liabilities.

The Company estimates deferred income taxes based upon temporary differences between the assets and liabilities that it reports in its consolidated financial statements and the tax bases of its assets and liabilities as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences can be utilized. Therefore, the amount of the deferred income tax asset recognized and considered unrealizable could be reduced if projected income is not achieved.

(in thousands of United States dollars unless otherwise noted)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the nine months ended June 30, 2015	For the nine months ended June 30, 2014
Current income taxes:				
Current tax (recovery) on income for the periods	$ (384)	$ 85	$ 2,177	$ 1,589
Total current income taxes (recovery)	(384)	85	2,177	1,589
Deferred income tax:				
Tax rate increase (reduction) in Spain (1)	221	-	(1,025)	-
Origination and reversal of temporary differences in OroValle	(1,693)	(9,529)	(3,155)	(9,998)
Total deferred income tax recovery	(1,472)	(9,529)	(4,180)	(9,998)
Total income taxes (recovery)	$ (1,856)	$ (9,444)	$ (2,003)	$ (8,409)

(1) During November 2014, a number of changes in Spanish tax legislation were enacted effective for fiscal periods beginning on or after January 1, 2015, including the gradual reduction of the corporate income tax rate from 30% to 25% in 2016. As a result, this change is effective in respect of the Company's 2016 fiscal year commencing on October 1, 2015. As the Company expects to settle its deferred tax liabilities in Spain in 2016 or later, the deferred tax liability was re-measured at a 25% tax rate.

Cash income taxes paid for both the three and nine months ended June 30, 2015 totaled $62 and $1,430, respectively (June 30, 2014 – $296 and $3,517, respectively).

18. Share capital and warrants

The Company's authorized capital is comprised of an unlimited number of common shares.

A summary of our capital transactions is as follows:

	Number of common shares	Stated Value
Balance, October 1, 2013	136,623,171	$ 116,206
Balance, September 30, 2014	136,623,171	116,206
Balance, June 30, 2015	136,623,171	116,206

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares	Stated Value
Balance, October 1, 2013	2,205,000	$ 159
Warrants issued (1)	100,000	26
Warrants expired (2)	(510,000)	(11)
Fair value adjustment	-	(97)
Balance, September 30, 2014	1,795,000	77
Warrants expired (2)	(325,000)	(10)
Fair value adjustment	-	(18)
Balance, June 30, 2015	1,470,000	$ 49

(1) Warrants to purchase 100,000 common shares at a purchase price of C$0.54 until July 11, 2019 were issued to Fabulosa as part of the amendments to the Fabulosa Loan in July 2014. Refer to note 14 – Fabulosa Loan.

(2) During 2011, the Company issued to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. The warrants are exercisable only upon the issuance of, and in numbers equal to the number of common shares issued upon the exercise of any of Orvana's outstanding options as of May 16, 2011. On September 6, 2011 the Company issued the first tranche of 1,300,000 warrants with an exercise price of C$1.90 with the second tranche of 1,425,000 warrants issued on March 5, 2012 with an exercise price of C$0.97. As a result of the forfeiture or expiration of options issued before May 16, 2011, warrants to purchase up to 870,000 common shares were outstanding as of June 30, 2015 of which 450,000 were exercisable.

19. Share-based payments

(a) Options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, October 1, 2013	2,871,669	$1.68
Granted	600,000	0.60
Expired	(851,668)	2.06
Forfeited	(66,666)	0.89
Balance, September 30, 2014	2,553,335	$1.32
Granted	225,000	0.33
Expired	(458,334)	1.12
Forfeited	(66,667)	0.53
Balance, June 30, 2015	2,253,334	$1.28

As at June 30, 2015, outstanding and exercisable stock options were as follows:

Grant date		Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
December 10, 2010	$	549	-	0.44	320,000	3.65	December 10, 2015
April 1, 2011		163	-	0.75	100,000	3.01	April 1, 2016
December 20, 2011		66	-	1.47	125,000	1.03	December 20, 2016
March 28, 2012		129	-	1.74	291,667	0.88	March 28, 2017
June 1, 2012		90	-	1.92	200,000	0.86	June 1, 2017
August 30, 2012		4	-	2.17	8,334	0.92	August 30, 2017
March 7, 2013		141	-	2.69	250,000	1.02	March 7, 2018
March 29, 2013		107	-	2.75	200,000	1.05	March 29, 2018
December 16, 2013		28	33,333	3.46	66,667	0.43	December 16, 2018
February 26, 2014		100	100,000	3.66	200,000	0.75	February 26, 2019
July 11, 2014		9	-	4.03	33,333	0.53	July 11, 2019
August 21, 2014		19	66,667	4.14	33,333	0.41	August 21, 2019
December 16, 2014		21	83,334	4.46	41,666	0.30	December 16, 2019
May 14, 2015		17	66,667	4.87	33,333	0.37	May 14, 2020
	$	1,443	350,001	2.47	1,903,333		
Total vested and unvested options					2,253,334		

The Company uses the fair value method of accounting for stock options and, during the three and nine months ended June 30, 2015, recognized stock-based compensation expense of $19 and $70, respectively (June 30, 2014 – $26 and $111).

