



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER OF FISCAL 2015
THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014
UNAUDITED
(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.**Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)**

Unaudited

(in thousands of United States dollars)

	Three months ended December 31,			
	2015		2014	
Revenue	\$	22,497	\$	38,770
Cost of sales				
Mining costs (note 5)		20,806		27,970
Depreciation and amortization		5,560		8,352
		26,366		36,322
Gross margin		(3,869)		2,448
Expenses				
General and administrative (note 6)		891		1,255
Exploration		99		158
Community relations		89		82
Other (income) expense		(120)		243
Finance costs (note 7)		66		680
		1,025		2,418
Income (loss) before income taxes		(4,894)		30
Provision for (recovery of) income taxes				
Current income taxes (recovery) (note 17)		(139)		1,636
Deferred tax recovery (note 17)		(1,679)		(2,344)
		(1,818)		(708)
Income (loss) and comprehensive income (loss)	\$	(3,076)	\$	738
Net income (loss) per share (note 8)				
Basic and diluted	\$	(0.02)	\$	0.01

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

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

	Three months ended December 31,	
	2015	2014
Operating activities		
Net income (loss) from continuing operations	\$ (3,076)	\$ 738
Adjustments for:		
Depreciation and amortization	5,588	8,381
Accretion	39	26
Interest on Copperwood note (note 4)	-	(259)
Amortization of deferred financing fees	-	714
Stock-based compensation	8	28
Warrants	(10)	13
Long-term compensation	(198)	(45)
Deferred tax recovery	(1,679)	(2,344)
Provision for statutory labour obligations	19	(35)
Foreign exchange loss	180	238
	871	7,455
Changes in non-cash working capital		
Concentrate and doré sales receivables	(477)	267
Value added taxes and other receivables and prepaid expenses	967	5,678
Inventory	695	(808)
Accounts payable and accrued liabilities	(276)	960
Income taxes payable	(205)	1,406
	704	7,503
Cash provided by operating activities	1,575	14,958
Financing activities		
Proceeds from (repayment of) bank debt	493	(5,914)
Repayment of El Valle Loan (note 15)	-	(16,614)
Cash provided by (used in) financing activities	493	(22,528)
Investing activities		
Capital expenditures	(3,716)	(2,461)
Restricted cash	1,914	6,270
Proceeds from sale of Copperwood (note 4)	-	7,533
Cash (used in) provided by investing activities	(1,802)	11,342
Change in cash	266	3,772
Cash, beginning of the period	17,236	16,545
Effect of exchange rate changes on cash	33	59
Cash, end of period	\$ 17,535	\$ 20,376

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

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

	As at December 31, 2015	As at September 30, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 17,535	\$ 17,236
Restricted cash (note 9)	793	2,593
Concentrate and doré sales receivables	1,166	689
Value added taxes and other receivables and prepaid expenses	7,627	7,345
Inventory (note 10)	14,709	15,497
Income tax receivable	254	-
	42,084	43,360
Non-current assets		
Value-added taxes and other receivables	6,484	7,687
Restricted cash (note 9)	2,119	2,233
Reclamation bonds (note 9)	8,191	8,428
Deferred income tax asset (note 17)	1,187	100
Property, plant and equipment (note 11)	103,665	107,627
	\$ 163,730	\$ 169,435
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 24,677	\$ 25,238
Income taxes payable (note 17)	149	100
Bank debt (note 13)	1,971	1,478
	26,797	26,816
Non-current liabilities		
Decommissioning liabilities (note 16)	17,984	19,904
Provision for statutory labour obligations	2,586	2,567
Deferred income tax liability (note 17)	4,706	5,299
Other liabilities	1,761	1,655
Long-term compensation (note 19 (b))	409	629
Warrants (note 18)	7	17
	54,250	56,887
Shareholders' equity		
Share capital (note 18)	116,206	116,206
Contributed surplus	3,490	3,482
Retained earnings (deficit)	(10,216)	(7,140)
	109,480	112,548
	\$ 163,730	\$ 169,435

