ORVANA
MINERALS CORP

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(EXPRESSED IN UNITED STATES DOLLARS)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Orvana Minerals Corp. were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee comprised of members of the Board of Directors assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews other continuous disclosure documents of the Company containing financial information to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The external auditor has full and unrestricted access to the Audit Committee to discuss the scope of its audits, the adequacy of the system of internal controls and review financial reporting issues.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

[signed]

Daniella Dimitrov

President and Chief Executive Officer

[signed]

Jeffrey Hillis

Chief Financial Officer

Toronto, Canada

December 18, 2015

December 18, 2015

Independent auditor's report

To the Shareholders of Orvana Minerals Corp.

We have audited the accompanying consolidated financial statements of Orvana Minerals Corp. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2015 and September 30, 2014 and the consolidated statements of net loss and comprehensive loss, the consolidated statements of cash flows, and the consolidated statements of changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orvana Minerals Corp. and its subsidiaries as at September 30, 2015 and September 30, 2014 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PriceWaterhouse Coopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

ORVANA MINERALS CORP.
Consolidated Statements of Net Loss and Comprehensive Loss
(in thousands of United States dollars)

	Years ended September 30,	
	2015	**2014**
Revenue	$ 121,425	$ 142,407
Cost of sales		
Mining costs (note 6)	105,384	102,231
Depreciation and amortization	29,895	30,908
Impairment charge (note 7)	-	29,228
	135,279	162,367
Gross margin	(13,854)	(19,960)
Expenses		
General and administrative (note 8)	5,129	6,043
Exploration	1,583	789
Community relations	490	556
Other expenses (note 9)	767	2,808
Finance costs (note 10)	872	5,414
Expenses before derivative instruments gain	8,841	15,610
Derivative instruments gain	-	(1,859)
Loss before income taxes	(22,695)	(33,711)
Provision for income taxes		
Current income taxes (note 20)	658	3,264
Deferred tax recovery (note 20)	(6,620)	(8,118)
	(5,962)	(4,854)
Loss from continuing operations	(16,733)	(28,857)
Loss from discontinued operations (note 5)	-	(886)
Loss and comprehensive loss	$ (16,733)	$ (29,743)
Net loss per share (note 11)		
Loss per share from continuing operations		
Basic and diluted	$ (0.12)	$ (0.21)
Loss per share from discontinued operations		
Basic and diluted	$ -	$ (0.01)
Loss per share		
Basic and diluted	$ (0.12)	$ (0.22)

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

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

	Years ended September 30, 2015	2014
Operating activities		
Net loss from continuing operations	$ (16,733)	$ (28,857)
Adjustments for:		
Depreciation and amortization	30,006	31,027
Impairment charge (note 7)	-	29,228
De-recognition of assets	-	1,822
Loss on disposal of assets	276	566
Accretion	121	492
Interest on Copperwood note (note 5)	(259)	(274)
Amortization of deferred financing fees	714	1,664
Stock-based compensation	81	175
Warrants	(48)	(91)
Long-term compensation	(29)	602
Deferred tax recovery	(6,620)	(8,118)
Provision for statutory labour obligations	273	(82)
Foreign exchange (gain) loss	689	(197)
Derivative instruments unrealized loss	-	9,966
	8,471	37,923
Changes in non-cash working capital		
Concentrate and doré sales receivables	3,988	493
Value added taxes and other receivables and prepaid expenses	10,761	(3,500)
Inventory	2,468	(2,078)
Accounts payable and accrued liabilities	(3,501)	3,585
Income taxes payable	(1,509)	(1,041)
	12,207	(2,541)
Cash provided by operating activities from continuing operations	20,678	35,382
Cash used in operating activities from discontinued operations	-	(651)
Cash provided by operating activities	20,678	34,731
Financing activities		
Repayment of bank debt	(7,886)	(492)
Repayment of Fabulosa Loan (note 17)	-	(2,731)
Repayment of El Valle Loan (note 18)	(16,614)	(31,820)
Repayment of finance leases	-	(627)
Cash used in financing activities	(24,500)	(35,670)
Investing activities		
Capital expenditures	(10,118)	(14,465)
Restricted cash	6,909	6,104
Proceeds from sale of Copperwood (note 5)	7,533	13,000
Cash provided by investing activities from continuing operations	4,324	4,639
Cash used in investing activities from discontinued operations	-	(460)
Cash provided by investing activities	4,324	4,179
Change in cash	502	3,240
Cash, beginning of the year	16,545	13,039
Effect of exchange rate changes on cash	189	266
Cash, end of year	$ 17,236	$ 16,545

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

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

		As at September 30, 2015		As at September 30, 2014
Assets				
Current assets				
Cash and cash equivalents	$	17,236	$	16,545
Restricted cash (note 12)		2,593		9,897
Concentrate and doré sales receivables		689		4,677
Value added taxes and other receivables and prepaid expenses		7,345		19,377
Copperwood note (note 5)		-		7,274
Inventory (note 13)		15,497		18,537
		43,360		76,307
Non-current assets				
Value-added taxes and other receivables		7,687		6,234
Restricted cash (note 12)		2,233		1,838
Reclamation bonds (note 12)		8,428		9,466
Deferred income tax asset (note 20)		100		100
Property, plant and equipment (note 14)		107,627		127,273
	$	169,435	$	221,218
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 15)	$	25,238	$	29,495
Income taxes payable (note 20)		100		1,609
Bank debt (note 16)		1,478		9,364
El Valle Loan (note 18)		-		15,900
		26,816		56,368
Non-current liabilities				
Decommissioning liabilities (note 19)		19,904		19,316
Provision for statutory labour obligations		2,567		2,294
Deferred income tax liability (note 20)		5,299		11,940
Other liabilities		1,655		1,239
Long-term compensation (note 22 (b))		629		784
Warrants (note 21)		17		77
		56,887		92,018
Shareholders' equity				
Share capital (note 21)		116,206		116,206
Contributed surplus		3,482		3,401
Retained earnings (deficit)		(7,140)		9,593
		112,548		129,200
	$	169,435	$	221,218

Commitments and contingencies (note 24)

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

Approved by the Board of Directors:

[signed] Ed Guimaraes, Director

[signed] Daniella Dimitrov, Director

ORVANA MINERALS CORP.

