MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

Introduction

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three months ended December 31, 2015.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three months ended December 31, 2015 and related notes thereto (the "Q1 Financials"). The Q1 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In this MD&A, all currency amounts (except per unit amounts) unless otherwise stated, are in United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". The information presented in this MD&A is as of February 3, 2016, unless otherwise stated.

A cautionary note regarding forward-looking statements follows this MD&A.

Company Overview

Orvana is a multi-mine gold and copper producer with organic growth opportunities. Orvana's operating properties consist of (i) El Valle Mine ("El Valle"), an underground gold-copper-silver mine with process facilities that produce a copper concentrate and gold doré, located in the northern part of Spain; and (ii) Don Mario Mine ("Don Mario"), an open-pit gold-copper-silver mine with process facilities that produce both copper and gold concentrates, located in the south-eastern part of Bolivia. Orvana's strategic focus is on opportunities to deliver long-term shareholder value. To achieve this, Orvana is currently working to optimize its operations, reduce its operating costs and realize growth in its future production base through exploration within and in proximity to its existing operations. Orvana is an Ontario company and its common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol TSX:ORV.

2016 Consolidated Operating and Financial Highlights

	Q1 2016	Q4 2015	Q1 2015	FY2015
Operating Performance				
Gold				
Grade (g/t)	2.10	1.83	2.52	2.16
Recovery (%)	81.5	82.1	75.6	77.9
Production (oz)	17,789	15,206	22,195	72,817
Sales (oz)	15,955	13,887	21,660	73,304
Average realized price / oz	$1,105	$1,119	$1,202	$1,196
Copper				
Grade (%)	0.78	0.85	1.13	1.00
Recovery (%)	71.1	74.7	77.5	76.3
Production (‘000 lbs)	3,951	4,409	6,990	22,601
Sales (‘000 lbs)	3,814	4,666	6,933	23,956
Average realized price / lb	$2.22	$2.40	$3.01	$2.72
Silver				
Grade (g/t)	22.43	25.50	17.33	20.77
Recovery (%)	73.7	67.6	67.0	66.4
Production (oz)	171,664	174,027	135,305	598,039
Sales (oz)	160,565	162,566	147,139	596,405
Average realized price / oz	$14.83	$14.94	$16.48	$16.12
Financial Performance *(in 000’s, except per share amounts)*				
Revenue	$22,497	$20,385	$38,770	$121,425
Mining costs	$20,806	$23,636	$27,970	$105,384
Gross margin	($3,869)	($10,589)	$2,448	($13,854)
Net (loss) income	($3,076)	($7,819)	$738	($16,733)
Net (loss) income per share (basic/diluted)	($0.02)	($0.06)	$0.01	($0.12)
Operating cash flows before non-cash working capital changes (1)	$871	($2,670)	$7,455	$8,471
Operating cash flows	$1,575	($5,475)	$14,958	$20,678
Ending cash and cash equivalents	$17,535	$17,236	$20,376	$17,236
Capital expenditures (2)	$3,716	$2,340	$2,461	$10,118
Cash operating costs (by-product) ($/oz) gold (1)	$1,004	$1,297	$696	$949
All-in sustaining costs (by-product) ($/oz) gold (1)(2)	$1,316	$1,540	$949	$1,210

(1) Adjusted net loss, adjusted net income (loss) per share, operating cash flows before non-cash working capital changes, COC and AISC are non-IFRS performance measures. For further information and a detailed reconciliation, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(2) These amounts are presented in the consolidated cash flows in the Q1 Financials on a cash basis. Each reported period excludes capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. See “Cash Flows, Commitments and Liquidity - Capital Expenditures”. The calculation of AISC and AIC includes capex incurred (paid and unpaid) during the period.

Operational Highlights

- Production of 17,789 ounces of gold, 4.0 million pounds (1,792 tonnes) of copper and 171,664 ounces of silver during the first quarter of fiscal 2016, an increase in gold production of 17% and a decrease in copper and silver production of 10% and 1%, respectively, compared with the fourth quarter of fiscal 2015.
- Production of 28,009 gold equivalent ounces during the first quarter of fiscal 2016. (1)
- Sales of 15,955 ounces of gold, 3.8 million pounds (1,730 tonnes) of copper and 160,565 ounces of silver during the first quarter of fiscal 2016, an increase in gold sales of 15% and a decrease in copper and silver sales of 18% and 1%, respectively, compared with the fourth quarter of fiscal 2015.
- Production of 17,789 ounces of gold, 4.0 million pounds (1,792 tonnes) of copper and 171,664 ounces of silver during the first quarter of fiscal 2016, a decrease in gold and copper production of 20% and 43%, respectively, and an increase in silver production of 27% compared with the first quarter of fiscal 2015.

- Sales of 15,955 ounces of gold, 3.8 million pounds (1,730 tonnes) of copper and 160,565 ounces of silver during the first quarter of fiscal 2016, a decrease in gold and copper sales of 26% and 45%, respectively, and an increase in silver sales of 9% compared with the first quarter of fiscal 2015.

El Valle Mine

- First quarter gold and silver production increased by 15% and 7% to 13,893 ounces and 43,431 ounces, respectively, while copper production decreased by 11% compared with the fourth quarter of fiscal 2015.
- Skarns production remained stable over the first quarter of fiscal 2016 compared with the fourth quarter of fiscal 2015. Delays in stope development limited the continued replacement of skarns previously mined at Carlés.
- Oxide production improved by 50% compared with the third and fourth quarters of fiscal 2015. The Company's oxide crews matched previously attained productivity rates as the contractor replaced during fiscal 2015.
- Dewatering and power issues experienced at times throughout calendar 2015 impacted production. The Company has begun to implement a comprehensive water management plan, improving current pumping systems while a hydrological study to determine dewatering requirements for an additional pumping system is completed. Power studies were completed in the first quarter and interim solutions are expected to be implemented through mid-fiscal 2016 while planning continues on the construction of a permanent power line.

Don Mario Mine

- First quarter gold production at Don Mario increased by 25% to 3,896 ounces compared to the fourth quarter of fiscal 2015 primarily as a result of higher grades. Copper and silver production decreased by 10% and 4%, respectively, to 2.7 million pounds and 128,233 ounces of silver compared to the fourth quarter of fiscal 2015 due to lower grades and recoveries. Higher gold grades and continued lower copper and silver grades are expected through fiscal 2016 as mining begins in the lower mineralized zone ("LMZ") in the second quarter of fiscal 2016.

Financial Highlights

- Cash and cash equivalents balance of $17.5 million at December 31, 2015, up slightly from $17.2 million at September 30, 2015.
- Net revenue of $22.5 million for the first quarter of fiscal 2016, or 42% lower, compared with $38.8 million for the first quarter of fiscal 2015, due to lower volumes of gold and silver sold and declining realized metal prices.
- Mining costs of $20.8 million for the first quarter of fiscal 2016, or 26% lower, compared with $28.0 million for the first quarter of fiscal 2015 due to lower metals volumes sold, along with a decrease in fixed mining costs by 7% at El Valle as well as the favourable decline in Euro to US dollar exchange rates.
- Net loss for the first quarter of fiscal 2016 of $3.1 million compared with net income of $0.7 million for the first quarter of fiscal 2015.
- Cash flows provided by operating activities of $1.6 million in the first quarter of fiscal 2016 compared with cash flows provided by operating activities of $15.0 million in the first quarter of fiscal 2015 and cash flows provided by operating activities before changes in non-cash working capital of $0.9 million in the first quarter of fiscal 2016 compared with cash flows provided by operating activities before changes in non-cash working capital of $7.5 million in the first quarter of fiscal 2015. (2)
- Capital expenditures of $3.7 million in the first quarter of fiscal 2016 compared with $2.5 million in the first quarter of fiscal 2015.
- Cash operating costs ("COC") and all-in sustaining costs ("AISC") on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold in the first quarter of fiscal 2016 of $1,004 and $1,316, respectively, compared with COC and AISC (by-product)

of $696 and $949, respectively, in the first quarter of fiscal 2015. Lower by-product revenues of $12.4 million due to declining copper and silver prices and metal sales offset the impact of lower mining costs in the first quarter of fiscal 2016. (2)

Growth Initiatives Highlights

El Valle Mine

- The Villar oxide zone was recently discovered via a drill program that was extended through the known resource zone of A107 to test for mineralization that may have been shadowed by the known existing resource. An 11-hole drill program (1,223 metres) commenced in June 2015, with 10 of the 11 holes intersecting ore grade mineralization in the Villar zone.
- A diamond drilling program was completed in August 2015 at La Brueva property, located eight kilometers from El Valle, consisting of thirteen holes totaling 2,780 meters.
- The Company published finalized resource estimates for Villar and La Brueva in February 2016. A summary of the mineral resource estimates is as follows:
    - Villar – Measured Resource: approximately 49,718 tonnes grading 6.52 g/t gold, 0.34% copper and 4.26 g/t silver containing approximately 10,422 ounces of gold and 170 tonnes of copper.
    - Villar – Indicated Resource: approximately 44,730 tonnes grading 5.12 g/t gold, 0.50% copper and 8.91 g/t silver containing approximately 7,363 ounces of gold and 220 tonnes of copper.
    - Villar – Inferred Resource: approximately 14,969 tonnes grading 3.13 g/t gold, 1.26% copper and 23.13 g/t silver containing approximately 1,506 ounces of gold and 190 tonnes of copper.
    - La Brueva **–** Inferred Resource: approximately 160,000 tonnes grading 7.84 g/t gold, 0.02% copper, and 2.31 g/t silver, containing approximately 40,300 ounces of gold and 30 tonnes of copper.