Commitments and contingent liabilities (note 21)

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

ORVANA MINERALS CORP.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

Unaudited

(in thousands of United States dollars)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, October 1, 2015	\$ 116,206	\$ 3,482	\$ (7,140)	\$ 112,548
Stock-based compensation	-	8	-	8
Net loss	-	-	(3,076)	(3,076)
Balance, December 31, 2015	\$ 116,206	\$ 3,490	\$ (10,216)	\$ 109,480

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2014	\$ 116,206	\$ 3,401	\$ 9,593	\$ 129,200
Stock-based compensation	-	28	-	28
Net income	-	-	738	738
Balance, December 31, 2014	\$ 116,206	\$ 3,429	\$ 10,331	\$ 129,966

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

ORVANA MINERALS CORP.

Notes to the condensed interim consolidated financial statements

Unaudited

(in thousands of United States dollars unless otherwise noted)

Three months ended December 31, 2015 and 2014

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 condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") which do not include all of the information required for full annual consolidated financial statements. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2015.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2015, except as highlighted in note 3, Accounting policies and new accounting pronouncements, below.

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in note 4 of the Company's consolidated financial statements for the year ended September 30, 2015. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on February 3, 2016.

3. Accounting policies and new accounting pronouncements

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2015.

In January 2016, the IASB issued a new standard, IFRS 16 Leases ("IFRS 16"). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's interim financial statements for the quarter ended December 31, 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers, has also been applied. The Company has not yet determined the potential impact the adoption of IFRS 16 will have on its financial statements.

ORVANA MINERALS CORP.

Notes to the condensed interim consolidated financial statements

Unaudited

(in thousands of United States dollars unless otherwise noted)

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4. Divestiture of Copperwood

In June 2014, the Company sold the Copperwood Project to Highland Copper Company Inc. ("Highland") through its formerly wholly-owned subsidiary, Orvana Resources US Corp. 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:

- \$1,250 upon the earliest of (i) commencement of commercial production of Copperwood and (ii) June 17, 2017; 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.

5. 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 three months ended December 31, 2015 and 2014 relate to El Valle and Don Mario Mines.

For the three months ended December 31,	2015	2014
Direct mining costs	\$ 19,380	\$ 25,258
Royalties and mining rights ⁽¹⁾	721	1,133
Mining royalty taxes ⁽²⁾	705	1,579
Total mining costs	\$ 20,806	\$ 27,970

(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.

6. General and administrative expenses

For the three months ended December 31,	2015	2014
Salaries, directors fees and office administration	\$ 904	\$ 1,160
Depreciation	28	29
Stock-based compensation expense	8	28
Warrants	(10)	10
Long-term compensation	(30)	71
Foreign exchange	(9)	(43)
Total general and administrative expenses	\$ 891	\$ 1,255

7. Finance costs

For the three months ended December 31,	2015	2014
Interest on credit facilities	\$ 15	\$ 203
Other interest (income) expense	12	(263)
Amortization of financing fees	-	714
Accretion expense on decommissioning obligations	85	72
Accretion gains on Copperwood deferred payments	(46)	(46)
Total finance costs	\$ 66	\$ 680

ORVANA MINERALS CORP.

Notes to the condensed interim consolidated financial statements

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8. Net income (loss) per share

For the three months ended December 31,	2015	2014
Net income (loss) from continuing operations	\$ (3,076)	\$ 738
Weighted average number of common shares outstanding – basic	136,623,171	136,623,171
Dilutive effect of stock options	-	547
Weighted average number of common shares outstanding – diluted	136,623,171	136,623,718
Net income (loss) per share – basic and diluted	\$ (0.02)	\$ 0.01

9. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at December 31, 2015 was \$793 (September 30, 2015 – \$2,593), primarily consisting of guarantees on VAT credit notes which expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. The prior year balance primarily consisted of restricted cash placed on deposit with Canadian and Bolivian commercial banks in favour of Bolivian courts pending the result of ongoing claims. During the three months ended December 31, 2015, an on-going claim was settled and \$2,405 of restricted cash was released to the Company.