Consolidated Statements of Changes in Shareholders' Equity
(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	-	81	-	81
Net loss	-	-	(16,733)	(16,733)
Balance, September 30, 2015	$ 116,206	$ 3,482	$ (7,140)	$ 112,548

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2013	$ 116,206	$ 3,226	$ 39,336	$ 158,768
Stock-based compensation	-	175	-	175
Net loss	-	-	(29,743)	(29,743)
Balance, September 30, 2014	$ 116,206	$ 3,401	$ 9,593	$ 129,200

The notes to the 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 El Valle Mine ("El Valle Mine") in Spain, which is held indirectly through its wholly-owned subsidiary, OroValle Minerals S.L., ("OroValle") and Don Mario Mine ("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 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and including interpretations by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of these 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 – Critical accounting estimates and judgements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These consolidated financial statements for the year ended September 30, 2015 were approved by the Board of Directors of the Company on December 18, 2015.

3. Summary of significant accounting policies

(a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments including derivative instruments, warrants and stock options, which are measured at fair value.

(b) Principles of consolidation

The financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

Wholly-owned subsidiaries:
- Operating companies:
  - Empresa Minera Paititi S.A.
  - OroValle Minerals S.L. (formerly Kinbauri España S.L.U.)
- Non-operating companies:
  - Orvana Minerals Asturias Corp.
  - Orvana Cyprus Limited
  - Orvana Sweden International AB
  - Orvana Pacific Minerals Corp.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of the Company.

(d) Foreign currency translation

i. Functional and presentation currency

The Company's functional and presentation currency is the United States dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. The functional currency of all of the Company's subsidiaries has also been determined to be the United States dollar.

ii. Transactions and balances

Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Significant transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction, other income and expense transactions in currencies other than the functional currency are translated into the functional currency using the average exchange rates from the previous month. Foreign exchange gains and losses are recognized in the consolidated statement of income.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short-term highly liquid deposits with original maturities of 90 days or less. Cash that is held in escrow, or otherwise restricted from use, is excluded and is reported separately from cash and cash equivalents.

(f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

i. Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified in this category if acquired principally for the purpose of trading in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within derivative instruments (gains) and losses in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, restricted cash, concentrate and doré receivables and reclamation bonds and are included in assets. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

iii. Financial liabilities at amortized cost

Financial liabilities at amortized cost include bank debt, accounts payable and accrued liabilities. Accounts payable are recognized at the amount required to be paid. Bank debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss include:

i. Significant financial difficulty of the obligor;
ii. Delinquencies in interest or principal payments; and
iii. It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets could be impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

i. Financial assets carried at amortized cost:

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii. Available-for-sale financial assets:

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less impairment losses previously recognized in the consolidated statement of income. This amount represents the loss in accumulated other comprehensive income that is re-classified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(h) Inventories

Gold inventory, which consists of gold bullion and gold in circuit, gold-copper concentrate inventory and ore stock pile inventory are stated at the lower of cost and net realizable value. Material and supplies inventory is stated at the lower of average cost and replacement cost.

(i) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they occur.

Effective from the point that they are ready for their intended use, plant and equipment; furniture and equipment; equipment under finance leases; corporate equipment and mineral properties are amortized on a straight line basis or using the units-of production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

The reserve and resource estimates for each operation are the prime determinants of the life of a mine. In general, an ore body where a mineralization is reasonably well defined is amortized over its proven and probable mineral reserves. Non-reserve material may be included in the depreciation calculations in limited circumstances where there is a high degree of confidence in economic extraction. Changes in the estimate of mineral reserves and resources will result in changes to depreciation and will be accounted for on a prospective basis over the remaining life of the operation.

Estimated useful lives of major asset categories are as follows:

Plant and equipment	3 to 10 years
Furniture and equipment	3 to 5 years

(j) Exploration and development

Acquired mineral properties are recognized at cost, or if acquired as part of a business combination, at fair value at the date of acquisition. Exploration expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. Mineral properties under exploration are reclassified to mineral properties under development when technical feasibility and commercial viability of the property can be demonstrated. Expenditures directly attributable to the development of the property are capitalized.

(k) Mineral properties in development and production

Mineral properties in development and production are classified as property, plant and equipment. The Company assesses each mine development project to determine when a mine has advanced to the production stage. The criteria used to assess the start date are determined based on the nature of each mine development project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when a mine is substantially complete and ready for its intended use and has advanced to the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce materials in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project has advanced into the production stage, the capitalization of certain mine construction costs cease and costs are either included in inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

(l) Impairment of non-financial assets

Property, plant and equipment, including intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of income.

At each financial position reporting date the carrying amounts of the Company's assets, including mineral properties under exploration and mineral properties under development, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

An impairment loss, excluding those recognized in goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Decommissioning liabilities

The Company recognizes a decommissioning liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Decommissioning liabilities are recognized as incurred. Decommissioning liabilities are discounted using a rate reflecting risks specific to the liability, and the unwinding of the discount is included in finance costs. At the time of establishing the liability, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The liabilities are reviewed on a regular basis for changes in cost estimates, discount rates and operating lives.