The compensation expense associated with the stock options for the three and nine months ended June 30, 2015 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (June 30, 2014 – 10%).

The weighted-average grant date fair value of the options granted are expensed over the vesting periods of the options being 24 months from the grant dates.

As at June 30, 2015, the fair value associated with unvested options is $81 (September 30, 2014 – $200).

(in thousands of United States dollars unless otherwise noted)

(b) Long-term compensation

(i) Deferred share unit ("DSU") plan

The Company established a DSU plan, effectively a phantom stock plan, for directors, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the statement of income. The fair value of the DSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are also recorded under *general and administrative expenses*. Payouts are settled in cash within a specified period following a director's departure.

A summary of the DSUs transactions during the period are as follows:

	Number of DSUs		Fair value
October 1, 2013	112,640	$	49
Issued	124,107		52
Redeemed	(172,965)		(76)
Mark-to-market adjustment	-		(24)
Changes in current portion	116,342		50
Balance, September 30, 2014	180,124	$	51
Issued	193,346		60
Mark-to-market adjustment	-		(21)
Balance, June 30, 2015	373,470	$	90

(ii) Restricted share unit ("RSU") plan

The Company established a RSU plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the statement of income. The fair value of the RSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are recorded under *general and administrative expenses*. Payouts are settled in cash after a specified period of vesting, based on the market price of the common shares at vesting.

A summary of the RSUs transactions during the period are as follows:

	Number of RSUs		Fair Value
Balance October 1, 2013	195,686	$	86
Issued	618,696		268
Redeemed	(68,417)		(30)
Mark-to-market adjustment	-		(91)
Changes in current portion	(127,269)		(56)
Balance, September 30, 2014	618,696	$	177
Issued	1,401,937		438
Redeemed	(240,998)		(69)
Forfeited	(522,317)		(149)
Mark-to-market adjustment	-		(77)
Changes in current portion	(394,810)		(113)
Balance, June 30, 2015	862,508	$	207

(ii) Stock appreciation rights ("SAR") plan

The Company established a SAR plan for designated executives, effective in respect of fiscal 2013. Unless otherwise determined by the directors of the Company, designated participants are granted SARs in such number equal to two times the number of RSUs granted to such participant in respect of compensation for a particular fiscal year. The Initial Fair Market Value as defined in the SAR plan is determined based on the closing price of the common shares of the Company on the date of grant. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period, an expense is recorded under *general and administrative expenses* on the statement of income over such vesting period. Vested SARs may be exercised provided there has been an appreciation in the market price of the common shares from the Initial Fair Market Value on the grant date and payouts are settled in cash as vested SARs are exercised.

(in thousands of United States dollars unless otherwise noted)

A summary of the SARs transactions during the period are as follows:

	Number of SARs		Fair value
October 1, 2013	-	$	-
Issued	1,068,826		-
Mark-to-market adjustment	-		29
Forfeited	(329,696)		-
Balance, September 30, 2014	739,130	$	29
Issued	1,833,142		-
Forfeited	(1,013,642)		-
Mark-to-market adjustment	-		42
Balance, June 30, 2015	1,558,630	$	71

20. Compensation of key management

Key management includes directors (executive and non-executive) and senior management of the Company and its affiliates. The compensation paid or payable to key management and directors for services is shown below:

	For the three months ended June 30,				For the nine months ended June 30,			
		2015		2014		2015		2014
Salaries and short term employee benefits	$	440	$	461	$	1,364	$	1,407
Share-based payments[(1)]		(86)		209		191		663
Other		15		-		15		-
Termination benefits		-		-		464		-
Total compensation of key management	$	369	$	670	$	2,034	$	2,070

(1) Share-based payments include the mark-to-market adjustments on RSUs, DSUs and SARs.

21. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle. The Company believes that the average levels of selenium in this river are, by international standards, not a health or environmental risk. In recent years, OroValle has received approximately €455,000 ($500) in fines relating to these matters. Subsequent to the end of the quarter, OroValle received notice of an additional fine in the amount of €500,000 (approximately $550) in response to its appeal of a previous fine and may face further additional fines in the future. OroValle is appealing the outstanding fines. In July 2015, OroValle was advised that the criminal court of Asturias received a document from the local prosecutor regarding the potential violation of the Spanish penal code relating to these matters. The judge may determine to dismiss the matter, conduct a further investigation and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged. It has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

(in thousands of United States dollars unless otherwise noted)

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required the Company to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $5,595). To satisfy this requirement, the Company deposited €5,000,000 (approximately $5,595) in September 2011 with a local bank in favour of the Spanish regulatory authorities. A further €5,000,000 may have to be deposited in favour of the Spanish regulatory authorities at a future date to satisfy additional reclamation bond commitments. The Company is currently challenging this based on technical considerations.

(c) Production from the El Valle Mine is subject to a 3% net smelter return royalty (“NSR”), referred to herein as the El Valle Royalty, payable monthly. The El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $608 and $1,762 for the three and nine months ended June 30, 2015, respectively (June 30, 2014 – $715 and $1,982).