Long-term restricted cash as at December 31, 2015 was \$2,119 (September 30, 2015 – \$2,233), primarily consisting of \$1,685 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 December 31, 2015, the matter remains unresolved.

Reclamation bonds

At December 31, 2015, cash backed reclamation bonds held in a Spanish financial institution were \$8,191 (September 30, 2015 – \$8,428) and are 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 21 – Commitments and contingent liabilities.

10. Inventory

	December 31, 2015	September 30, 2015
Ore in stockpiles	\$ 223	\$ 386
Ore in-process	1,953	1,581
Gold doré	280	202
Copper concentrates	4,306	4,477
Materials and supplies	7,947	8,851
	\$ 14,709	\$ 15,497

The Company recognized \$22,474 of inventory in cost of sales for the three months ended December 31, 2015 (\$33,281 – December 31, 2014).

ORVANA MINERALS CORP.**Notes to the condensed interim consolidated financial statements****Unaudited****(in thousands of United States dollars unless otherwise noted)****Three months ended December 31, 2015 and 2014****11. Property, plant and equipment**

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2015	\$1,600	\$46,376	\$378	\$59,273	\$107,627
Additions	-	2,640	8	888	3,536
Change in decommissioning assets (note 16)	-	(2,005)	-	-	(2,005)
Depreciation ⁽¹⁾	-	(2,390)	(50)	(3,053)	(5,493)
Net book value, December 31, 2015	\$1,600	\$44,621	\$336	\$57,108	\$103,665
Total cost	\$1,600	\$113,516	\$2,208	\$120,988	\$238,313
Total accumulated depreciation	-	(68,895)	(1,872)	(63,880)	(134,648)
Net book value, December 31, 2015	\$1,600	\$44,621	\$336	\$57,108	\$103,665

(1) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the three months ended December 31, 2015, capital expenditures exclude approximately \$987 of capital expenditures incurred but unpaid as at December 31, 2015 (December 31, 2014 – \$2,336), and include \$1,167 of capital expenditures incurred in fiscal 2015 but unpaid as at September 30, 2015 (September 30, 2014 – \$1,507).

12. Accounts payable and accrued liabilities

	December 31, 2015	September 30, 2015
Accounts payable	\$ 17,180	\$ 16,699
Accrued liabilities	7,497	8,539
Total accounts payable and accrued liabilities	\$ 24,677	\$ 25,238

13. Bank debt

EMIPA has 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%, denominated in Bolivian Bolivianos. Certain of EMIPA's assets are pledged as security against these loans. As at December 31, 2015, EMIPA had one facility in place and the balance drawn was \$1,971 (September 30, 2015 – \$1,478). During the three months ended December 31, 2015, \$1,478 was repaid under another facility and a new facility in the amount of \$1,971 was drawn in the period. For the three months ended December 31, 2015, the Company paid \$15 in interest on the short-term credit facilities (December 30, 2014 – \$116).

In addition, at December 31, 2015, EMIPA had bank guarantees outstanding to a Bolivian bank amounting to approximately \$703 (September 30, 2015 – \$975), 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.

ORVANA MINERALS CORP.

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Three months ended December 31, 2015 and 2014

14. Fabulosa Loan

The Company entered into a secured loan facility agreement (“the Fabulosa Loan”) with Fabulosa in the amount of \$11,500 in 2011.

The amendment of El Valle Loan (note 15) 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 the three months ended December 31, 2015, the Company paid \$nil in stand-by fees on the Fabulosa Loan (December 31, 2014 – interest and stand-by fees of \$24).

15. 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 (note 14) until the New Maturity Date.

Orvana completed repayment of El Valle Loan on November 10, 2014. The associated guarantees were released and the remaining security was discharged. For the three months ended December 31, 2015, the Company paid \$nil in interest on El Valle Loan (December 31, 2014 – \$62).