(n) Revenue recognition

For the sale of gold-copper concentrate, the revenue recognition criteria are typically met upon notification of payment of the provisional invoice by the buyer. Provisionally priced contracts contain embedded derivatives meeting separate recognition criteria. Sales of gold-copper concentrate are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, assays and metal prices, including provisions where final metal prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded provisionally based on spot prices or average market prices, depending on the sales contract. Subsequent variations to weights, assays and metal prices are recognized in revenue each period end and in the period of final settlement. Refining and treatment charges and freight in respect of certain contracts are netted against revenues from concentrate sales. The Company's revenue is dependent on three contracts with off-take customers, each of whom comprise more than 10% of revenue.

Revenue from gold doré is recognized upon notification of payment from the buyer based on spot prices. Sales of gold doré are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, and assays.

(o) Cost of sales

Cost of sales consists of mining costs, which include personnel costs; energy costs (principally diesel fuel and electricity); maintenance and repair costs; operating supplies; external services; costs associated with delivery of the concentrate and doré to the point of sale; an allocation of site general and administrative costs; costs related to royalty expenses for the period; and depreciation and amortization. All costs include any impairment to reduce inventory to net realizable value.

(p) Share-based payments

Directors and senior executives of the Company participate in long-term compensation plans under which they are eligible to purchase or receive Company common shares or the equivalent cash amount. The plans consist of a stock option plan, a restricted share unit plan, a deferred share unit plan and stock appreciation rights.

Awards under the compensation plans are measured at fair value on the date of grant and recorded as compensation expense in the statements of loss over the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. The Company re-assesses, at the end of each reporting period, its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of income.

i. Stock options

As stock option awards are settled in common shares of the Company, the obligations under the stock option plan are included in contributed surplus within shareholders' equity. The fair value of stock options is determined using a Black-Scholes option pricing model.

ii. Restricted share units ("RSUs") and deferred share units ("DSUs")

RSUs and DSUs are settled in cash and the obligations under these plans are recorded as liabilities. The liabilities are adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under *general and administrative expense*. The fair value of RSUs and DSUs is determined based on the quoted market price of Company's common shares at the reporting date.

iii. Stock appreciation rights ("SARs")

As SARs are settled in cash, the obligations under these plans are recorded as liabilities. The liabilities are adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under *general and administrative expenses*. 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.

(q) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed using the "treasury stock method". The treasury stock method assumes that all "in the money" option proceeds are used to purchase common shares of the Company at the average market price during the period.

(r) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to the consolidated statement of income, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(s) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for its intended use or sale. All other borrowing costs are recognized as interest expense in the consolidated statement of income in the period in which they are incurred.

(t) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants related to additions or betterments to property, plant and equipment are recognized as credits against the carrying values of the related assets, and subsequently recognized in net earnings over the useful lives of the related assets as reductions to the resulting depreciation expense.

(u) New and amended standards adopted

i. IAS 36 Impairment of Assets

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets ("IAS 36"). The amendments to IAS 36, which are to be applied retrospectively, are effective beginning with the Company's financial statements for the year ended September 30, 2015. The amendments to IAS 36 relate to disclosure changes, specifically: (i) removing the requirement to disclose the recoverable value of a CGU when the CGU contains goodwill or long lived intangible assets not currently subject to impairment, (ii) adding a requirement to disclose the recoverable amount of an asset or CGU when an impairment loss is recognized or reversed, and (iii) adding a requirement to disclose how fair value less disposal costs are measured when an impairment loss is recognized or reversed. The Company has assessed the application of IAS 36 and concluded that the adoption of the amendments to IAS 36 did not have a significant impact on its financial statements.

ii. Other accounting pronouncements

In December 2011, the IASB issued amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures related to offsetting of financial assets and financial liabilities. These amendments are effective for the Company's financial statements for the year ending September 30, 2015. The Company has assessed the impact of adopting IAS 32 and IFRS 7 and has concluded that the adoption of IAS 32 and IFRS 7 did not have a significant impact on its financial statements.

In May 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement related to the novation of derivatives and hedge accounting. The amendment to IAS 39 is effective for the Company's financial statements for the year ended September 30, 2015. The Company has assessed the impact of adopting amendments to IAS 39 and has concluded that the adoption of the amendments to IAS 39 did not have a significant impact on its financial statements.

(v) New standards and interpretations not yet adopted

i. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 replaces and updates the classification and measurement, impairment, and hedge accounting guidance included in IAS 39. IFRS 9, which is to be applied retrospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2018, with earlier adoption permitted. The Company has not yet determined the potential impact the adoption of IFRS 9 will have on its financial statements.

ii. IFRS 15 Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from contracts with customers ("IFRS 15"). IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts, and their related interpretations. This standard modifies the timing and measurement of revenue recognition under IFRS and adds extensive disclosure requirements for both revenue recognized in the period and revenue expected to be recognized in the future. IFRS 15 is effective for the Company's interim financial statements for the quarter ending

December 31, 2018. The Company has not yet determined the potential impact that the adoption of IFRS 15 will have on its financial statements.

4. Critical accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value-in-use and fair value less costs to sell. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the year ended September 30, 2015. For the year ended September 30, 2014, the Company recorded an impairment of $25,485 in respect of property, plant and equipment at El Valle Mine and an impairment in respect of oxide ore inventory of $3,743 at Don Mario Mine. Refer to note 7 – Impairment charges.

(b) Decommissioning liabilities

Management is required to make significant estimates and assumptions in determining the Company's ultimate obligation for decommissioning liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

As at September 30, 2015, the Company had recognized $19,904 of decommissioning liabilities (September 30, 2014 – $19,316). Refer to note 19 – Decommissioning liabilities.