Don Mario Mine

- At Don Mario, historical mining took place in the LMZ underground gold mine up until 2009. Reviews were carried out through 2015 to investigate the potential of mining the upper extension of the LMZ. Additionally, exploration drilling was performed around known mineralized zones north-west and south-east of the Upper Mineralized Zone ("UMZ") (collectively known as "Cerro Felix").
- The Company published resource estimates of the LMZ and Cerro Felix areas in November 2015, and the Company expects to begin mining the LMZ in the second quarter of fiscal 2016.
- Don Mario previously processed ore from the LMZ and Cerro Felix in the carbon-in-leach ("CIL") circuit where it achieved an average gold recovery of over 80%. EPCM Consultores SRL ("EPCMC"), together with Lycopodium Minerals Canada ("Lycopodium"), completed a capital cost estimate to recommission the CIL circuit (the "CIL Project"). For the selected process option, the capital cost estimate is $6.4 million to accuracy estimate of +/- 15% including owner's costs and 15% contingency. Results of a metallurgical testing program undertaken by the Company indicate potential gold recovery of higher than historical rates can be achieved by processing LMZ resource material through a re-commissioned CIL circuit. The Company has been working towards financing the CIL Project with a number of interested parties.

(1) Gold equivalent ounces include copper pounds and silver ounces produced and converted to a gold equivalent based on a ratio of the average market price for the commodities for the period discussed.

(2) Adjusted net loss, cash flows provided by operating activities before changes in non-cash working capital, COC, AISC and all-in-costs ("AIC") are non-IFRS performance measures. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance including the Company's ability to generate cash flows from its mining operations. Accordingly, it is intended to provide additional information and should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. For further information and a detailed reconciliation, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Outlook

The Company is pursuing a number of initiatives at El Valle and Don Mario in order to meet its objectives of optimizing production, lowering unitary cash costs, maximizing free cash flow, extending the life-of-mine of its operations and growing its operations to deliver shareholder value.

In the current environment of weakened and volatile commodities prices, the Company is currently monitoring its liquidity position closely and assessing its capital needs for the upcoming fiscal year and beyond. The Company continues to focus on implementing near-term operating cost reduction strategies and optimizing its production and recoveries, with a view to positively impact future COC and AISC performance.

The Company's strategy during this period of commodity market uncertainty is to manage its existing capital and liquidity in a prudent fashion to endure for the long-term so that the Company may be well positioned to capitalize on the next commodity market rebound. At El Valle, the Company will continue to focus on optimizing productivity while at the same time lowering unitary cash costs. Capital expenditures at El Valle have been rationalized to only include non-discretionary activities such as essential primary mine development and required infrastructure investments. At Don Mario, the Company is planning to execute the CIL Project, subject to successfully obtaining external financing. The CIL Project together with the existing flotation plant best positions Don Mario for the future and is expected to result in the operation lowering its unitary cash costs, maximize the value of the recently defined resource material and could provide enhanced processing capabilities to leverage other known exploration opportunities. Don Mario would have the increased flexibility to produce doré in addition to the current production of copper and gold concentrates.

The following table sets out the results of Orvana's first quarter of fiscal 2016 as well as its fiscal 2016 production and cost guidance:

	Q1 2016 Actual	**FY2016 Guidance**
El Valle Mine Production		
Gold (oz)	**13,893**	43,000 – 48,000
Copper (million lbs)	**1.2**	4.5 – 5.0
Silver (oz)	**43,431**	120,000 - 130,000
Don Mario Mine Production		
Gold (oz) (1)	**3,896**	24,000 – 27,000
Copper (million lbs)	**2.7**	11.0 – 12.0
Silver (oz)	**128,233**	330,000 – 370,000
Total Production		
Gold (oz)	**17,789**	67,000 – 75,000
Copper (million lbs)	**4.0**	15.5 – 17.0
Silver (oz)	**171,664**	450,000 – 500,000
Total capital expenditures	**$3,716**	$17,000 - $19,000
Cash operating costs (by-product) ($/oz) gold (2)	**$1,004**	$850 - $950
All-in sustaining costs (by-product) ($/oz) gold (2)	**$1,316**	$1,150 - $1,250

(1) Gold production guidance assumes that the CIL circuit at Don Mario Mine comes on-line in the fourth quarter of fiscal 2016.

(2) FY2016 guidance assumptions for COC and AISC include by-product commodity prices of $2.00 per pound of copper and $14.00 per ounce of silver and an average Euro to US Dollar exchange of 1.065.

Total capital expenditure guidance for the Company is between $17 and $19 million. At El Valle, total capital expenditure guidance is estimated at $8.0 million to $9.0 million and includes primary development, investments in power and water infrastructure and a tailings dam lift. At Don Mario, plans to move forward with the CIL Project in fiscal 2016 are underway subject to financing. An estimate of $6.5 million is included in the capital expenditure guidance above.

The recommissioning of the CIL circuit is expected to take six to nine months once it is underway. It is expected that the remaining UMZ will be mined out and processed by the end of the third quarter of fiscal 2016. Mining activities are expected to commence at the LMZ in the second quarter of fiscal 2016 so that feed is available for processing. Until the completed CIL circuit is available, Don Mario can process LMZ material through the existing flotation circuit, albeit at lower gold recovery rates than expected with the anticipated refurbished CIL circuit.

Overall Performance

The key factors affecting Orvana's operating and financial performance are tonnages mined and treated, metal grade and recoveries, quantities of metals produced and sold, realized metals prices, costs including labour, energy and other supplies and material, mine development and other capital expenditures, foreign exchange rates and tax rates.

First Quarter Ended December 31, 2015 Compared with First Quarter Ended December 31, 2014

The Company recorded a net loss of $3.1 million for the first quarter of fiscal 2016 or $0.02 per share compared with net income of $0.7 million for the first quarter of fiscal 2015 or $0.01 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first quarter of fiscal 2016 decreased by $16.3 million or 42% to $22.5 million on sales of 15,955 ounces of gold, 3.8 million pounds of copper and 160,565 ounces of silver from El Valle and Don Mario compared with revenue of $38.8 million on sales of 21,660 ounces of gold, 6.9 million pounds of copper and 147,139 ounces of silver in the first quarter of fiscal 2015. The decrease in revenue was due to a decrease in average realized metal prices as well as a decrease in gold and copper sales volumes.
- Mining costs were $20.8 million or $7.2 million lower for the first quarter of fiscal 2016 compared with $28.0 million for the first quarter of fiscal 2015 primarily due to lower metal sales volumes, lower fixed mining costs at El Valle, and a decline in the EUR to USD exchange rate.
- Gross margin decreased by $6.3 million to negative $3.9 million for the first quarter of fiscal 2016 compared with gross margin of $2.4 million for the first quarter of fiscal 2015.

Total consolidated COC (by-product) of $1,004 per ounce of gold sold in the first quarter of fiscal 2016 were $308 or 44% higher than the first quarter of fiscal 2015. Total AISC (by-product) of $1,316 per ounce of gold sold in the first quarter of fiscal 2016 were $367 or 39% higher than in the first quarter of fiscal 2015. COC and AISC in the first quarter of fiscal 2016 were higher compared with the first quarter of fiscal 2015 due to lower gold production and sales, as well as lower by-product revenues from copper and silver due to declining commodity prices and sales volumes.

