CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER OF FISCAL 2016

THREE AND SIX MONTHS ENDED MARCH 31, 2016 AND 2015

UNAUDITED

(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.

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

	Three months ended March 31,		Six months ended March 31,	
	2016	**2015**	**2016**	**2015**
Revenue	$ 21,279	$ 30,108	$ 43,776	$ 68,878
Cost of sales				
Mining costs (note 5)	19,045	23,944	39,851	51,914
Depreciation and amortization	3,055	6,086	8,615	14,438
	22,100	30,030	48,466	66,352
Gross margin	(821)	78	(4,690)	2,526
Expenses				
General and administrative (note 6)	1,416	2,528	2,307	3,783
Exploration	69	722	168	880
Community relations	91	125	180	207
Other expense	442	100	322	343
Finance costs (note 7)	91	172	157	852
	2,109	3,647	3,134	6,065
Loss before income taxes	(2,930)	(3,569)	(7,824)	(3,539)
Provision for (recovery of) income taxes				
Current income tax (recovery) (note 17)	68	925	(71)	2,561
Deferred income tax recovery (note 17)	(328)	(364)	(2,007)	(2,708)
	(260)	561	(2,078)	(147)
Net loss and comprehensive loss	$ (2,670)	$ (4,130)	$ (5,746)	$ (3,392)
Net loss per share (note 8)				
Basic and diluted	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.02)

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

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

	Three months ended March 31, 2016	Three months ended March 31, 2015	Six months ended March 31, 2016	Six months ended March 31, 2015
Operating activities				
Net loss	$ (2,670)	$ (4,130)	$ (5,746)	$ (3,392)
Adjustments for:				
Depreciation and amortization	3,082	6,113	8,670	14,494
Loss on disposal of assets	-	190	-	190
Accretion	38	32	77	58
Interest on Copperwood (note 4)	-	-	-	(259)
Amortization of deferred financing fees (note 7)	-	-	-	714
Stock-based compensation (note 19)	6	23	14	51
Warrants	15	1	5	14
Long-term compensation	53	71	(145)	26
Deferred income tax recovery (note 17)	(328)	(364)	(2,007)	(2,708)
Provision for statutory labour obligations	(71)	(111)	(52)	(146)
Foreign exchange loss (gain)	(278)	837	(98)	1,075
Other operating activities	72	-	72	-
	(81)	2,662	790	10,117
Changes in non-cash working capital				
Concentrate and doré sales receivables	(1,726)	2,036	(2,203)	2,303
Value added taxes and other receivables and prepaid expenses	912	4,280	1,879	9,958
Inventory	(891)	(1,028)	(196)	(1,836)
Accounts payable and accrued liabilities	1,286	(2,945)	1,010	(1,985)
Income taxes payable	(35)	(477)	(240)	929
	(454)	1,886	250	9,369
Cash provided by (used in) operating activities	(535)	4,528	1,040	19,486
Financing activities				
Proceeds from (repayment of) bank debt	-	493	493	(5,421)
Repayment of El Valle Loan (note 15)	-	-	-	(16,614)
Cash provided by (used in) financing activities	-	493	493	(22,035)
Investing activities				
Capital expenditures	(2,745)	(3,596)	(6,461)	(6,057)
Restricted cash	805	(471)	2,719	5,799
Proceeds from sale of Copperwood (note 4)	-	-	-	7,533
Cash (used in) provided by investing activities	(1,940)	(4,067)	(3,742)	7,275
Change in cash	(2,475)	954	(2,209)	4,726
Cash, beginning of the period	17,535	20,376	17,236	16,545
Effect of exchange rate change on cash	(54)	182	(21)	241
Cash, end of period	$ 15,006	$ 21,512	$ 15,006	$ 21,512