(c) Income taxes

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. As at September 30, 2015, the Company has non-capital losses of $21,144 (September 30, 2014 – $23,174) in Canada that expire over the periods of 2026 to 2033 and other deductible temporary differences of $3,696 (September 30, 2014 – $4,072). EMIPA has deductible temporary differences of $21,092 (September 30, 2014 – $18,504). The Company has not recognized the benefit of these items in the financial statements. Refer to note 20 – Income taxes.

5. 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, 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 June 2014, the Company sold the Copperwood Project to Highland Copper Company Inc. ("Highland"). The Company received a cash payment of $13,000 and a secured promissory note in the amount of $7,000 (the "Copperwood Note") which was subsequently paid in full in December 2014 together with $533 in interest. 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:

(in thousands of United States dollars unless otherwise noted)

- $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 consolidated statements of net loss and comprehensive loss.

6. Mining costs

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

For the years ended September 30,		2015		2014
Direct mining costs	$	96,571	$	93,577
Royalties and mining rights (1)		3,813		4,267
Mining royalty taxes (2)		5,000		4,387
Total mining costs	$	105,384	$	102,231

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

7. Impairment charges

No impairments of non-financial assets have been recorded for the year ended September 30, 2015. For the year ended September 30, 2014, the Company recorded the following impairments:

(a) Impairment of El Valle Mine

Impairment indicators were specifically identified for El Valle Mine as a result of a mineral resources and mineral reserve estimate update effective as at September 30, 2014. In accordance with the Company's accounting policy, an impairment assessment was performed for the OroValle cash generating unit as at June 30, 2014, during which management determined that the carrying value of OroValle exceeded its fair value less costs to sell ("FVLCS"). Estimates used in the FVLCS model include future production levels, operating costs, and capital expenditures as well as long-term commodity prices, foreign exchange rates, and discount rates. In determining the FVLCS as at June 30, 2014 and updated at September 30, 2014, management used a discount rate of 6% and a long-term gold price per ounce of between $1,250 and $1,300. Management's estimate of the FVLCS is classified as Level 3 under the fair value hierarchy. As a result of this assessment, the Company recorded a non-cash impairment charge of $25,485 in respect of *property, plant and equipment*. To the extent that management estimates used in the FVLCS model are updated, further adjustments to the impairment charge may be recognized.

(b) Impairment of Leach-Precipitation-Flotation (LPF) Plant and Oxide Inventory

Throughout fiscal 2014, the Company undertook an evaluation of certain reagents to process oxide ores through its flotation-only circuit and completed other metallurgical testing at Don Mario Mine. During the quarter ended June 30, 2014, management concluded that a cost effective means to recover the economic minerals in the oxide ores had not yet been fully identified. Accordingly, the Company recorded an impairment charge of $3,743 based on the carrying value of the oxide ore stockpile at June 30, 2014. Future costs associated with oxide ore have been and will be expensed as *mining costs* on the consolidated statements of net loss and comprehensive loss.

(in thousands of United States dollars unless otherwise noted)

8. General and administrative expenses

For the years ended September 30,		2015		2014
Salaries, directors fees and office administration	$	5,008	$	5,024
Depreciation		111		119
Stock-based compensation expense		81		175
Warrants		(60)		(82)
Long-term compensation		(84)		565
Foreign exchange		73		242
Total general and administrative expenses	$	5,129	$	6,043

9. Other expenses

For the years ended September 30,		2015		2014
(Gain) loss on disposal of fixed assets	$	276	$	(98)
Provision for uncollectible VAT – EMIPA (1)		219		545
De-recognition of assets (2)		-		1,822
Miscellaneous other expense		272		539
Total other expenses	$	767	$	2,808

(1) As a result of recently completed audits conducted by the Bolivian National Tax Services with respect to VAT claims, the Company has a provision of $2,151 as at September 30, 2015 for certain VAT amounts received or receivable that have not been audited by the Bolivian National Tax Services (September 30, 2014 – $1,932).

(2) During 2013, an incident occurred at El Valle Mine resulting in material damage to the hoist/shaft system. The Company de-recognized $2,244 of assets in respect of the estimated cost to repair the damaged components. During 2014, the Company de-recognized an additional $970 of assets in respect of the repair costs exceeding the initial estimate. The Company also wrote down $852 of assets at EMIPA associated with previously terminated activities.

10. Finance costs

For the years ended September 30,		2015		2014
Interest on credit facilities	$	332	$	2,312
Other interest (income) expense		(294)		606
Financing fees		-		340
Amortization of financing fees		714		1,664
Accretion expense on decommissioning obligations		303		545
Accretion gains on Copperwood deferred payments		(183)		(53)
Total finance costs	$	872	$	5,414

11. Net loss per share

For the years ended September 30,		2015		2014
Loss from continuing operations	$	(16,733)	$	(28,857)
Loss from discontinued operations		-		(886)
Net loss	$	(16,733)	$	(29,743)
Weighted average number of common shares outstanding – basic and diluted		136,623,171		136,623,171
Net loss per share from continuing operations – basic and diluted	$	(0.12)	$	(0.21)
Net loss per share from discontinued operations – basic and diluted		-		(0.01)
Net loss per share – basic and diluted	$	(0.12)	$	(0.22)

(in thousands of United States dollars unless otherwise noted)

12. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at September, 30 2015 was $2,593 (September 30, 2014 – $9,897), primarily consisting of $2,492, in restricted cash placed on deposit with Canadian and Bolivian commercial banks in favour of Bolivian courts pending the result of ongoing claims. Subsequent to year end, an on-going claim was settled and $2,405 of this balance was released to the Company. Refer to note 24 – Commitments and contingent liabilities.