First Quarter Ended December 31, 2015 Compared with Fourth Quarter Ended September 30, 2015

The Company recorded a net loss of $3.1 million for the first quarter of fiscal 2016 or $0.02 per share compared with a net loss of $7.8 million for the fourth quarter of fiscal 2015 or $0.06 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first quarter of fiscal 2016 increased by $2.1 million or 10% to $22.5 million on sales of 15,955 ounces of gold, 3.8 million pounds of copper and 160,565 ounces of silver from El Valle and Don Mario compared with revenue of $20.4 million on sales of 13,887 ounces of gold, 4.7 million pounds of copper and 162,566 ounces of silver in the fourth quarter of fiscal 2015. The increase in revenue was due to an increase in gold and copper sales volumes, offset by a decline in realized metal prices.
- Mining costs were $20.8 million or $2.8 million lower for the first quarter of fiscal 2016 compared with $23.6 million for the fourth quarter of fiscal 2015. Costs associated with higher metal sales in the first quarter of fiscal 2016 were offset by reduced input costs in the first quarter from labour costs and productivity optimization compared with the fourth quarter of fiscal 2015, a favourable decline in the Euro to US dollar exchange rate over the first quarter of fiscal 2016 and an increase in capitalized development at El Valle relative to production.
- Gross margin increased by $6.7 million to negative $3.9 million for the first quarter of fiscal 2016 compared with gross margin of negative $10.6 million for the fourth quarter of fiscal 2015.

Total consolidated COC (by-product) of $1,004 per ounce of gold sold in the first quarter of fiscal 2016 were $293 or 23% lower than the fourth quarter of fiscal 2015. Total AISC (by-product) of $1,316 per ounce of gold sold in the first quarter of fiscal 2016 were $224 or 15% lower than in the fourth quarter of fiscal 2015.

COC and AISC in the first quarter of fiscal 2016 were lower compared with the fourth quarter of fiscal 2015 due to higher gold production and sales, as well as lower mining costs as discussed above.

El Valle Mine

Through its wholly-owned subsidiary, OroValle Minerals S.L. ("OroValle"), the Company owns and operates El Valle Mine and the Carlés Mine located in the Rio Narcea Gold Belt in northern Spain, where skarns and oxides are being mined underground. El Valle and Carlés commenced commercial production in August 2011. At the end of February 2015, the Carlés Mine was placed on care and maintenance.

The following table includes consolidated operating and financial performance data for El Valle for the periods set out below.

	Q1 2016	Q4 2015	Q1 2015	FY2015
Operating Performance				
Ore mined (tonnes) (wmt)	127,608	120,573	156,819	551,966
Ore milled (tonnes) (dmt)	121,268	109,665	140,946	551,213
Daily average throughput (dmt)	1,318	1,192	1,609	1,401
Gold				
Grade (g/t)	3.81	3.62	3.60	3.53
Recovery (%)	93.6	94.7	93.5	92.6
Production (oz)	13,893	12,086	15,276	53,733
Sales (oz)	12,412	10,725	14,076	51,244
Copper				
Grade (%)	0.58	0.66	0.71	0.67
Recovery (%)	77.8	85.2	84.0	81.4
Production ('000 lbs)	1,210	1,353	1,845	6,128
Sales ('000 lbs)	1,269	1,402	1,588	6,058
Silver				
Grade (g/t)	14.25	14.39	12.52	13.52
Recovery (%)	78.2	80.0	77.5	75.0
Production (oz)	43,431	40,571	43,946	166,744
Sales (oz)	45,384	38,779	37,566	159,137
Financial Performance *(in 000's, except per share amounts)*				
Revenue	$15,701	$13,298	$20,150	$69,851
Mining costs	$13,527	$14,694	$16,820	$64,967
Income (loss) before tax	($2,153)	($6,469)	($1,507)	($17,050)
Capital expenditures (1)	$1,536	$1,269	$2,385	$6,376
Cash operating costs (by-product) ($/oz) gold (2)	$948	$1,191	$961	$1,077
All-in sustaining costs (by-product) ($/oz) gold (2)	$1,170	$1,425	$1,233	$1,308
All-in costs (by-product) ($/oz) gold (2)	$1,170	$1,425	$1,233	$1,308

(1) See "Cash Flows, Commitments and Liquidity - Capital Expenditures" section of this MD&A.

(2) For further information and a detailed reconciliation of COC, AISC and AIC, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

El Valle Mine Operating Performance

During the first quarter of fiscal 2016, El Valle produced 13,893 ounces of gold, 1.2 million pounds of copper and 43,431 ounces of silver compared with 15,276 ounces of gold, 1.8 million pounds of copper and 43,946 ounces of silver during the first quarter of fiscal 2015 and 12,086 ounces of gold, 1.4 million pounds of copper and 40,571 ounces of silver in the fourth quarter of fiscal 2015.

Gold and copper production decreased by 9% and 34% compared with the first quarter of fiscal 2015 due to a decrease of 14% in tonnes milled. The decrease in tonnes milled was offset by increases to gold and silver average head grades of 6% and 14%, respectively, while copper production was also impacted by a decrease in average head grades of 18%.

Compared to the fourth quarter of fiscal 2015, gold and silver production increased by 15% and 7%, respectively, in the first quarter of fiscal 2016 primarily due to an 11% increase in tonnes milled and a 5% increase in gold average head grades. Copper production decreased by 11% in the first quarter of fiscal

2016 compared with the fourth quarter of fiscal 2015, primarily due to a 12% decrease in average head grades.

During fiscal 2015, skarns production was sourced from the San Martin and Black Skarns areas of El Valle as well as the Carlés Mine until February 2015. The Company produced on average approximately 600 tonnes of skarns per day from the Carlés Mine from the beginning of fiscal 2014 until it was placed on care and maintenance and approximately 1,000 tonnes of skarns per day from El Valle over fiscal 2015. In March 2015, production crews from Carlés were split up with certain employees assigned within El Valle to the skarn areas, and the remainder to the oxide areas. The Company has, to date, replaced approximately 33% of the previous Carlés Mine skarns production. Although skarn production remained stable over the first quarter of fiscal 2016 compared with the fourth quarter of fiscal 2015, delays in stope development limited the continued replacement of skarns previously mined at Carlés during the first quarter.

Skarns are currently being mined only from the Black Skarns area which has restricted stope sequencing options and flexibility. Current development is occurring in the new Boinás East zone and stope development is expected in April 2016. Development in the Black Skarns area is scheduled to extend the decline to the new BS40 and BS20 levels by the end of 2016. Development will continue to impact production resulting in gold production guidance of 43,000 to 48,000 ounces for fiscal 2016 compared to gold production of 53,733 ounces in fiscal 2015.

Oxide production at El Valle in the first quarter of fiscal 2016 improved by 50% compared with the third and fourth quarters of fiscal 2015. Production was impacted in the second half of fiscal 2015 due to the planned transition from contractor mining to owner/operator mining in the oxides area completed at the end of April 2015.

Production at El Valle also continued to be impacted by a number of challenges including dewatering and power. The Company has begun to implement a comprehensive water management plan, improving current pumping systems while a hydrological study to determine dewatering requirements for a new freshwater pumping system is completed. Power studies were completed in the first quarter and interim solutions are expected to be implemented through mid-fiscal 2016 while planning continues on the construction of a permanent power line. Capital expenditures of $2.5 to $3.0 million for both power and water infrastructure improvements are included in guidance for fiscal 2016.

<u>El Valle Mine Financial Performance</u>

Revenue from El Valle for the first quarter of fiscal 2016 decreased by 22% to $15.7 million on sales of 12,412 ounces of gold, 1.3 million pounds of copper and 45,384 ounces of silver from $20.2 million in the first quarter of fiscal 2015 on sales of 14,076 ounces of gold, 1.6 million pounds of copper and 37,566 ounces of silver primarily as a result of lower metal volumes sold, as well as lower realized metal prices.

Mining costs decreased by 20% from $16.8 million in the first quarter of fiscal 2015 to $13.5 million in the first quarter of fiscal 2016 primarily due to planned reductions in fixed costs, favourable movements in Euro to US Dollar exchange rates and lower metal volumes sold.

Loss before tax for the first quarter of fiscal 2016 was $2.2 million compared with a loss of $1.5 million in the first quarter of fiscal 2015.

Total capital expenditures at El Valle during the first quarter of fiscal 2016 were $1.5 million compared with $2.4 million for the first quarter of fiscal 2015. Capital expenditures in the first quarter of fiscal 2016 consisted substantially of primary development. Refer to the “Financial Condition Review - Capital Expenditures” section of this MD&A.

Total COC (by-product) of $948 per ounce of gold sold in the first quarter of fiscal 2016 were $13 or 1% lower than in the first quarter of fiscal 2015. Total AISC (by-product) of $1,170 per ounce of gold sold in the first quarter of fiscal 2016 were $63 or 5% lower than in the first quarter of fiscal 2015. COC and AISC in the first quarter of fiscal 2016 were lower compared with the first quarter of fiscal 2015 due to lower fixed mining costs and lower capital expenditures, offset by a decline in gold ounces sold.