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

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

		As at March 31, 2016		As at September 30, 2015
Assets				
Current assets				
Cash and cash equivalents	$	15,006	$	17,236
Restricted cash (note 9)		97		2,593
Concentrate and doré sales receivables		2,892		689
Value added taxes and other receivables and prepaid expenses		8,743		7,345
Inventory (note 10)		15,813		15,497
Income tax receivable		292		-
		42,843		43,360
Non-current assets				
Value-added taxes and other receivables		4,502		7,687
Restricted cash (note 9)		2,010		2,233
Reclamation bonds (note 9)		8,565		8,428
Deferred income tax asset (note 17)		1,171		100
Property, plant and equipment (note 11)		103,303		107,627
	$	162,394	$	169,435
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	26,095	$	25,238
Income taxes payable (note 17)		152		100
Bank debt (note 13)		1,971		1,478
		28,218		26,816
Non-current liabilities				
Decommissioning liabilities (note 16)		18,049		19,904
Provision for statutory labour obligations		2,515		2,567
Deferred income tax liability (note 17)		4,362		5,299
Other liabilities		1,909		1,655
Long-term compensation (note 19 (b))		502		629
Warrants (note 18)		23		17
		55,578		56,887
Shareholders' equity				
Share capital (note 18)		116,206		116,206
Contributed surplus		3,496		3,482
Accumulated deficit		(12,886)		(7,140)
		106,816		112,548
	$	162,394	$	169,435

Nature of operations, corporate information and going concern (note 1)
Commitments and contingent liabilities (note 21)
The notes to the condensed interim consolidated financial statements are an integral part of these financial statements.

ORVANA MINERALS CORP.

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

		Share Capital		Contributed Surplus		Accumulated Deficit		Total
Balance, October 1, 2015	$	116,206	$	3,482	$	(7,140)	$	112,548
Stock-based compensation		-		14		-		14
Net loss		-		-		(5,746)		(5,746)
Balance, March 31, 2016	$	116,206	$	3,496	$	(12,886)	$	106,816

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2014	$	116,206	$	3,401	$	9,593	$	129,200
Stock-based compensation		-		51		-		51
Net loss		-		-		(3,392)		(3,392)
Balance, March 31, 2015	$	116,206	$	3,452	$	6,201	$	125,859

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

1. Nature of operations, corporate information and going concern

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

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due.

The Company is subject to numerous risk factors that may impact its ability to economically extract gold and other minerals from its properties, such as, but not limited to, operational and regulatory risks inherent in the mining industry, and global economic and commodity price volatility. OroValle has been challenging a request from Spanish regulatory authorities for a number of years that an additional reclamation bond totaling €5,000,000 be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area (note 21(b)). In March 2016, the Company undertook to satisfy this bond commitment and is in the process of arranging for the reclamation bond to be posted. Concurrently, El Valle Mine has experienced recurring operational issues that have and may continue to negatively impact production. The lower production output from the operation is a result of the mine continuing to be underdeveloped due to insufficient underground infrastructure, mainly power and dewatering capacity. The Company requires investment of additional capital to address these operational issues and until these issues are rectified the Company’s forecasts indicate that El Valle Mine will incur continuing losses and cash outflows from operations. There can be no assurance that the Company’s current cash and cash equivalents are sufficient to fund forecasted operating losses and additional capital requirements for El Valle Mine for the foreseeable future. The Company is considering debt, equity, and other external financing options. Although the Company has been successful in raising equity and debt financing to support its activities in the past, there can be no assurance as to the success of its future external financing efforts or as to the timing and sufficiency of financing that may be obtained.

These circumstances may cast significant doubt as to the Company’s ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

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

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

2. Basis of preparation

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

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on May 4, 2016.

3. Accounting policies and new accounting pronouncements

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

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

In May 2014, the IASB issued a new standard, IFRS 15 Revenue from contracts with customers ("IFRS 15")., IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company has not yet determined the potential impact the adoption of IFRS 15 will have on its financial statements.

4. Divestiture of Copperwood

In June 2014, the Company sold the Copperwood Project to Highland Copper Company Inc. ("Highland") through its formerly wholly-owned subsidiary, Orvana Resources US Corp. The Company received a cash payment of $13,000 and a secured promissory note in the amount of $7,000 (the "Copperwood Note") which was subsequently paid in full in December 2014 together with $533 in interest. Additional consideration of up to $5,000 will be paid by Highland in cash or shares of Highland, at Orvana's option, upon occurrence of the events described below:

(in thousands of United States dollars unless otherwise noted)

- $1,250 upon the earliest of (i) commencement of commercial production of Copperwood and (ii) June 17, 2017; and an additional $1,250 on the first anniversary of this payment; and
- $1,250 if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb; and an additional $1,250 if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

5. Mining costs

Mining costs include mine production costs, transport costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, incurred at El Valle Mine, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the three and six months ended March 31, 2016 and 2015 relate to El Valle and Don Mario Mines.