Long-term restricted cash as at September 30 2015 was $2,233 (September 30, 2014 – $1,838), primarily consisting of $1,841 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 September 30, 2015, the matter remains unresolved.

Reclamation bonds

At September 30, 2015, cash backing reclamation bonds held in a Spanish financial institution was $8,428 (September 30, 2014 – $9,466) and is expected to be released after all reclamation work at El Valle Mine and Carlés Mine has been completed. Prior to its acquisition by OroValle, 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 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 24 – Commitments and contingent liabilities.

13. Inventory

As at September 30,		2015		2014
Ore in stockpiles	$	386	$	79
Ore in-process		1,581		831
Gold doré		202		717
Copper concentrates		4,477		9,143
Materials and supplies		8,851		7,767
	$	15,497	$	18,537

The Company recognized $115,997 of inventory in cost of sales for the year ended September 30, 2015 ($116,607 – September 30, 2014)

(in thousands of United States dollars unless otherwise noted)

14. 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	-	7,050	144	2,869	10,063
Disposals	-	(276)	-	-	(276)
Depreciation (1)	-	(13,571)	(206)	(15,656)	(29,433)
Net book value, September 30, 2015	$1,600	$46,376	$378	$59,273	$107,627
Total cost	$1,600	$112,882	$2,200	$120,100	$236,782
Total accumulated depreciation	-	(66,506)	(1,822)	(60,827)	(129,155)
Net book value, September 30, 2015	$1,600	$46,376	$378	$59,273	$107,627

(1) Depreciation includes amounts recorded in inventory.

	Land	Plant and equipment	Furniture and equipment	Equipment under finance lease	Mineral properties in production	Mineral properties in exploration and evaluation	Total
Net book value, October 1, 2013	$3,629	$65,840	$704	$6,169	$94,840	$19,641	$190,823
Additions	-	11,123	24	-	6,768	-	17,915
Transfers	-	5,500	-	(5,500)	-	-	-
Disposals	-	(1,209)	(2)	(325)	-	-	(1,536)
Depreciation (1)	-	(11,121)	(274)	(344)	(20,992)	-	(32,731)
Copperwood sold (2)	(2,029)	(31)	(12)	-	-	(19,641)	(21,713)
Impairment of El Valle Mine (3)	-	(16,929)	-	-	(8,556)	-	(25,485)
Net book value, September 30, 2014	$1,600	$53,173	$440	-	$72,060	-	$127,273
Total cost	$1,600	$106,323	$2,058	-	$117,231	-	$227,212
Total accumulated depreciation	-	(53,150)	(1,618)	-	(45,171)	-	(99,939)
Net book value, September 30, 2014	$1,600	$53,173	$440	-	$72,060	-	$127,273

(1) Depreciation includes amounts included in inventory.
(2) On June 17, 2014, the Company closed the sale of its wholly-owned subsidiary, Orvana Resources. Refer to note 5 – Divestiture of Copperwood.
(3) During the third quarter of fiscal 2014, the Company recognized an impairment in respect of El Valle Mine. Refer to note 7 – Impairment charges.

(in thousands of United States dollars unless otherwise noted)

On the consolidated statement of cash flow for the year ended September 30, 2015, capital expenditures exclude approximately $1,167 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 (September 30, 2014 – $1,507 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. Don Mario Mine is part of the Don Mario district comprising ten mineral concessions located in south eastern Bolivia. The Company mined 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 El Valle Mine and Carlés Mine in Spain in August 2009. The gold-copper-silver El Valle Mine and Carlés Mine are located in the Rio Narcea Gold Belt in northern Spain. The Company commenced commercial production on August 1, 2011.

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 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.

15. Accounts payable and accrued liabilities

As at September 30,		2015		2014
Accounts payable	$	19,942	$	24,452
Accrued liabilities		5,296		5,043
Total accounts payable and accrued liabilities	$	25,238	$	29,495

16. Bank debt

EMIPA had short-term credit facilities with Bolivian banks 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. As at September 30, 2015, the balance drawn under these facilities was $1,478 (September 30, 2014 – $9,364). Subsequent to year end, $1,478 was repaid and an additional $1,971 was withdrawn under these facilities. For year ended September 30, 2015, the Company paid $302 in interest on the short-term credit facilities (September 30, 2014 –$651).

In addition, at September 30, 2015, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $975 (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.

17. 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 5).

(in thousands of United States dollars unless otherwise noted)

The amendment of El Valle Loan (note 18) 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 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 year ended September 30, 2015, the Company paid $24 in stand-by fees on the Fabulosa Loan (September 30, 2014 – interest and stand-by fees of $424).

18. El Valle Loan

In October 2010, OroValle entered into a $50,000 five-year term corporate credit facility ("El Valle Loan"). The funds were primarily used to complete the recommissioning of El Valle Mine and Carlés Mine. In February 2012, 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, 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 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.

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 El Valle Loan.

Orvana completed repayment of El Valle Loan on November 10, 2014. The associated guarantees have been released and the remaining security has been discharged. For the year ended September 30, 2015, the Company paid $62 in interest on El Valle Loan (September 30, 2014 – $1,866).

19. 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:

		September 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		90		2,911
– Don Mario Mine		195		221
		19,601		18,771
Accretion expense		303		545
Total decommissioning liabilities	$	19,904	$	19,316

(in thousands of United States dollars unless otherwise noted)

For El Valle Mine, the revision in estimated cash flows at September 30, 2015 includes the impact of the change in discount rate, the impact of the foreign exchange rate of Euros versus the US dollar, an update of the footprint of its estimated tailings area and updated estimates for other reclamation activities.

For Don Mario Mine, the revision in estimated cash flows at September 30, 2015 includes the impact of the change in discount rate, updated estimates for reclamation activities and the impact of a longer estimated mine life.