In addition to the replacement of the oxides contractor and the placement of the Carlés Mine on care and maintenance in the Company’s ongoing effort to reduce costs, the Company has also replaced a portion of its aged mobile equipment fleet to increase productivity and lower maintenance costs. Management is continuing to evaluate and implement cost reduction opportunities at El Valle.

Management continues to work on the insurance claim for the basic recovery costs of the hoist damaged as a result of the hoisting accident at El Valle in June 2013. The hoist repair and upgrades were completed in the third quarter of fiscal 2014.

El Valle Growth Exploration

The Company is pursuing opportunities to define new resources in the areas surrounding El Valle. Recently, diamond drilling campaigns were completed in the Villar oxide zone and La Brueva property.

The Villar oxide zone, located in the eastern side of the El Valle Mine behind the A107 area, was discovered while testing for mineralization that may have been shadowed by the existing resource. An 11 hole drilling program totaling 1,223 meters was completed to intersect this zone, with 10 out of the 11 holes intersecting ore grade mineralization.

A diamond drilling program was completed at La Brueva property, located eight kilometers from El Valle. The Company's drilling program consisted of 13 holes totaling 2,780 meters and was completed in August 2015.

The Company published resource estimates for both deposits in February 2016 under the supervision of Guadalupe Collar Menéndez, a European Geologist and the Chief of Geology of OroValle, a qualified person who is not independent of the Company for the purposes of NI 43-101. The following tables summarize the results of the mineral resource estimates:

Summary of Mineral Resources - El Valle Mine Villar Oxide Zone

Category	Tonnes	Grade g/t Au	Grade % Cu	Grade g/t Ag	Contained Metal (Au oz)	Contained Metal (000 t Cu)
Measured	49,718	6.52	0.34	4.26	10,422	0.17
Indicated	44,730	5.12	0.50	8.91	7,363	0.22
Total	**94,448**	**5.86**	**0.42**	**6.46**	**17,785**	**0.39**
Inferred	14,969	3.13	1.26	23.13	1,506	0.19

(1) CIM definitions were followed for mineral resources.

(2) Mineral resources are estimated at gold equivalent ("AuEq") cut-off grades of 3.6 g/t for El Valle oxides. AuEq cut-offs are based on recent operating results for recoveries, off-site concentrate costs and on-site operating costs.

(3) Mineral resources are estimated using a long-term gold price of US$1,300 per ounce, copper price of US$3 per pound and a silver price of US$18 per ounce. A US$/Euro exchange rate of 1/1.15 was used.

(4) An average block density factor of 2.25 was applied for this estimate.

(5) Numbers may not add due to rounding.

Summary of Mineral Resources – La Brueva Property

Category	Tonnes	Grade g/t Au	Grade % Cu	Grade g/t Ag	Contained Metal (Au oz)	Contained Metal (000 t Cu)
Inferred	160,000	7.84	0.02	2.31	40,330	0.03

(1) CIM definitions were followed for mineral resources.

(2) Mineral resources are estimated at gold equivalent ("AuEq") cut-off grades of 3.6 g/t for El Valle oxides. AuEq cut-offs are based on recent operating results for recoveries, off-site concentrate costs and on-site operating costs.

(3) Mineral resources are estimated using a long-term gold price of US$1,300 per ounce, copper price of US$3 per pound and a silver price of US$18 per ounce. A US$/Euro exchange rate of 1/1.15 was used.

(4) An average block density factor of 2.25 was applied for this estimate

(5) Numbers may not add due to rounding.

Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates the Don Mario Mine located in south-eastern Bolivia. Fiscal 2009 marked the last year of six years of production from the Company's LMZ underground gold mine at Don Mario with some gold production from lower-grade open pit satellite deposits and lower grade stockpiles continuing into fiscal 2010 and 2011. Over 420,000 ounces of gold was produced from the LMZ with an average recovery of over 80% from the associated CIL plant. The Company is now mining the UMZ as an open-pit mine which reached commercial production in January 2012.

The following table includes operating and financial performance data for Don Mario for the periods set out below.

	Q1 2016	Q4 2015	Q1 2015	FY2015
Operating Performance				
Ore mined (tonnes) (dmt)	168,713	194,223	262,700	938,492
Ore milled (tonnes) (dmt)	201,763	204,266	221,730	837,722
Daily average throughput (dmt)	2,520	2,523	2,620	2,532
Gold				
Grade (g/t)	1.07	0.88	1.83	1.32
Recovery (%)	55.9	54.3	53.1	53.8
Production (oz)	3,896	3,121	6,919	19,084
Sales (oz)	3,544	3,163	7,584	22,061
Copper				
Grade (%)	0.90	0.96	1.40	1.20
Recovery (%)	68.4	70.8	75.2	74.4
Production (‘000 lbs)	2,741	3,055	5,145	16,473
Sales (‘000 lbs)	2,544	3,264	5,345	17,899
Silver				
Grade (g/t)	27.34	31.47	20.39	25.20
Recovery (%)	72.3	64.6	62.6	63.3
Production (oz)	128,233	133,456	91,359	431,295
Sales (oz)	115,181	123,786	109,573	437,267
Financial Performance *(in 000's, except per share amounts)*				
Revenue	$6,796	$7,087	$18,620	$51,574
Mining costs	$7,279	$8,942	$11,150	$40,417
Income (loss) before tax	($1,904)	($4,541)	$3,745	($935)
Capital expenditures	$1,992	$1,042	$905	$3,394
Cash operating costs (co-product) ($/oz) gold (1)	$1,039	$1,118	$845	$948
Cash operating costs (co-product) ($/lb) copper (1) (2)	$2.27	$2.49	$2.15	$2.22
Cash operating costs (co-product) ($/oz) silver (1)	$15.93	$16.46	$13.95	$14.41
All-in sustaining costs (co-product) ($/oz) gold (1)	$1,285	$1,253	$924	$1,053
All-in sustaining costs (co-product) ($/lb) copper (1)	$2.77	$2.77	$2.34	$2.45
All-in sustaining costs (co-product) ($/oz) silver (1)	$19.27	$18.22	$15.10	$15.86
All-in costs (co-product) ($/oz) gold (1)	$1,298	$1,277	$925	$1,058
All-in costs (co-product) ($/lb) copper (1)	$2.80	$2.82	$2.34	$2.46
All-in costs (co-product) ($/oz) silver (1)	$19.45	$18.52	$15.12	$15.93

(1) For further information and a detailed reconciliation of COC, AISC and AIC, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(2) COC per pound of copper sold represent C1 costs plus royalties.

Don Mario Mine Operating Performance

During the first quarter of 2016, 3,896 ounces of gold, 2.7 million pounds of copper and 128,233 ounces of silver were produced at Don Mario compared with 6,919 ounces of gold, 5.1 million pounds of copper and 91,359 ounces of silver in the first quarter of fiscal 2015 and 3,121 ounces of gold, 3.1 million pounds of copper and 133,456 ounces of silver in the fourth quarter of fiscal 2015.

The 44% decrease in gold production and 47% decrease in copper production compared with the first quarter of fiscal 2015 is due to lower average head grades of 41% and 36%, respectively. Silver production increased by 40% compared with the first quarter of fiscal 2015 due to 34% higher average head grades and a 15% increase in recoveries. Gold average head grades are expected to improve after the mining of LMZ begins in the third quarter of fiscal 2016, while copper and silver grades are expected to decrease.

Compared with the fourth quarter of fiscal 2015, gold production increased by 25% while copper and silver production decreased by 10% and 4%, respectively in the first quarter of fiscal 2016. Higher gold production was due primarily to higher average head grades of 23%, whereas copper and silver production were impacted by lower head grades of 6% and 13%, respectively.

Don Mario Mine Financial Performance

During the first quarter of fiscal 2016, revenue from Don Mario decreased by 64% from $18.6 million in the first quarter of fiscal 2015 to $6.8 million on sales of 3,544 ounces of gold, 2.5 million pounds of copper and 115,181 ounces of silver in the first quarter of fiscal 2016 compared with sales of 7,584 ounces of gold, 5.3 million pounds of copper and 109,573 ounces of silver. Lower revenue was the result of lower volumes sold of gold and copper of 53% and 52%, respectively.

Mining costs of $7.3 million for the first quarter of fiscal 2016 decreased by $3.9 million or 35% compared with $11.2 million during the first quarter of 2015 due to the lower volume of sales.

Loss before tax for the first quarter of fiscal 2016 was $1.9 million compared with income before tax of $3.7 million for the first quarter of fiscal 2015.

Total capital expenditures at Don Mario during the first quarter of fiscal 2016 were $2.0 million compared with $0.9 million in the first quarter of fiscal 2015. Capital expenditures in the first quarter of fiscal 2016 consisted primarily of capitalized costs for a tailings dam lift.