	For the three months ended March 31,		For the six months ended March 31,	
	2016	2015	2016	2015
Direct mining costs	$ 17,942	$ 21,531	$ 37,322	$ 46,789
Royalties and mining rights [(1)]	655	1,007	1,376	2,140
Mining royalty taxes [(2)]	448	1,406	1,153	2,985
Total mining costs	$ 19,045	$ 23,944	$ 39,851	$ 51,914

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

6. General and administrative expenses

	For the three months ended March 31,		For the six months ended March 31,	
	2016	2015	2016	2015
Salaries, directors fees and office administration	$ 1,255	$ 1,771	$ 2,159	$ 2,931
Depreciation	27	27	55	56
Stock-based compensation expense	6	23	14	51
Warrants	16	(5)	6	5
Long-term compensation	159	75	129	146
Foreign exchange	(47)	637	(56)	594
Total general and administrative expenses	$ 1,416	$ 2,528	$ 2,307	$ 3,783

7. Finance costs

	For the three months ended March 31,		For the six months ended March 31,	
	2016	2015	2016	2015
Interest on credit facilities	$ 37	$ 141	$ 52	$ 344
Other interest (income) expense	16	(1)	28	(264)
Amortization of financing fees	-	-	-	714
Accretion expense on decommissioning obligations	84	77	169	149
Accretion gains on Copperwood deferred payments	(46)	(45)	(92)	(91)
Total finance costs	$ 91	$ 172	$ 157	$ 852

(in thousands of United States dollars unless otherwise noted)

8. Net loss per share

	For the three months ended 2016	March 31, 2015	For the six months ended 2016	March 31, 2015
Net loss	$ (2,670)	$ (4,130)	$ (5,746)	$ (3,392)
Weighted average number of common shares outstanding – basic and diluted	136,623,171	136,623,171	136,623,171	136,623,171
Net loss per share – basic and diluted	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.02)

9. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at March 31, 2016 was $97 (September 30, 2015 – $2,593), 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 six months ended March 31, 2016, an on-going claim was settled and $2,405 of restricted cash was released to the Company.

Long-term restricted cash as at March 31, 2016 was $2,010 (September 30, 2015 – $2,233), primarily consisting of $1,965 on deposit with a local bank in favour of the Bolivian government pending the appeal of a value added taxes ("VAT") audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. As of March 31, 2016, the matter remains unresolved.

Reclamation bonds

At March 31, 2016, cash backed reclamation bonds held in a Spanish financial institution were $8,565 (September 30, 2015 – $8,428) and are expected to be released after all reclamation work at El Valle Mine and Carlés Mine has been completed. Prior to its acquisition by OroValle, El Valle Mine and Carlés Mine had been shut down by the owner thereof and remediation measures required were completed. On OroValle's acquisition of El Valle Mine and Carlés Mine a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by OroValle relating to its tailings facility.

In March 2016, the Company committed to satisfy a further €5,000,000 in respect of a regulatory environmental reclamation requirement at El Valle Mine and is actively working with Spanish regulatory authorities to coordinate the posting of this bond. Refer to note 21 – Commitments and contingent liabilities.

10. Inventory

	March 31, 2016	September 30, 2015
Ore in stockpiles	$ 127	$ 386
Ore in-process	1,873	1,581
Gold doré	430	202
Copper concentrates	5,648	4,477
Materials and supplies	7,735	8,851
	$ 15,813	$ 15,497

(in thousands of United States dollars unless otherwise noted)

The Company recognized $20,942 and $43,416 of inventory in cost of sales for the three and six months ended March 31, 2016, respectively (three and six months ended March 31, 2015 – $21,966 and $55,247, respectively).

11. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2015	$1,600	$46,376	$378	$59,273	$107,627
Additions	-	4,781	15	1,746	6,542
Disposals	-	(72)	-	-	(72)
Change in decommissioning assets (note 16)	-	(2,005)	-	-	(2,005)
Depreciation (1)	-	(3,756)	(97)	(4,936)	(8,789)
Net book value, March 31, 2016	$1,600	$45,324	$296	$56,083	$103,303
Total cost	$1,600	$115,586	$2,215	$121,846	$241,248
Total accumulated depreciation	-	(70,263)	(1,919)	(65,763)	(137,945)
Net book value, March 31, 2016	$1,600	$45,324	$296	$56,083	$103,303

(1) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the six months ended March 31, 2016, capital expenditures exclude approximately $1,542 of capital expenditures incurred but unpaid as at March 31, 2016 (March 31, 2015 – $1,418), and include $1,167 of capital expenditures incurred in fiscal 2015 but unpaid as at September 30, 2015 (September 30, 2014 – $1,507).