The decommissioning liability balance consists of:

		September 30, 2015		September 30, 2014
El Valle Mine	$	14,202	$	13,917
Don Mario Mine		5,702		5,399
Total decommissioning liabilities	$	19,904	$	19,316

As at September 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		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine (1)	$	15,312	0.9%	$	14,202
Don Mario Mine		6,417	2.4%		5,702
Total	$	21,729		$	19,904

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred beginning in 2018 and 2019 in respect of Don Mario Mine and El Valle Mine, respectively. 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 $8,428 at September 30, 2015 (September 30, 2014 – $9,466) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 12 – Restricted cash and reclamation bonds.

20. 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)

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 at September 30, 2015 was re-measured at a 25% tax rate. Income tax rates in Bolivia remain unchanged from the prior year at 37.5%.

For the year ended September 30,		2015		2014
Current income taxes:				
Current tax on income for the year	$	658	$	3,264
Total current income taxes		658		3,264
Deferred income tax:				
Tax rate reduction in Spain		(1,986)		-
Origination and reversal of temporary differences in OroValle		(4,634)		(8,118)
Total deferred tax recoveries		(6,620)		(8,118)
Total income taxes (recoveries)		(5,962)	$	(4,854)

The tax on the Company's income before tax differs from the amount that would arise using the Canadian statutory income tax rate applicable to income of the consolidated entities as follows:

For the year ended September 30,		2015		2014
Loss before income taxes	$	(22,695)	$	(33,711)
Statutory income tax rates		26.5%		26.5%
Income tax provision calculated using the combined Canadian federal and provincial statutory income tax rates		(6,014)		(8,933)
Tax effects of:				
Higher foreign tax rates		55		(567)
Non-deductible expenses		1,681		3,484
Tax deductions not recognized		302		1,162
Change in foreign tax rates		(1,986)		-
Income tax expense	$	(5,962)	$	(4,854)

The sources of deferred income tax assets and liabilities were as follows:

As at September 30,		2015		2014
Deferred tax assets:				
Tax loss carry forwards in OroValle	$	6,894	$	7,586
Other		100		100
	$	6,994	$	7,686
Deferred tax liabilities:				
Property, plant and equipment	$	(12,193)	$	(19,526)
Deferred tax liabilities		(12,193)		(19,526)
Deferred tax liabilities (net)	$	(5,199)	$	(11,840)

As at September 30, 2015, the Company has non-capital losses of $21,144 (September 30, 2014 – $23,174) in Canada that expire over the periods of 2026 to 2033 and other deductible temporary differences of $3,696 (September 30, 2014 – $4,072). EMIPA has deductible temporary differences of $21,092 (September 30, 2014 – $18,504). The Company has not recognized the benefit of these items in the financial statements.

All deferred tax assets and liabilities are expected to settle after September 30, 2016.

(in thousands of United States dollars unless otherwise noted)

The movement of the deferred income tax account is as follows:

For the year ended September 30,		2015		2014
At October 1	$	11,840	$	20,620
Charge to the statement of income		(6,620)		(8,118)
Exchange differences		(21)		(662)
At September 30	$	5,199	$	11,840

Cash taxes paid by EMIPA during the year ended September 30, 2015 totaled $1,430 (September 30, 2014 – $4,357).

21. Share capital and warrants

Issued share capital as at September 30, 2015 was $116,206 (September 30, 2014 – $116,206). The Company's authorized share capital contains an unlimited number of common shares. As at September 30, 2015, the Company had 136,623,171 common shares (September 30, 2014 – 136,623,171) issued and outstanding.

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	100,000		26
Non-exercisable warrants	(510,000)		(11)
Fair value adjustment	-		(97)
Balance, September 30, 2014	1,795,000	$	77
Non-exercisable warrants	(325,000)		(10)
Fair value adjustment	-		(50)
Balance, September 30, 2015	1,470,000	$	17

Warrants to purchase 500,000 common shares at a purchase price of C$0.49 until August 9, 2018 were issued to Fabulosa as part of the amendments to the Fabulosa Loan in August 2013.

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 17 – Fabulosa Loan.

A total of 2,725,000 warrants were issued to Fabulosa as follows: warrants to purchase up to 1,300,000 shares were issued on September 6, 2011 with an exercise price of C$1.90 until September 6, 2016 and warrants to purchase up to 1,425,000 common shares were issued on March 5, 2012 with an exercise price of C$0.97 until March 5, 2017.

As a result of the forfeiture or expiration of certain options to acquire common shares under the Company's equity incentive plan on May 16, 2011 (the exercise of which were tied to Fabulosa's ability to exercise certain warrants), of the 2,725,000 warrants issued 1,855,000 warrants may never be exercised as of September 30, 2015. As of September 30, 2015, of the outstanding warrants to purchase common shares, 870,000 were or could become exercisable, 450,000 of which were exercisable.