For the first quarter of fiscal 2016, COC (co-product) were $1,039 per ounce of gold or 23% higher, $2.27 per pound of copper or 6% higher and $15.93 per ounce of silver or 14% higher compared with $845 per ounce of gold, $2.15 per pound of copper and $13.95 per ounce of silver in the first quarter of fiscal 2015. Total AISC (co-product) were $1,285 per ounce of gold or 39% higher, $2.77 per pound of copper or 18% higher and $19.27 per ounce of silver or 28% higher compared with $924 per ounce of gold, $2.34 per pound of copper and $15.10 per ounce of silver for the first quarter of fiscal 2015. The increase in unitary costs was driven primarily by the decrease in metal volumes sold.

Don Mario Exploration and Mine Life Extension

As described above, historical mining took place in the LMZ underground gold mine until 2009. Current open pit mining is taking place in the UMZ. As a near term mine life extension opportunity, geotechnical and geological reviews were carried out by two firms of the old resource block model of the LMZ and the current resource block model of UMZ to investigate the potential of mining the upper extension of the LMZ. The results of this work have demonstrated that a pushback of the pit to allow for the mining of this upper extension of the LMZ is possible. In addition, the Company completed an exploration drilling program around the known mineralized zones north-west and south-east of the UMZ (collectively known as “Cerro Felix”). Resources estimates for the LMZ and Cerro Felix were prepared and a technical report documenting the mineral resource estimates was published on November 16, 2015.

The Company expects to begin mining the LMZ in the second quarter of fiscal 2016.

Historically, gold and silver from the LMZ were leached with cyanide in a CIL circuit and a gold doré was produced, due to the higher gold grades and lower copper and silver grades associated with the LMZ as compared to the UMZ. Average historical recoveries achieved from the CIL were over 80%. The CIL circuit was placed on care and maintenance in April 2011 when the Company commenced mining the metallurgically more complex UMZ. EPCMC, together with Lycopodium, completed a capital cost estimate to recommission the CIL circuit. For the selected process option, the capital cost estimate is $6.4 million to accuracy estimate of +/- 15% including owner’s costs and 15% contingency. Results of a metallurgical testing program undertaken by the Company indicate potential gold recovery of higher than historical rates may be achieved by processing LMZ resource material through a re-commissioned CIL circuit. The Company is considering the CIL Project in fiscal 2016 subject to obtaining external financing.

Market Review and Trends

Metal Prices

The market prices of gold and copper are one of the primary drivers of Orvana’s earnings and ability to generate free cash flows. During the first quarter of fiscal 2016, the gold price remained volatile, with the price ranging from $1,049 to $1,184 per ounce and an average market price of $1,104 per ounce compared with $1,201 per ounce in the first quarter of fiscal 2015. Orvana’s average gold realized price for the first quarter of fiscal 2016 was $1,105 per ounce, as compared to $1,202 per ounce in the first quarter of fiscal 2015. The Company derived approximately 63% of its revenue from sales of gold in the first quarter of fiscal 2016.

The strengthening of the US dollar as a result of an improvement to the US economy and US treasury policy led to a continued lower price of gold during fiscal 2015. The Company believes that the interest rate hike by the US Federal Reserve in December 2015 may continue to have a negative impact on the price of gold as investors shift towards higher yielding assets, though medium term supply deficits may show improvement to gold prices.

Copper prices during the first quarter of fiscal 2016 traded in a range of $2.05 to $2.42 per pound with an average price of $2.22 per pound compared with $3.00 per pound in the first quarter of fiscal 2015. Orvana's average copper realized price for the first quarter of fiscal 2016 was $2.22 per pound. The Company believes copper prices may continue to be affected by expectations of oversupply in the medium term. The Company derived approximately 29% of its revenue from sales of copper in the first quarter of fiscal 2016.

In the first quarter of fiscal 2016, silver prices traded in a range from $13.71 per ounce to $16.18 per ounce with an average price of $14.76 per ounce compared with $16.50 during the same period in fiscal 2015. Orvana's average silver realized price for the first quarter of fiscal 2016 was $14.83 per ounce. The Company derived approximately 8% of its revenue from sales of silver in the first quarter of fiscal 2016.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the Euro to US Dollar exchange rate. The Company incurs operating and administration costs at El Valle incurred in Euros, while revenue is earned in US dollars. Orvana's cost of sales and expenses were positively affected by the decrease of the Euro to US Dollar exchange rate from an average of 1.25 in the first quarter of fiscal 2015 to 1.09 through the first quarter of fiscal 2016. As a result, mining costs at El Valle were lower by approximately $2.0 million in the first quarter of fiscal 2016 compared with the first quarter of fiscal 2015.

Orvana also has a minor exposure to the Canadian dollar and the Swedish krona through corporate administration costs. Orvana's exposure to the US Dollar to Bolivianos exchange rate is limited as this exchange rate has not fluctuated significantly during previous reporting periods.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at December 31, 2015 and September 30, 2015.

(in 000's)	**December 31, 2015**	**September 30, 2015**
Cash and cash equivalents	**$17,535**	$17,236
Restricted cash (short term)	**$793**	$2,593
Non-cash working capital (1)	**($1,070)**	($1,807)
Total assets	**$163,730**	$169,435
Total liabilities	**$54,250**	$56,887
Shareholders' equity	**$109,480**	$112,548

(1) Working capital represents current assets of $42.1 million less cash and cash equivalents and short-term restricted cash totaling $18.3 million and less $24.8 million in current liabilities composed of accounts payable and accrued liabilities and income taxes payable (not including bank debt).

Total assets decreased by $5.7 million or 3% from $169.4 million to $163.7 million primarily as a result of the decrease in (i) short-term restricted cash of $1.8 million primarily related to the final settlement of an on-going claim and release of funds to the Company, (ii) value added taxes and other receivables of $1.2 million primarily from VAT collections at EMIPA and (iii) property, plant and equipment of $4.0 million due to depreciation and changes in decommissioning assets; offset by (iv) the recognition of $1.1 million of deferred tax assets in EMIPA.

Short-term restricted cash as at December 31, 2015 was $0.8 million (September 30, 2015 – $2.6 million), 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 first quarter of fiscal 2016, an on-going claim was settled and $2.4 million of restricted cash was released to the Company.

Total liabilities decreased by $2.6 million or 5% to $54.3 million at December 31, 2015 from $56.9 million at September 30, 2015 primarily as a result of (i) a decrease in decommissioning liabilities of $1.9 million as a result of a change in the discount rate, (ii) decrease in accounts payable and accrued liabilities of $0.6 million and (iii) a decrease in the future income tax liability of $0.6 million as a result of the quarterly net loss at OroValle.

Through the first quarter of fiscal 2016, 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 December 31, 2015 and the date of the MD&A, EMIPA had one facility in place and the balance drawn was $2.0 million (September 30, 2015 – $1.5 million). During the first quarter of fiscal 2016, $1.5 million was repaid under another facility and a new facility in the amount of $2.0 million was drawn in the period and the proceeds were used to finance EMIPA's working capital needs. The foregoing excludes bank guarantees of $0.7 million (September 30, 2015 - $1.0 million) related to refunded value-added taxes and chemical and natural gas purchases.

Shareholders' Equity

Shareholders' equity at December 31, 2015 decreased by 3% to $109.5 million compared with $112.5 million at September 30, 2015. The table below sets out the number of each class of securities of the Company outstanding at December 31, 2015 and as at the date hereof.

	At December 31, 2015
Common Shares	136,623,171
Warrants (1)	1,150,000
Options (2)	1,883,334

(1) All of the outstanding warrants are held by Fabulosa. In 2011 and 2012, a total of 2,725,000 warrants were issued in two tranches (referred to as the "Warrant Certificates"), as follows: i) warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90 until September 6, 2016 and ii) 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, the exercise of which are tied to Fabulosa's ability to exercise the Warrant Certificates, 2,175,000 of the 2,725,000 Warrant Certificates may never be exercised as of the date of the MD&A. Of the remaining 550,000 Warrant Certificates, 450,000 are exercisable as of the date of the MD&A. Additional warrants were issued in connection with amendments to the Fabulosa Loan in 2013 and 2014 as follows: i) warrants to purchase 500,000 Common Shares were issued on August 22, 2013 with an exercise price of C$0.49 until August 22, 2018, and ii) warrants to purchase 100,000 Common Shares were issued on July 11, 2014 at an exercise price of C$0.53 until July 11, 2019.

(2) The options have a weighted average exercise price of $0.90 and expiry dates ranging from 2016 to 2020.