12. Accounts payable and accrued liabilities

		March 31, 2016		September 30, 2015
Accounts payable	$	18,785	$	16,699
Accrued liabilities		7,310		8,539
Total accounts payable and accrued liabilities	$	26,095	$	25,238

13. Bank debt

EMIPA has short-term credit facilities with Bolivian banks payable in 90 to 180 days from the date of advance with an annual interest rate of 6.0%, denominated in Bolivian Bolivianos. Certain of EMIPA's assets are pledged as security against these loans. As at March 31, 2016, EMIPA had one facility in place and the balance drawn was $1,971 (September 30, 2015 – $1,478). During the six months ended March 31, 2016, $1,478 was repaid under another facility and a new facility in the amount of $1,971 was drawn in the period. For the three and six months ended March 31, 2016, the Company paid $37 and $52, respectively, in interest on the short-term credit facilities (three and six months ended March 31, 2015 –$141 and $344, respectively).

In addition, at March 31, 2016, EMIPA had bank guarantees outstanding to a Bolivian bank amounting to approximately $2,639 (September 30, 2015 – $975), related to refunded amounts of VAT and natural gas and chemical purchases. The bank guarantees on the VAT credit notes expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. EMIPA also has provided guarantees for the purchase of natural gas from government suppliers that are for one year and are renewed annually and would only be executed by the government suppliers if EMIPA failed to pay the invoices related to these purchases.

14. Fabulosa Loan

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

The amendment of El Valle Loan (note 15) during the fourth quarter of 2014 was conditional on the establishment of a $6,500 line of credit. Accordingly, the Fabulosa Loan was amended effective July 11, 2014. The maturity period was extended from September 30, 2014 to December 31, 2014 and the amount which could be drawn under the Fabulosa Loan was amended to $6,500. In connection with such amendment, the Company issued warrants to Fabulosa to purchase 100,000 common shares of the Company exercisable at a price of $0.54 until July 11, 2019. The Company also paid a structuring fee of 2% for a total of $130. No amounts were drawn under the Fabulosa Loan prior to the end of its availability period. The Fabulosa Loan was not renewed and all security was discharged.

Concurrent with the initial Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding common shares, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest is of the common shares. The Company paid nil in stand-by fees on the Fabulosa Loan for both the three and six months ended March 31, 2015, (three and six months ended March 31, 2015 – interest and stand-by fees of nil and $24, respectively).

15. El Valle Loan

In October 2010, OroValle entered into a $50,000 five-year term corporate credit facility ("El Valle Loan"). The funds were primarily used to complete the recommissioning of El Valle Mine and Carlés Mine. In February 2012, El Valle Loan was extended by one year to September 30, 2016 and increased by $13,844 including approximately $6,500 (€5,000,000) to fund an environmental bond. In July 2014, El Valle Loan was amended, resulting in a new maturity date of November 30, 2014 (the "New Maturity Date"). As a condition to the amendments of El Valle Loan, Orvana had to establish a line of credit in the minimum amount of $6,500 in the form of the Fabulosa Loan (note 14) until the New Maturity Date.

Orvana completed repayment of El Valle Loan on November 10, 2014. The associated guarantees were released and the remaining security was discharged. The Company paid nil in interest on El Valle Loan for both the three and six months ended March 31, 2016, (three and six months ended March 31, 2015 – nil and $62, respectively).

16. Decommissioning liabilities

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

(in thousands of United States dollars unless otherwise noted)

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

		March 31, 2016		September 30, 2015
Balance, beginning of period	$	19,904	$	19,316
Revision in estimated cash flows, timing of payments and discount rates				
– El Valle Mine		(2,005)		90
– Don Mario Mine		-		195
		17,899		19,601
Accretion expense		169		303
Reclamation payments		(19)		-
Total decommissioning liabilities	$	18,049	$	19,904

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

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

The decommissioning liability balance consists of:

		March 31, 2016		September 30, 2015
El Valle Mine	$	12,312	$	14,202
Don Mario Mine		5,737		5,702
Total decommissioning liabilities	$	18,049	$	19,904

As at March 31, 2016, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine (1)	$	15,312	1.9%	$	12,312
Don Mario Mine		6,417	2.4%		5,737
Total	$	21,729		$	18,049

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

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $8,565 at March 31, 2016 (September 30, 2015 – $8,428) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 9 – Restricted cash and reclamation bonds.