22. Share based payments

(a) Stock 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, September 30, 2015	2,253,334	$1.29

The fair value of the options granted during the year ended September 30, 2015 were estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date:	December 16, 2014	May 14, 2015
Options granted:	125,000	100,000
Exercise price (C$ per share)	$0.30	$0.37
Risk-free interest rate:	1.26%	0.86%
Expected life in years:	5.00	5.00
Expected volatility:	61.29%	68.51%
Expected dividend yield:	Nil	Nil
Expected forfeiture rate	10%	10%
Fair value per option granted C$	$0.20	$0.21
Weighted average grant date fair value US$000's	$21	$17

As at September 30, 2015, outstanding and exercisable 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	-	0.19	320,000	3.65	December 10, 2015
April 1, 2011		163	-	0.50	100,000	3.01	April 1, 2016
December 20, 2011		66	-	1.22	125,000	1.03	December 20, 2016
March 28, 2012		129	-	1.49	291,667	0.88	March 28, 2017
June 1, 2012		90	-	1.67	200,000	0.86	June 1, 2017
August 30, 2012		4	-	1.92	8,334	0.92	August 30, 2017
March 7, 2013		141	-	2.44	250,000	1.02	March 7, 2018
March 29, 2013		107	-	2.50	200,000	1.05	March 29, 2018
December 16, 2013		28	33,333	3.21	66,667	0.43	December 16, 2018
February 26, 2014		100	100,000	3.41	200,000	0.75	February 26, 2019
July 11, 2014		9	-	3.78	33,333	0.53	July 11, 2019
August 21, 2014		19	33,334	3.89	66,666	0.41	August 21, 2019
December 16, 2014		21	83,334	4.21	41,666	0.30	December 16, 2019
May 14, 2015		17	66,667	4.62	33,333	0.37	May 14, 2020
	$	1,443	316,668	2.22	1,936,666		
Total vested and unvested options					2,253,334		

(in thousands of United States dollars unless otherwise noted)

The Company uses the fair value method of accounting for options and, during the year ended September 30, 2015, recognized stock-based compensation expense of $81 (September 30, 2014 – $175).

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

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

As at September 30, 2015, the fair value associated with unvested options is $74 (September 30, 2014 – $200).

(b) Long-term compensation

(i) 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 consolidated statements of net loss and comprehensive loss. 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, based on the market price of the common shares at exercise.

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

	Number of DSUs		Fair value
Balance, 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	-		(61)
Balance, September 30, 2015	373,470	$	50

(ii) 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 consolidated statements of net loss and comprehensive loss. 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.

(in thousands of United States dollars unless otherwise noted)

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)
Less current portion	(127,269)		(56)
Balance, September 30, 2014	618,696	$	177
Issued	1,401,937		438
Redeemed	(240,998)		(69)
Expired	(522,317)		(149)
Mark-to-market adjustment	-		(168)
Changes in current portion	(394,810)		(113)
Balance, September 30, 2015	862,508	$	116

(iii) SAR plan

The Company established a SAR plan for designated executives, effective February 6, 2014. The SARs are granted based on a common shares market price calculation at the time 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 consolidated statements of net loss and comprehensive loss 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 grant date and payouts are settled in cash as vested SARs are exercised.

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

	Number of SARs		Fair value
October 1, 2013	-	$	-
Issued	1,068,826		-
Forfeited	(329,696)		-
Mark-to-market adjustment	-		29
Balance, September 30, 2014	739,130	$	29
Issued	2,144,733		-
Forfeited	(1,325,233)		-
Mark-to-market adjustment	-		4
Balance, September 30, 2015	1,558,630	$	33

23. 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 years ended September 30,		2015		2014
Salaries and short term employee benefits	$	1,614	$	1,642
Share-based payments (1)		12		619
Termination benefits		464		-
Other		32		-
Total compensation of key management	$	2,122	$	2,261

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

24. 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 which may not be in compliance with certain of OroValle's permits. 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 €955,000 (approximately $1,070) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines. A judge of the criminal court of Asturias is conducting a preliminary investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge may dismiss the matter 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 and has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $5,602). To satisfy this requirement, OroValle deposited €5,000,000 (approximately $5,602) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested a further €5,000,000 (approximately $5,602) be deposited in their favour in the near future to satisfy additional reclamation bond commitments. OroValle is challenging this request in courts, but may have to post the further bond as the court proceedings continue.

(c) Production from El Valle Mines is subject to a 3% net smelter return royalty ("NSR"), referred to herein as El Valle Royalty, payable monthly. 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 $2,130 for the year ended September 30, 2015 (September 30, 2014 - $2,785).

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled $1,683 for the year ended September 30, 2015 (September, 2014 – $1,254). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $5,000 for the year ended September 30, 2015 (September 30, 2014 – $4,387).

(e) EMIPA was subject to a labour claim filed in Bolivia by former employees for the payment of certain employment related amounts. During the year ended September 30, 2015, EMIPA provided a 100% cash-backed guarantee in the amount of $2,405 as security for the claim. Subsequent to year end, the claim was settled for $434 and restricted cash of $2,405 was released to the Company. Refer to note 12 – 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.

(in thousands of United States dollars unless otherwise noted)

25. 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 El Valle Mine in Spain, and EMIPA, which operates 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 September 30, 2015:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 2,905	$ 96,408	$ 8,574	$ 12,868	$ 120,755
EMIPA	1,845	11,087	2,275	16,164	31,371
Corporate	12,486	132	2,405	2,286	17,309
	$ 17,236	$ 107,627	$ 13,254	$ 31,318	$ 169,435

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	22,834	47,909
Corporate	8,568	235	-	9,312	18,115
	$ 16,545	$ 127,273	$ 21,201	$ 56,199	$ 221,218

For the year ended September 30, 2015:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Loss before taxes
OroValle	$ 69,851	$ 64,967	$ 19,543	$ -	$ 2,391	$ (17,050)
EMIPA	51,574	40,417	10,352	-	1,740	(935)
Corporate	-	-	111	-	4,599	(4,710)
	$ 121,425	$ 105,384	$ 30,006	$ -	$ 8,730	$ (22,695)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 6 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.

For the year ended September 30, 2014:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs (3)	Income (loss) before taxes
OroValle	$ 93,553	$ 72,735	$ 23,077	$ (1,859)	$ 27,149	$ (27,549)
EMIPA	48,854	29,496	7,831	-	7,828	3,699
Corporate	-	-	119	-	9,742	(9,861)
	$ 142,407	$ 102,231	$ 31,027	$ (1,859)	$ 44,719	$ (33,711)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 6 – 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. Refer to note 7 – Impairment charges.