(d) Production from the Don Mario Mine is subject to a 3% NSR royalty payable quarterly. Royalty expense under this NSR totaled $405 and $1,391 for the three and nine months ended June 30, 2015, respectively (June 30, 2014 – $219 and $773). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $1,207 and $4,192 for the three and nine months ended June 30, 2015, respectively (June 30, 2014 – $886 and $2,772).

(e) EMIPA is subject to a labour claim filed in Bolivia by 31 former employees for the payment of certain employment related amounts, including overtime, for the period of 2007 to 2013. EMIPA is vigorously challenging the claim on the basis that such claimed amounts have already been paid and, accordingly, the claim has no legal grounds. The Company provided a 100% cash-backed guarantee in the amount of $2,400 as security for the claim. Refer to note 9 – Restricted cash and reclamation bonds.

(f) The Company and certain of its employees may be involved in other legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions, in the opinion of management, is not expected to materially affect the Company’s financial position, results of operations or cash flows. The Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

22. Segmented information

The Company primarily operates in the gold and copper mining industry and its major products are gold doré and gold and copper concentrates. The Company’s primary mining operations are OroValle, which operates the El Valle Mine in Spain, and EMIPA, which operates the Don Mario Mine in Bolivia. The reported segments are those operations whose operating results are reviewed by the Chief Executive Officer and that pass certain quantitative measures. Operations whose revenue, earnings or losses or assets exceed 10% of the total consolidated revenues, earnings or losses, or assets are reportable segments. The Company has administrative offices in Toronto, Canada; Stockholm, Sweden; and Nicosia, Cyprus. The following tables set forth the information by segment:

As at June 30, 2015:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 7,823	$ 99,443	$ 8,654	$ 15,370	$ 131,290
EMIPA	2,547	12,795	1,885	17,118	34,345
Corporate	13,504	160	2,402	1,533	17,599
	$ 23,874	$ 112,398	$ 12,941	$ 34,021	$ 183,234

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2014:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 2,126	$ 109,835	$ 19,180	$ 24,053	$ 155,194
EMIPA	5,851	17,203	2,021	22,734	47,809
Corporate	8,568	235	-	9,312	18,115
	$ 16,545	$ 127,273	$ 21,201	$ 56,099	$ 221,118

For the three months ended June 30, 2015:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument loss	Other costs	Income (loss) before taxes
OroValle	$ 19,738	$ 19,515	$ 5,411	$ -	$ 572	$ (5,760)
EMIPA	12,424	10,319	2,708	-	476	(1,079)
Corporate	-	-	29	-	510	(539)
	$ 32,162	$ 29,834	$ 8,148	$ -	$ 1,558	$ (7,378)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.

For the three months ended June 30, 2014:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument loss	Other costs(3)	Income (loss) before taxes
OroValle	$ 24,310	$ 18,222	$ 5,821	$ 3,786	$ 26,592	$ (30,111)
EMIPA	9,754	6,284	1,659	-	5,473	(3,662)
Corporate	-	-	29	-	1,679	(1,708)
	$ 34,064	$ 24,506	$ 7,509	$ 3,786	$ 33,744	$ (35,481)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.
(3) Other costs includes impairment charges at EMIPA and OroValle.

For the nine months ended June 30, 2015:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Income (loss) before taxes
OroValle	$ 56,553	$ 50,273	$ 15,220	$ -	$ 1,641	$ (10,581)
EMIPA	44,487	31,475	7,337	-	2,069	3,606
Corporate	-	-	85	-	3,857	(3,942)
	$ 101,040	$ 81,748	$ 22,642	$ -	$ 7,567	$ (10,917)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.

(in thousands of United States dollars unless otherwise noted)

For the nine months ended June 30, 2014:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Income (loss) before taxes
OroValle	$ 67,931	$ 54,443	$ 16,851	$ (2,355)	$ 28,468	$ (29,466)
EMIPA	30,478	18,000	4,712	-	7,073	693
Corporate	-	-	88	-	5,529	(5,671)
	$ 98,409	$ 72,433	$ 21,651	$ (2,355)	$ 41,070	$ (34,390)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.
(3) Other costs includes impairment charges at EMIPA and OroValle.

23. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value into the fair value hierarchy based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value options contracts.
- Level 3 - Inputs for the asset or liability that are based on unobservable market data (supported by little or no market data or other means).

As at June 30, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial liabilities:				
Long-term compensation	$ 684	$ 71	$ -	$ 755
Warrants	-	49	-	49
Total	$ 684	$ 120	$ -	$ 804

Valuation techniques for Level 2 financial instruments:

Long-term compensation: The Company's SARs are measured at fair value using the Black-Scholes model and are classified as Level 2.

Warrants: The Company's warrants are not actively traded and measured at fair value using the Black-Scholes model and are classified as Level 2.

Fair values of financial assets and liabilities not already measured and recognized at fair value

At June 30, 2015 and September 30, 2014, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes, other receivables and prepaids; bank debt; and accounts payable and accrued liabilities approximate their fair value due to their short-term maturities.