17. Income tax

During November 2014, a number of changes in Spanish tax legislation were enacted effective for fiscal periods beginning on or after January 1, 2015, including the gradual reduction of the corporate income tax rate from 30% to 25% in 2016. As a result, this change is effective in respect of the Company's 2016 fiscal year commencing on October 1, 2015. As the Company expects to settle its deferred tax liabilities in Spain in 2016 or later, the deferred tax liability at March 31, 2016 was re-measured at a 25% tax rate. Income tax rates in Bolivia remain unchanged from the prior year at 37.5%.

(in thousands of United States dollars unless otherwise noted)

	For the three months ended	March 31,	For the six months ended	March 31,
	2016	2015	2016	2015
Current income taxes:				
Current tax (recovery) on income for the periods	$ 68	$ 925	$ (71)	$ 2,561
Total current income taxes (recoveries)	68	925	(71)	2,561
Deferred income tax:				
Tax rate increase (reduction) in Spain	26	66	91	(1,246)
Origination and reversal of temporary differences in OroValle	(370)	(430)	(1,027)	(1,462)
Origination and reversal of temporary differences in EMIPA	16	-	(1,071)	-
Total deferred tax recoveries	(328)	(364)	(2,007)	(2,708)
Total income tax recoveries	$ (260)	$ 561	$ (2,078)	$ (147)

Cash taxes paid by EMIPA during the three and six months ended March 31, 2016 totaled $nil and $97, respectively ($1,368 for both the three and six months ended March 31, 2015).

18. Share capital and warrants

Issued share capital as at March 31, 2016 was $116,206 (September 30, 2015 – $116,206). The Company's authorized share capital contains an unlimited number of common shares. As at March 31, 2016, the Company had 136,623,171 common shares (September 30, 2015 – 136,623,171) issued and outstanding.

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares	Stated Value
Balance, September 30, 2014	1,795,000	$ 77
Non-exercisable warrants	(325,000)	(10)
Fair value adjustment	-	(50)
Balance, September 30, 2015	1,470,000	$ 17
Non-exercisable warrants	(320,000)	(10)
Fair value adjustment	-	16
Balance, March 31, 2016	1,150,000	$ 23

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

Warrants to purchase 100,000 common shares at a purchase price of C$0.54 until July 11, 2019 were issued to Fabulosa as part of the amendments to the Fabulosa Loan in July 2014. Refer to Note 17 – Fabulosa Loan.

A total of 2,725,000 warrants were issued to Fabulosa as follows: warrants to purchase up to 1,300,000 shares were issued on September 6, 2011 with an exercise price of C$1.90 until September 6, 2016 and warrants to purchase up to 1,425,000 common shares were issued on March 5, 2012 with an exercise price of C$0.97 until March 5, 2017. As a result of the forfeiture or expiration of certain options to acquire common shares under the Company's equity incentive plan on May 16, 2011 (the exercise of which were tied to Fabulosa's ability to exercise certain warrants), of the 2,725,000 warrants issued 2,175,000 warrants may never be exercised as of March 31, 2016. As of March 31, 2016, of the outstanding warrants to purchase common shares, 550,000 were or could become exercisable, 450,000 of which were exercisable.

19. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, September 30, 2014	2,553,335	$1.32
Granted	225,000	0.33
Expired	(458,334)	1.12
Forfeited	(66,667)	0.53
Balance, September 30, 2015	2,253,334	$1.29
Expired	(370,000)	3.27
Forfeited	(33,334)	0.41
Balance, March 31, 2016	1,850,000	$0.91

As at March 31, 2016, outstanding and exercisable options were as follows:

Grant date	Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
April 1, 2011	163	-	0.25	100,000	3.01	April 1, 2016
December 20, 2011	66	-	0.72	125,000	1.03	December 20, 2016
March 28, 2012	18	-	0.99	41,667	0.88	March 28, 2017
March 28, 2012	55	-	0.84	125,000	0.88	February 3, 2017
March 28, 2012	55	-	0.89	125,000	0.88	February 21, 2017
June 1, 2012	67	-	1.17	150,000	0.86	June 1, 2017
August 30, 2012	4	-	1.42	8,334	0.92	August 30, 2017
March 7, 2013	141	-	1.94	250,000	1.02	March 7, 2018
March 29, 2013	107	-	2.00	200,000	1.05	March 29, 2018
December 16, 2013	28	-	2.71	100,000	0.43	December 16, 2018
February 26, 2014	100	-	2.91	300,000	0.75	February 26, 2019
July 11, 2014	9	-	0.06	33,333	0.53	April 21, 2016
August 21, 2014	13	-	0.90	66,666	0.41	February 23, 2017
December 16, 2014	21	41,668	3.71	83,332	0.30	December 16, 2019
May 14, 2015	17	66,667	4.12	33,333	0.37	May 14, 2020
	$ 864	108,335	1.88	1,741,665		
Total vested and unvested options				1,850,000		