Capital Resources

At December 31, 2015, the Company had cash and cash equivalents of $17.5 million and restricted cash of $2.9 million. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings) and total debt net of cash and cash equivalents as follows:

(in 000's)	**December 31, 2015**	**September 30, 2015**
Shareholders' equity	**$109,480**	$112,548
Bank debt (1)	**$1,971**	$1,478
	$111,451	$114,026
Less: Cash and cash equivalents	**(17,535)**	(17,236)
Capital employed	**$93,916**	$96,790

(1) Bank debt represents a credit facility associated with Don Mario.

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.

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 El Valle and Don Mario. Information is regularly provided to the board of directors of the Company.

The Company's strategy during this period of commodity market uncertainty is to manage its existing capital and liquidity in a prudent fashion to endure for the long-term so that the Company may be well positioned to capitalize on the next commodity rebound.

Cash Flows, Commitments, Liquidity and Contingencies

Cash Flows

Total cash and cash equivalents as at December 31, 2015 was $17.5 million primarily denominated in US dollars representing an increase of $0.3 million from $17.2 million at September 30, 2015. Short-term restricted cash was $0.8 million at December 31, 2015 compared with $2.6 million at September 30, 2015 which included $2.4 million on deposit with Canadian and Bolivian commercial banks in favour of Bolivian courts pending the result of ongoing claims. The Company's total debt was $2.0 million at December 31, 2015. This compares with total debt as at September 30, 2015 of $1.5 million.

The following table summarizes the principal sources and uses of cash for the periods specified below:

(in 000's)	**Q1 2016**	**Q4 2015**	**Q1 2015**	**FY2015**
Cash provided by (used in) operating activities before changes in non-cash working capital	**$871**	**($2,670)**	$7,455	$8,471
Cash provided by (used in) operating activities	**$1,575**	**($5,475)**	$14,958	$20,678
Cash provided by (used in) financing activities	**$493**	**$1,478**	($22,528)	($24,500)
Cash provided by (used in) investing activities (1)	**($1,802)**	**($2,643)**	$11,342	$4,324
Change in cash	**$266**	**($6,641)**	$3,772	$502

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period. See "Cash Flows, Commitments and Liquidity - Capital Expenditures".

Orvana's primary source of liquidity continues to be from operating cash flows. Cash flows from operating activities before changes in non-cash working capital were $0.9 million for the first quarter of fiscal 2016 compared with cash used in operating activities before changes in non-cash working capital of $2.7 million for the fourth quarter of fiscal 2015 and cash flows from operating activities were $1.6 million for the first quarter of fiscal 2016 compared with cash used in operating activities of $5.5 million for the fourth quarter of fiscal 2015.

The most significant drivers of the change in operating cash flow are production and sales and market gold and copper prices. Future changes in metals market prices, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity. The principal uses of operating cash flows have been the repayment of debt and the funding of the Company's capital expenditures.

Cash provided by financing activities was $0.5 million in the first quarter of fiscal 2016 compared with $1.5 million in the fourth quarter of fiscal 2015 primarily related to the $1.5 million repayment under one facility and a $2.0 million withdrawal under a new facility during the period.

Cash used in investing activities was $1.8 million in the first quarter of fiscal 2016 compared with $2.6 million in the fourth quarter of fiscal 2015 primarily due to capital expenditures and the release of restricted cash to the Company on the settlement of certain legal claims.

Capital Expenditures

The following table sets forth Orvana's capital expenditures for the periods specified below for El Valle and Don Mario:

Capital Expenditures *(in 000's)* **(1)**	**Q1 2016**	**Q4 2015**	**Q1 2015**	**FY2015**
El Valle Mine (1)	**$1,536**	$1,269	$2,385	$6,376
Don Mario Mine	**1,992**	1,042	905	3,394
Corporate	**8**	-	-	8
Subtotal capital expenditures	**$3,536**	$2,311	$3,290	$9,778
El Valle Mine – accounts payable adjustments (1)	**180**	29	(829)	340
Total capital expenditures (2)	**$3,716**	$2,340	$2,461	$10,118

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period.

(2) For further discussion relating to capital expenditures, see "Cash Flows, Commitments and Liquidity - Liquidity".

Capital expenditures in fiscal 2015 consisted primarily of primary development at El Valle and annual tailings dam lifts at Don Mario. The Company expects sustaining capital expenditures for fiscal 2016 to be in the range of $17.0 to $19.0 million, including approximately $6.5 million in respect of the planned construction of the CIL plant at Don Mario and power and water infrastructure improvements at El Valle. Refer to the "Outlook" section of the MD&A.

Other Commitments

At December 31, 2015, the Company's contractual obligations included: bank debt; term credit facilities; operating leases; decommissioning liabilities; purchase obligations related to certain operating activities at El Valle and Don Mario; provision for statutory labour obligations; and long-term compensation. Contractual obligations are summarized in the following table below:

At December 31, 2015		**Payment Due by Period**			
(in 000's)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Bank debt – Don Mario Mine (1)	**$1,971**	$1,971	-	-	-
Operating leases	**$2,693**	$1,118	$1,173	$172	$230
Decommissioning liabilities (2)	**$21,729**	-	$192	$5,684	$15,853
Reclamation bond (3)	**$5,444**	$5,444	-	-	-
Purchase obligations	**$2,912**	$2,912	-	-	-
Provision for statutory labour obligations (4)	**$2,586**	-	$2,586	-	-
Long-term compensation	**$607**	$198	$296	-	$113
Total contractual obligations (5)	$37,942	**$11,643**	**$4,247**	**$5,856**	**$16,196**

(1) Bank debt represents credit facilities associated with Don Mario. See "Financial Condition Review - Balance Sheet Review".

(2) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for Euro denominated reclamation bonds amounted to approximately $8.2 million at December 31, 2015 (September 30, 2015 - $8.4 million). Decommissioning liabilities are discussed below under "Other Information - Critical Accounting Estimates - Decommissioning Liabilities".

(3) Spanish regulatory authorities have requested that an additional reclamation bond of €5.0 million be deposited by the Company under Spanish mining regulations in respect of El Valle. The Company is currently challenging this request in courts and negotiating with Spanish regulatory authorities to develop a solution, but may have to post the further bond as the court proceedings continue.

(4) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month's wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA.

(5) Production from El Valle and Don Mario is subject to certain royalties which amounts have not been included in total contractual obligations at December 31, 2015. For a description of such royalties and amounts payable, see "Royalties" below.

Royalties

Production from El Valle is subject to a 3% net smelter return royalty ("NSR"), referred to herein as El Valle Royalty. El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. El Valle Royalty expense totaled $0.5 million for the first quarter of fiscal 2016 compared with $0.6 million for the first quarter of fiscal 2015.

Production from Don Mario is subject to a 3% NSR. This expense totaled $0.3 million for the first quarter of fiscal 2016 compared with $0.5 million for the first quarter of fiscal 2015. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario at rates of 5%, 7% and 6%, respectively. These amounts totaled $0.7 million for the first quarter of fiscal 2016 compared with $1.6 million for the first quarter of fiscal 2015. The NSR and the mining royalty tax are referred to herein as "Don Mario Royalties".

Liquidity

Orvana's primary sources of liquidity in the first quarter of fiscal 2016 were operating cash flows and the release of restricted cash previously held in respect of a Bolivian court.

In the past, bank loans with certain Bolivian banks have averaged a balance of $6 to $10 million and have been short term, ranging from 90 to 180 days. Although in the past, EMIPA's lenders have agreed to renew these loans in the ordinary course, new loans replacing those maturing may not be obtained. During fiscal 2015, five such loans totaling $8 million were not renewed. At the date of the MD&A, the Bolivian bank debt balance was $2.0 million.

As at December 31, 2015, the Company had cash of $17.5 million designated to cover the Company's commitments due in less than one year of $11.6 million.

The Company generated positive operating cash flows in the first quarter of fiscal 2016 of $1.6 million. Financing and investing activities including capital expenditures resulted in overall positive cash flow generation of $0.3 million. In fiscal 2016, at current market prices, production guidance and the assumption that all planned capital expenditures are incurred, the Company expects to realize a cash flow deficit that is expected to be funded by existing cash on hand. The potential CIL capital expenditure of $6.4 million will only be incurred if external financing is obtained.

The Company has been pursuing a number of initiatives at El Valle and Don Mario in order to meet its objectives of optimizing production, lowering unitary cash costs, maximizing free cash flow, extending the life-of-mine of its operations and growing its operations to deliver shareholder value. In the current environment of declining commodities prices, the Company is currently monitoring its liquidity position closely and assessing its capital needs for this fiscal year and beyond. At El Valle, the Company reduced its fixed mining costs by 11% by the end of fiscal 2015. The Company is currently evaluating and implementing further cost reductions at its operations.