16. Decommissioning liabilities

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

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

	December 31, 2015	September 30, 2015
Balance, beginning of period	\$ 19,904	\$ 19,316
Revision in estimated cash flows, timing of payments and discount rates		
– El Valle Mine	(2,005)	90
– Don Mario Mine	-	195
	17,899	19,601
Accretion expense	85	303
Total decommissioning liabilities	\$ 17,984	\$ 19,904

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Notes to the condensed interim consolidated financial statements

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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. The revision in estimated cash flows at December 31, 2015 includes the impact of the change in discount rate.

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:

	December 31, 2015		September 30, 2015	
El Valle Mine	\$	12,255	\$	14,202
Don Mario Mine		5,729		5,702
Total decommissioning liabilities	\$	17,984	\$	19,904

As at December 31, 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	1.9%	\$	12,255
Don Mario Mine		6,417	2.4%		5,729
Total	\$	21,729		\$	17,984

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred in 2018 through 2028 in respect of Don Mario Mine and El Valle Mine. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately \$8,191 at December 31, 2015 (September 30, 2015 – \$8,428) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 9 – Restricted cash and reclamation bonds.

17. Income tax

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

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

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

The Company estimates deferred income taxes based upon temporary differences between the assets and liabilities that it reports in its consolidated financial statements and the tax bases of its assets and liabilities as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary

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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.

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 December 31, 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 three months ended December 31,	2015	2014
Current income taxes:		
Current tax (recovery) on income for the year	\$ (139)	\$ 1,636
Total current income taxes (recoveries)	(139)	1,636
Deferred income tax:		
Tax rate reduction in Spain	65	(1,312)
Origination and reversal of temporary differences in OroValle	(657)	(1,032)
Origination and reversal of temporary differences in EMIPA	(1,087)	-
Total deferred tax recoveries	(1,679)	(2,344)
Total income tax recoveries	\$ (1,818)	\$ (708)

Cash taxes paid by EMIPA during the three months ended December 31, 2015 totaled \$97 (December 31, 2014 – \$nil).

18. Share capital and warrants

Issued share capital as at December 31, 2015 was \$116,206 (September 30, 2015 – \$116,206). The Company's authorized share capital contains an unlimited number of common shares. As at December 31, 2015, the Company had 136,623,171 common shares (September 30, 2015 – 136,623,171) issued and outstanding.

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares	Stated Value
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
Non-exercisable warrants	(320,000)	(10)
Fair value adjustment	-	-
Balance, December 31, 2015	1,150,000	\$ 7

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

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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 2,175,000 warrants may never be exercised as of December 31, 2015. As of December 31, 2015, of the outstanding warrants to purchase common shares, 550,000 were or could become exercisable, 450,000 of which were exercisable.

19. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C\$
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
Expired	(370,000)	3.27
Balance, December 31, 2015	1,883,334	\$0.90

As at December 31, 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
April 1, 2011	163	-	0.25	100,000	3.01	April 1, 2016
December 20, 2011	66	-	0.97	125,000	1.03	December 20, 2016
March 28, 2012	129	-	1.24	291,667	0.88	March 28, 2017
June 1, 2012	67	-	1.42	150,000	0.86	June 1, 2017
August 30, 2012	4	-	1.67	8,334	0.92	August 30, 2017
March 7, 2013	141	-	2.19	250,000	1.02	March 7, 2018
March 29, 2013	107	-	2.25	200,000	1.05	March 29, 2018
December 16, 2013	28	-	2.96	100,000	0.43	December 16, 2018
February 26, 2014	100	100,000	3.16	200,000	0.75	February 26, 2019
July 11, 2014	9	-	3.53	33,333	0.53	July 11, 2019
August 21, 2014	19	33,334	3.64	66,666	0.41	August 21, 2019
December 16, 2014	21	41,668	3.96	83,332	0.30	December 16, 2019
May 14, 2015	17	66,667	4.37	33,333	0.37	May 14, 2020
	\$ 871	241,669	2.33	1,641,665		
Total vested and unvested options				1,883,334		

The Company uses the fair value method of accounting for options and, during the three months ended December 31, 2015, recognized stock-based compensation expense of \$8 (December 31, 2014 – \$28).