The Company uses the fair value method of accounting for options and, during the three and six months ended March 31, 2016, recognized stock-based compensation expense of $6 and $14, respectively (three and six months ended March 31, 2015 – $23 and $51, respectively).

The compensation expense associated with the options for the three and six months ended March 31, 2016 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (March 31, 2015 – 10%).

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

As at March 31, 2016, the fair value associated with unvested options is $19 (September 30, 2015 – $74).

(in thousands of United States dollars unless otherwise noted)

(b) Long-term compensation

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

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

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

	Number of DSUs		Fair value
Balance, September 30, 2014	180,124	$	51
Issued	185,322		58
Mark-to-market adjustment	-		(60)
Balance, September 30, 2015	365,446	$	49
Issued	1,885,562		211
Redeemed	(306,202)		(38)
Mark-to-market adjustment	-		12
Changes in current portion	(136,378)		(22)
Balance, March 31, 2016	1,808,428	$	212

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

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

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

	Number of RSUs		Fair Value
Balance, September 30, 2014	618,696	$	177
Issued	1,401,937		438
Redeemed	(240,998)		(69)
Expired	(522,317)		(149)
Mark-to-market adjustment	-		(168)
Changes in current portion	(394,810)		(113)
Balance, September 30, 2015	862,508	$	116
Issued	3,059,923		281
Redeemed	(1,401,298)		(172)
Forfeited	(1,892,628)		(189)
Mark-to-market adjustment	-		90
Changes in current portion	905,878		122
Balance, March 31, 2016	1,534,383	$	248

(in thousands of United States dollars unless otherwise noted)

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

The Company established a SAR plan for designated executives, effective February 6, 2014. The SARs are granted based on a common shares market price calculation at the time of grant. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period, an expense is recorded under *general and administrative expenses* on the consolidated statements of net loss and comprehensive loss over such vesting period. Vested SARs may be exercised provided there has been an appreciation in the market price of the common shares from the grant date and payouts are settled in cash as vested SARs are exercised.

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

	Number of SARs		Fair value
Balance, September 30, 2014	739,130	$	29
Issued	2,144,733		-
Forfeited	(1,325,233)		-
Mark-to-market adjustment	-		4
Balance, September 30, 2015	1,558,630	$	33
Issued	4,972,666		-
Forfeited	(4,304,854)		-
Mark-to-market adjustment	-		9
Balance, March 31, 2016	2,226,442	$	42

20. Compensation of key management

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

	For the three months ended March 31,				For the six months ended March 31,			
		2016		2015		2016		2015
Salaries and short term employee benefits	$	367	$	428	$	696	$	923
Share-based payments[(1)]		59		(80)		317		276
Termination benefits		456		464		456		464
Other		-		-		4		-
Total compensation of key management	$	882	$	812	$	1,473	$	1,664

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

21. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle which may not be in compliance with certain of OroValle's permits. The Company believes that the average levels of selenium in this river are, by international standards, not a health or environmental risk. In recent years, OroValle has received approximately €955,000 (approximately $1,087) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Asturias is conducting an investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge may dismiss the matter and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged and has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $5,693) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000,000 (approximately $5,693) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $5,693) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area. In March 2016, the Company committed to satisfy this requirement, though it continues to challenge the amount of the requested bond in the Spanish courts. The Company is actively working with the Spanish regulatory authorities to coordinate the posting of the bond.

(c) Production from El Valle Mines is subject to a 3% net smelter return royalty ("NSR"), referred to herein as El Valle Royalty, payable monthly. El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $436 and $893 for the three and six months ended March 31, 2016, respectively (three and six months ended March 31, 2015 - $543 and $1,154, respectively).

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled $217 and $482 for the three and six months ended March 31, 2016 (three and six months ended March 31, 2015 – $466 and $987, respectively). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $448 and $1,153 for the three and six months ended March 31, 2016 (three and six months ended March 31, 2015 – $1,406 and $2,985, respectively).