(in thousands of United States dollars unless otherwise noted)

26. Financial instruments and fair values

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 consolidated balance sheet at fair value in to 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 September 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	$ 596	$ 33	$ -	$ 629
Warrants	-	17	-	17
Total	$ 596	$ 50	$ -	$ 646

As at September 30, 2014	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	$ 775	$ 29	$ -	$ 804
Warrants	-	77	-	77
Total	$ 775	$ 106	$ -	$ 881

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 September 30, 2015 and September 30, 2014, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes and other receivables; bank debt; accounts payable and accrued liabilities; Fabulosa Loan; and obligations under finance leases approximate their fair value due to their short-term maturities. Financial assets and liabilities above are classified as level 1 in the fair value hierarchy.

Financial Risks Factors

The Company's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. Enterprise risk management is carried out by management under policies approved by the Board of Directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The board reviews management's risk management programs and provides oversight on specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Currency risk

Orvana's functional currency is the US dollar. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Currency risk arises when future recognized assets or liabilities are denominated in a currency that is not the Company's functional currency and may impact the fair values thereof or future cash flows of the Company's financial instruments. Exchange rate fluctuations may also affect the costs that the Company incurs in its operations.

The net loss of $16,733 for the 2015 fiscal year would be impacted by changes in average USD/EUR exchange rates in respect of mining costs incurred at OroValle. A 10% increase/decrease in average realized USD/EUR exchange rates in respect of mining costs incurred at OroValle would affect the net loss by a decrease/increase of $6,497.

(ii) Price risks

The Company is primarily exposed to gold and copper commodity price risk. The Company, in accordance with the requirements of El Valle Loan, previously hedged a portion of its gold and copper production which facilitated the management of certain of its price risk. Following closure of the derivative instruments which were a requirement of El Valle Loan in the fourth quarter of fiscal 2014, the Company's gold and copper sales are no longer hedged. Refer to note 18 – El Valle Loan.

Gold prices

The net loss of $16,733 for the 2015 fiscal year would be impacted by changes in average realized gold prices on gold ounces sold. A 10% increase/decrease in average realized gold prices would affect the net loss by an increase/decrease of approximately $5,388.

Copper prices

The net loss of $16,733 for the 2015 fiscal year would be impacted by changes in average realized copper prices. A 10% increase/decrease in average realized copper prices would affect net loss by an increase/decrease of approximately $3,747.

(iii) Interest rate risk

The Company's cash flow interest rate risk arises from short and long-term borrowings. During prior years, a significant portion of the Company's borrowings and investments were at variable rates, El Valle Loan was the most significant loan and was based on Libor plus 4%. During Q1 2015, the Company settled all of its variable rate debt.

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to gold-copper concentrate, gold doré sales and value-added tax receivables. The Company has a concentration of credit risk with three customers to which gold-copper concentrate and gold doré are sold under agreements and who provide provisional payments to the Company upon each shipment to the customer. These institutions are international and are large with strong credit ratings. Value-added taxes receivables are collectable from the Bolivian and Spanish governments and received regularly. Management believes that the credit risks with respect to financial instruments attributable to concentrate and gold sales receivable and value-added taxes receivable is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the Company and aggregated at the Orvana corporate level to monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing among other factors.

As at September 30, 2015, the Company had (i) cash and cash equivalents of $17,236 and (ii) restricted cash of $4,826 designated to cover a portion of the Company's commitments due in less than one year. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flow from operating activities. In fiscal 2015, the Company generated cash flow from operating activities of $20,678 and cash flow from operating activities before changes in non-cash working capital of $8,471.

If unanticipated events occur that may impact the operations of El Valle Mine and Don Mario Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

Surplus cash held by the operating entities over and above balances required for working capital management are invested in interest bearing short-term deposits.

(d) Financing risk

Financing risk is the risk that if unanticipated events occur that may impact the operations of El Valle Mine and Don Mario Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated.

(in thousands of United States dollars unless otherwise noted)

27. Capital management

At September 30, 2015, the Company had cash and cash equivalents of $17,236 and restricted cash of $4,826; and total debt of $1,478. Subsequent to year end, restricted cash in the amount of $2,405 was released to the Company. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

As at September 30,		2015		2014
Shareholders' equity	$	112,548	$	129,200
Bank debt		1,478		9,364
El Valle Loan (1)		-		16,614
		114,026		155,178
Less: Cash and cash equivalents		(17,236)		(16,545)
	$	96,790	$	138,633

(1) The recorded value of El Valle Loan on the Company's consolidated balance sheet at September 30, 2014 was $15,900. This represents the balance outstanding under El Valle Loan at September 30, 2014 of $16,614 net of financing fees. El Valle Loan was fully repaid during the year ended September 30, 2015.

The Company's financial objective when managing capital is to ensure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or obtain additional debt. In the third quarter of fiscal 2014, the Company closed the sale of Copperwood for closing proceeds of $13,000 with final payment of $7,500 (including interest of $533) received on December 16, 2014. On November 10, 2014, the Company completed the repayment of El Valle Loan, two years ahead of schedule resulting in interest savings to the Company of approximately $1,400.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and current outlook of the business and industry in general. The Company's alternatives to fund future capital needs include cash flows from operating activities, debt or equity financing or adjustments to capital spending. The capital structure and these alternatives are reviewed by management and the board of directors of the Company on a regular basis to ensure the best mix of capital resources to meet the Company's needs.

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of its El Valle and Don Mario Mines. Information is regularly provided to the board of directors of the Company.