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

Contingencies

The Company is currently working through one environmental matter involving selenium discharges into the Cauxa River in Asturias, Spain. The Cauxa River flows past El Valle operated by the Company's Spanish subsidiary, OroValle, as well as certain other mining properties owned by third parties. Selenium is a naturally occurring element that is found in rocks, land and water and thus is also naturally found in certain food supplies. The maximum containment level for selenium has been set (i) in drinking water at 50 micrograms per liter ("µg/L") by Health Canada and the Environmental Protection Agency in the United States (the "EPA") and (ii) in surface water at 5 µg/L by the EPA. In 2011, Spain set the limit of selenium in inland surface water at 1 µg/L and in other surface water and drinking water at 10 µg/L. The Company believes that, by international standards, these levels of selenium are not a health or environmental risk.

Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle exceed the levels permitted by applicable regulations as a result of discharges attributed to the Company which may not be in compliance with certain of the Company's permits. In recent years, OroValle has received approximately €955,000 (approximately $1,040,000) 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 criminal court of Asturias is conducting a 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.

OroValle has been working to remediate this matter through various activities including the implementation of a reverse osmosis water treatment plant in September 2014 and the development of a long-term water management plan which is in progress. To date, these remediation efforts have not fully addressed these matters and there can be no assurances that OroValle's continuing remediation activities will be successful in the short term or at all to fully comply with local regulations. In addition, OroValle has been seeking amendments to certain of its permits or, alternatively to receive new permits, and extensions of deadlines to comply with local requirements. Orvana is committed to developing and operating its mines and projects in full compliance with local environmental regulations and recognized international environmental standards.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended December 31, 2015:

	Quarters ended			
(in 000's, except per share amounts)	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**
Revenue	**$22,497**	$20,385	$32,162	$30,108
Net loss	**($3,076)**	($7,819)	($5,522)	($4,130)
Loss per share (basic and diluted)	**($0.02)**	($0.06)	($0.04)	($0.03)
Total assets	**$163,730**	$169,435	$183,334	$192,690
Total financial liabilities	**$1,971**	$1,478	-	$3,943
	Quarters ended			
	Q1 2015	**Q4 2014**	**Q3 2014**	**Q2 2014**
Revenue	$38,770	$43,998	$34,064	$29,125
Net income (loss)	$738	($2,896)	($25,902)	($6,953)
Earnings (loss) per share (basic and diluted)	$0.01	($0.02)	($0.19)	($0.05)
Total assets	$200,991	$221,218	$236,738	$283,706
Total financial liabilities [(1)]	$3,450	$25,978	$44,853	$55,209

(1) Financial liabilities include the bank debt, Fabulosa Loan, current and long-term portions of obligations under finance leases and the El Valle Loan, before deducting financing fees.

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

The Company's activities expose it to a variety of financial market risks (including commodity price risks, currency risk and interest rate risk), credit risks, liquidity risks, financing risks and other risks. Enterprise risk management is carried out by management of the Company 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 of Directors of the Company reviews management's risk management programs and provides oversight on specific areas. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial and operating performance.

Other Risks

The Company identified a variety of additional risks and uncertainties in the Management's Discussion and Analysis in respect of the Company's fiscal year ended September 30, 2015 and in the most recent Annual Information Form ("AIF") including, but not limited to, (i) mineral resources and reserves estimates and replacement of depleted reserves, (ii) production estimates, (iii) development, capital projects and operations of mines, (iv) competition, (v) acquisitions and divestitures, (vi) title matters, (vii) water supply, (viii) regulatory and other risk, (ix) permits, (x) environmental, health and safety regulations, (xi) political and related risks, (xii) insurance, (xiii) reliance on key personnel and labor relations, (xiv) community relations and license to operate, (xv) litigation, (xvi) conflicts of interest, (xvii) controlling shareholder, and (xviii) share trading volatility.

In respect of regulatory and other risks and environmental regulations risks, see "Contingencies" above.

For a more detailed discussion of such financial and other business risks, please see the "Risk Factors" in Orvana's most recent AIF at www.sedar.com.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are mineral reserves, accounts receivable, property, plant and equipment, depreciation and amortization, forward metals prices, decommissioning liabilities, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

<u>Net Realizable Amounts of Property, Plant and Equipment</u>

At December 31, 2015, the net carrying value of the property, plant and equipment in respect of El Valle and Don Mario amounted to $91.5 million and $12.1 million, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment 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, a mineralized deposit where the 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. The expected economic life of these mines is dependent upon, among other things, the estimated remaining ore; gold, copper and silver prices; cash operating costs and capital expenditures.

The Company assesses each mine development project to determine when a mine is substantially complete and ready for its intended use and has advanced to the production stage. In its assessment, the Company considers relevant criteria based on the nature of each project, including the completion of a reasonable period of testing of mine plant and equipment, the ability to produce materials in saleable form (within specifications) and the ability to sustain ongoing production of minerals. When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs and underground mine or reserve development, which are capitalized to property, plant and equipment.

<u>Decommissioning Liabilities</u>

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 sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of El Valle and Don Mario at December 31, 2015. These estimates were prepared by management with the use of independent third party experts.

At December 31, 2015	Undiscounted Cash Flows Estimated to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
(in 000's)			
El Valle Mine (1)	$15,312	1.9%	$12,255
Don Mario Mine (1)	$6,417	2.4%	$5,729
Total	**$21,729**		**$17,984**

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

Stock-based compensation

The Company recorded stock-based compensation expense of $8.1 thousand in the first quarter of fiscal 2016 compared with the $10.8 thousand in the fourth quarter of fiscal 2015. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

The Company established a Deferred Share Unit ("DSU") plan, effectively a phantom stock plan, for directors, effective October 1, 2008. For grants before December 1, 2015, the initial fair value of units issued was expensed on grant. For grants subsequent to December 1, 2015, the fair value of the units issued is expensed over the fiscal year in which they are issued, and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the DSUs are marked to the quoted market price of 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.

The Company established a Restricted Share Unit ("RSU") plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the RSUs are marked to the quoted market price of the 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.

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

Impairment

The Company assesses the carrying values of each cash-generating unit ("CGU") at each reporting period end date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell ("FVLCS") or value-in-use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, the resale market for certain property, plant and equipment of the Company and operating performance. Fair value under FVLCS is determined as the amount that would be obtained from the sale, less costs, of the asset in an arm's length transaction between knowledgeable and willing parties. When observable market prices are not available for the asset, value-in-use for mineral properties is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that are specific to the Company's circumstances with respect to each CGU. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management of the Company has assessed its CGUs to be each country in which it operates (El Valle and Don Mario) which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of El Valle and Don Mario using forecasted production and costs per the current life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at December 31, 2015 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company was below the carrying amount of Orvana's net assets at December 31, 2015 of $109.5 million, following the completion of an impairment test in respect of each CGU in the first quarter of fiscal 2016, the Company estimated that the net recoverable amounts are greater than the carrying values of such assets based on the Company's current life-of-mine plans and the assumptions set out above at December 31, 2015. As such, there was no impairment of such carrying values as at December 31, 2015.

In light of a continued volatile metal price environment, and notwithstanding that the Company concluded that there was no impairment of carrying values at the end of the first quarter of fiscal 2016, there can be no assurances that an impairment adjustment may not be taken at either or both CGUs in future periods.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company uses the *Internal Control – Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to design its ICFR. Based on a review of internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at September 30, 2015.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring material corrective actions.

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, have been detected and that all of the objectives of the internal controls over financial reporting have been achieved or will be achieved in the future.

Non-IFRS Measures

<u>COC, AISC and AIC</u>

The Company, in conjunction with an initiative undertaken within the gold mining industry, began reporting COC, AISC and AIC non-IFRS performance measures as set out in the guidance note released by the World Gold Council in June 2013. The Company believes that these performance measures more fully define the total costs associated with producing gold, copper and silver, however, these performance measures have no standardized meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

COC include total production cash costs incurred at the Company's mining operations, which form the basis of the Company's cash costs. AISC includes COC plus sustaining capital expenditures, corporate administrative expense, exploration and evaluation costs and reclamation cost accretion. The Company believes that this measure represents the total costs of producing gold from current operations and provides the Company and other stakeholders of the Company with additional information relating to the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in AISC. AIC represents AISC plus non-sustaining capital expenditures and non-sustaining exploration. Certain other cash expenditures including tax payments, debt payments, dividends and financing costs are also not included in the calculation of AIC. The Company reports these measures on a gold ounces sold basis.