(e) In Bolivia, EMIPA was subject to a labour claim filed in the fourth quarter of fiscal 2014 by 31 former employees for the payment of certain employment related amounts, including vacation and overtime, for the period of 2007 to 2013. During the period of the labour claim, the Company provided a 100% cash-backed guarantee in the amount of $2,400 as security for the claim, which was returned during the first quarter of fiscal 2016 when the Court made a favourable ruling in the amount of $0.4 million. The plaintiffs of this case have appealed the decision by the labour court, and EMIPA is currently subject to a demand of $2,500 as security for such appeal. EMIPA is vigorously defending the appeal. EMIPA is also appealing the demand for security in constitutional court, but may ultimately have to provide this deposit.

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

22. Segmented information

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

(in thousands of United States dollars unless otherwise noted)

As at March 31, 2016:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 3,467	$ 90,709	$ 8,610	$ 14,388	$ 117,174
EMIPA	778	12,508	2,062	16,745	32,093
Corporate	10,761	86	-	2,280	13,127
	$ 15,006	$ 103,303	$ 10,672	$ 33,413	$ 162,394

As at September 30, 2015:

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

For the three months ended March 31, 2016:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Loss before taxes
OroValle	$ 15,225	$ 13,547	$ 2,284	$ (8)	$ (598)
EMIPA	6,054	5,498	771	663	(878)
Corporate	-	-	27	1,427	(1,454)
	$ 21,279	$ 19,045	$ 3,082	$ 2,082	$ (2,930)

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

For the three months ended March 31, 2015:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Income (loss) before taxes
OroValle	$ 16,665	$ 13,938	$ 4,493	$ 244	$ (2,010)
EMIPA	13,443	10,006	1,593	904	940
Corporate	-	-	27	2,472	(2,499)
	$ 30,108	$ 23,944	$ 6,113	$ 3,620	$ (3,569)

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

For the six months ended March 31, 2016:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Loss before taxes
OroValle	$ 30,926	$ 27,074	$ 6,611	$ (8)	$ (2,751)
EMIPA	12,850	12,777	2,004	851	(2,782)
Corporate	-	-	55	2,236	(2,291)
	$ 43,776	$ 39,851	$ 8,670	$ 3,079	$ (7,824)

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

(in thousands of United States dollars unless otherwise noted)

For the six months ended March 31, 2015:

	Revenue	Mining costs (1)	Depreciation Amortization(2)	Other costs	Income (loss) before taxes
OroValle	$ 36,815	$ 30,758	$ 9,809	$ 1,069	$ (4,821)
EMIPA	32,063	21,156	4,629	1,593	4,685
Corporate	-	-	56	3,347	(3,403)
	$ 68,878	$ 51,914	$ 14,494	$ 6,009	$ (3,539)

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

23. Fair value measurements

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

Fair value hierarchy

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

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

As at March 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial liabilities:				
Long-term compensation	$ 460	$ 42	$ -	$ 502
Warrants	-	23	-	23
Total	$ 460	$ 65	$ -	$ 525

Valuation techniques for Level 2 financial instruments:

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

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

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

At March 31, 2016 and September 30, 2015, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes and other receivables; bank debt; accounts payable and accrued liabilities; Fabulosa Loan; and obligations under finance leases approximate their fair value due to their short-term maturities. Financial assets and liabilities above are classified as level 1 in the fair value hierarchy.

24. Subsequent events

Fixed price contracts

In managing volatility risk, during April 2016 the Company entered into a limited amount of gold and copper fixed price arrangements with Auramet International, LLC. In respect of gold, the Company has committed to sell 1,300 ounces per month (approximately 25% of consolidated production) from May 2016 to July 2016 at a fixed floor price of US$1,210 per ounce with full upside participation commencing at US$1,265 per ounce. Also, as a result of the US$1,265 participation level, any future mark-to-market exposure from a rising gold price is capped at US$1,265. In respect of copper, the Company has entered into fixed forward pricing arrangements for approximately 348,330 pounds (158 metric tonnes) each month produced from May 2016 to July 2016, at prices of approximately US$2.17 per pound to US$2.20 per pound.

At each reporting date, the Company will mark-to-market these positions by creating a derivative asset or liability and unrealized derivative gain or loss. Once the position has settled, the realized gain or loss will be reported against revenues.