The compensation expense associated with the options for the three months ended December 31, 2015 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (December 31, 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 December 31, 2015, the fair value associated with unvested options is \$58 (September 30, 2015 – \$74).

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(b) Long-term compensation

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

The Company established a DSU plan, effectively a phantom stock plan, for directors, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the 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, September 30, 2014	180,124	\$ 51
Issued	185,322	58
Mark-to-market adjustment	-	(60)
Balance, September 30, 2015	365,446	\$ 49
Issued	1,720,217	223
Mark-to-market adjustment	-	(147)
Changes in current portion	(136,378)	(12)
Balance, December 31, 2015	1,949,285	\$ 113

(ii) Restricted share units ("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.

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

	Number of RSUs	Fair Value
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
Issued	3,061,923	281
Redeemed	(618,696)	(83)
Mark-to-market adjustment	-	(4)
Changes in current portion	(243,812)	(33)
Balance, December 31, 2015	3,061,923	\$ 277

(iii) Stock appreciation rights ("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

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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
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
Issued	4,972,666	-
Mark-to-market adjustment	-	(14)
Balance, December 31, 2015	6,531,296	\$ 19

20. Compensation of key management

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

For the three months ended December 31,	2015	2014
Salaries and short term employee benefits	\$ 329	\$ 495
Share-based payments ⁽¹⁾	258	337
Other	4	-
Total compensation of key management	\$ 591	\$ 832

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

21. Commitments and contingent liabilities

- (a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle 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 \$1,040) 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 and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Asturias is conducting an 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 \$5,444) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000,000 (approximately \$5,444) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately \$5,444) be deposited in their favour in the near future to satisfy additional

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reclamation bond commitments in respect of the tailings impoundment area. 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 \$457 for the three months ended December 31, 2015 (December 31, 2014 - \$611).
- (d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled \$265 for the three months ended December 31, 2015 (December 31, 2014 – \$521). 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 \$705 for the three months ended December 31, 2015 (December 31, 2014 – \$1,579).
- (e) The Company and certain of its employees may be involved in other legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions, in the opinion of management, is not expected to materially affect the Company’s financial position, results of operations or cash flows. The Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

22. Segmented information

The Company primarily operates in the gold and copper mining industry and its major products are gold doré and gold and copper concentrates. The Company’s primary mining operations are OroValle, which operates 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 December 31, 2015:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	\$ 3,263	\$ 91,476	\$ 8,236	\$ 13,642	\$ 116,617
EMIPA	1,946	12,076	2,867	15,529	32,418
Corporate	12,326	113	-	2,256	14,695
	\$ 17,535	\$ 103,665	\$ 11,103	\$ 31,427	\$ 163,730

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

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For the three months ended December 31, 2015:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Loss before taxes
OroValle	\$ 15,701	\$ 13,527	\$ 4,327	\$ -	\$ (2,153)
EMIPA	6,796	7,279	1,233	188	(1,904)
Corporate	-	-	28	809	(837)
	\$ 22,497	\$ 20,806	\$ 5,588	\$ 997	\$ (4,894)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.

(2) Depreciation is included under *general and administrative expenses* for non-operating companies.

For the three months ended December 31, 2014:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Income (loss) before taxes
OroValle	\$ 20,150	\$ 16,820	\$ 5,269	\$ (432)	\$ (1,507)
EMIPA	18,620	11,150	3,036	689	3,745
Corporate	-	-	29	2,179	(2,208)
	\$ 38,770	\$ 27,970	\$ 8,334	\$ 2,436	\$ 30

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.

(2) Depreciation is included under *general and administrative expenses* for non-operating companies.

23. Fair value measurements

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

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the 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 December 31, 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	\$ 390	\$ 19	\$ -	\$ 409
Warrants	-	7	-	7
Total	\$ 390	\$ 26	\$ -	\$ 416

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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 December 31, 2015 and September 30, 2015, 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.