Orvana Consolidated (by-product)	**Q1 2016**	**Q4 2015**	**Q1 2015**	**FY2015**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1) *(in 000's)*				
Total mining costs (sales based)	**$17,876**	**$20,400**	**$25,077**	**$86,545**
Deductions, refining, treatment, penalties, freight & other costs	7,101	7,961	10,143	44,147
Accrued/paid royalties - based on sales	1,427	1,467	2,712	8,813
Sub-total - other operating costs	**$8,528**	**$9,428**	**$12,855**	**$52,960**
Copper sales - gross revenue value	(8,130)	(9,467)	(20,520)	(60,636)
Silver sales - gross revenue value	(2,261)	(2,348)	(2,339)	(9,332)
Sub-total by-product revenue	**($10,391)**	**($11,815)**	**($22,859)**	**($69,968)**
Cash operating costs	**$16,012**	**$18,013**	**$15,073**	**$69,537**
Corporate general & administrative costs	891	539	1,255	5,185
Community costs related to current operations	89	27	82	531
Reclamation, accretion & amortization	497	677	726	2,682
Exploration and study costs (sustaining)	98	166	138	1,582
Primary development (sustaining)	652	477	585	1,948
Other sustaining capital expenditures (2) (3)	2,751	1,496	2,705	7,210
All-in sustaining costs	**$20,991**	**$21,393**	**$20,564**	**$88,675**
Exploration and study costs (non-sustaining)	133	269	-	364
Capital expenditures (hoist) (3)	-	-	20	-
All-in costs	**$21,124**	**$21,662**	**$20,584**	**$89,039**
Au/oz sold	15,956	13,887	21,661	73,304
Cash operating costs ($/oz) gold	**$1,004**	**$1,297**	**$696**	**$949**
All-in sustaining costs ($/oz) gold	**$1,316**	**$1,540**	**$949**	**$1,210**
All-in costs ($/oz) gold	**$1,324**	**$1,560**	**$950**	**$1,215**

(1) Costs are reported per ounce of gold sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include those contracted for in the period but for which payment has not been made.

Consolidated AISC (co-product) for the first quarter of fiscal 2016 were $1,157 per ounce of gold sold and $2.79 per pound of copper sold and for the first quarter of fiscal 2015 were $1,077 per ounce of gold sold and $2.55 per pound of copper sold.

The following table provides a reconciliation of COC, AISC and AIC (by-product) per ounce of gold sold for El Valle for the periods set out below:

El Valle Mine	Q1 2016	Q4 2015	Q1 2015	FY2015
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [(1)] *(in 000's)*				
Total mining costs (sales based)	**$12,758**	**$14,159**	**$16,028**	**$61,882**
Deductions, refining, treatment, penalties, freight & other costs	1,876	1,560	1,890	8,528
Accrued/paid royalties - based on sales	457	368	611	2,130
Sub-total - other operating costs	**2,333**	**$1,928**	**$2,502**	**$10,658**
Copper sales - gross revenue value	(2,661)	(2,773)	(4,415)	(14,866)
Silver sales - gross revenue value	(658)	(540)	(594)	(2,489)
Sub-total by-product revenue	**($3,319)**	**($3,313)**	**($5,009)**	**(17,355)**
Cash operating costs	**$11,771**	**$12,774**	**$13,521**	**$55,185**
Corporate general & administrative costs	800	805	800	3,199
Reclamation, accretion & amortization	394	377	517	1,911
Exploration and study costs (sustaining)	17	93	138	510
Primary development (sustaining)	652	477	585	1,948
Other sustaining capital expenditures [(2) (3)]	884	754	1,800	4,250
All-in sustaining costs	**$14,519**	**$15,280**	**$17,362**	**$67,003**
All-in costs	**$14,519**	**$15,280**	**$17,362**	**$67,003**
Au/oz sold	**12,412**	10,725	14,077	51,244
Cash operating costs ($/oz) gold	**$948**	**$1,191**	**$961**	**$1,077**
All-in sustaining costs ($/oz) gold	**$1,170**	**$1,425**	**$1,233**	**$1,308**
All-in costs ($/oz) gold	**$1,170**	**$1,425**	**$1,233**	**$1,308**

(1) Costs are reported per ounce of gold sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include unpaid capital expenditures incurred in the period.

As a result of revenue from the sale of copper and silver representing more than 60% of total gross revenue from Don Mario in a reporting period and for better costs comparisons to other mines, the Company is reporting COC, AISC and AIC (co-product) per pound of copper and per ounce of gold and silver sold. The following table provides a reconciliation of AISC per ounce of Don Mario for the periods set out below:

Don Mario Mine [(1)]	Q1 2016	Q4 2015	Q1 2015	FY2015
Cash operating costs, all-in sustaining costs and all-in costs (co-product) [(1)] *(in 000's)*				
Total mining costs (sales based)	**$5,118**	**$6,241**	**$6,324**	**$24,662**
Deductions, refining, treatment, penalties, freight & other costs	5,225	6,401	10,978	35,619
Accrued/paid royalties - based on sales	970	1,099	2,100	6,682
Sub-total - other operating costs	**$6,195**	**$7,500**	**$13,078**	**$42,301**
Gross by-product credit	(19)	(43)	(9)	(66)
Cash Operating Costs	**$11,294**	**$13,698**	**$19,411**	**$66,897**
Corporate general & administrative costs	405	412	573	1,825
Community costs related to current operations	89	27	82	531
Reclamation, accretion & amortization	103	300	208	771
Capital expenditures (sustaining) [(3)]	1,859	742	905	2,960
Exploration and study costs (sustaining)	81	73	-	1,072
All-in sustaining costs	**$13,831**	**$15,252**	**$21,179**	**$74,056**
Exploration and study costs (non-sustaining)	133	269	20	364

Don Mario Mine [1]	Q1 2016	Q4 2015	Q1 2015	FY2015
All-in costs	**$13,964**	**$15,521**	**$21,199**	**$74,420**
Au/oz sold	3,544	3,163	7,854	22,053
Cu/lbs sold (000's)	2,544	3,264	5,345	17,899
Ag/oz sold	115,181	123,786	109,573	437,199
Cash operating costs (co-product) ($/oz) gold	**$1,039**	**$1,118**	**$845**	**$948**
Cash operating costs (co-product) ($/lb) copper	**$2.27**	**$2.49**	**$2.15**	**$2.22**
Cash operating costs (co-product) ($/oz) silver	**$15.93**	**$16.46**	**$13.95**	**$14.41**
All-in sustaining costs (co-product) ($/oz) gold	**$1,285**	**$1,253**	**$924**	**$1,053**
All-in sustaining costs (co-product) ($/lb) copper	**$2.77**	**$2.77**	**$2.34**	**$2.45**
All-in sustaining costs (co-product) ($/oz) silver	**$19.27**	**$18.22**	**$15.10**	**$15.86**
All-in costs (co-product) ($/oz) gold	**$1,298**	**$1,277**	**$925**	**$1,058**
All-in costs (co-product) ($/lb) copper	**$2.80**	**$2.82**	**$2.34**	**$2.46**
All-in costs (co-product) ($/oz) silver	**$19.45**	**$18.52**	**$15.12**	**$15.93**

(1) Costs are reported per ounce of gold or silver or per pound of copper sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Total mining costs for each metal are based on the percentage of gross revenue that each quantity of metal sold in the period represents of total gross revenue for the period. Refining charges, metallurgical deductions and the Don Mario Royalties allocated to each metal based on actual costs related to each quantity of metal sold in the period.

(3) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature. Capital expenditures includes unpaid capital expenditures incurred in the period.

Other Information

Other operating and financial information with respect to the Company, including the AIF which is available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

Cautionary Statements - Forward-Looking Information

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

The forward-looking statements herein relate to, among other things, Orvana's ability to achieve improvement in free cash flow; the potential to extend the mine life of El Valle and Don Mario beyond their current life-of-mine estimates; Orvana's ability to optimize its assets to deliver shareholder value; the Company's ability to optimize productivity at Don Mario and El Valle; estimates of future production, operating costs and capital expenditures; mineral resource and reserve estimates; statements and information regarding future feasibility studies and their results; future transactions; future metal prices; the ability to achieve additional growth and geographic diversification; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at El Valle and Don Mario being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward looking statements. Some of these risks, uncertainties and factors include fluctuations in the price of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; the Company's ability to use cyanide in its mining operations; risks generally associated with mineral exploration and development, including the Company's ability to continue to operate the El Valle and/or Don Mario and/or ability to resume operations at the Carlés Mine; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to execute on its strategy; the Company's ability to obtain financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the countries in which the Company operates; general economic conditions worldwide; and the risks identified in the Company's AIF under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's AIF for a description of additional risk factors.

The forward-looking statements made in this MD&A with respect to the anticipated development and exploration of the Company's mineral projects are intended to provide an overview of management's expectations with respect to certain future activities of the Company and may not be appropriate for other purposes.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and, except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

Cautionary Notes to Investors – Reserve and Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed in this MD&A have been prepared as at September 30, 2015 in accordance with NI 43-101, classified in accordance with Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves Definitions and Guidelines" (the "CIM Guidelines").

Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. Accordingly, readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.