ORVANA
MINERALS CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2016

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 and six months ended March 31, 2016.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three and six months ended March 31, 2016 and related notes thereto (the "Q2 Financials"). The Q2 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 May 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

	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating Performance					
Gold					
Grade (g/t)	**2.28**	2.10	2.32	**2.19**	2.42
Recovery (%)	**76.1**	81.5	76.4	**78.7**	75.9
Production (oz)	**17,116**	17,789	19,403	**34,905**	41,598
Sales (oz)	**14,777**	15,955	18,636	**30,733**	40,296
Average realized price / oz	**$1,176**	$1,105	$1,226	**$1,139**	$1,213
Copper					
Grade (%)	**0.78**	0.78	1.06	**0.78**	1.10
Recovery (%)	**62.5**	71.1	75.5	**66.9**	76.5
Production ('000 lbs)	**3,320**	3,951	6,014	**7,271**	13,004
Sales ('000 lbs)	**2,438**	3,814	6,091	**6,251**	13,024
Average realized price / lb	**$2.07**	$2.22	$2.62	**$2.16**	$2.83
Silver					
Grade (g/t)	**16.36**	22.43	19.32	**19.47**	18.29
Recovery (%)	**73.7**	73.7	62.2	**73.7**	64.5
Production (oz)	**119,175**	171,664	131,535	**290,839**	266,840
Sales (oz)	**103,873**	160,565	111,563	**264,438**	258,702
Average realized price / oz	**$14.62**	$14.83	$16.75	**$14.76**	$16.61
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$21,279**	$22,497	$30,108	**$43,776**	$68,878
Mining costs	**$19,045**	$20,806	$23,944	**$39,851**	$51,914
Gross margin	**($821)**	($3,869)	$78	**($4,690)**	$2,526
Net loss	**($2,670)**	($3,076)	($4,130)	**($5,746)**	($3,392)
Net loss per share (basic/diluted)	**($0.02)**	($0.02)	($0.03)	**($0.04)**	($0.02)
Operating cash flows before non-cash working capital changes [(1)]	**($81)**	$871	$2,662	**$790**	$10,117
Operating cash flows	**($535)**	$1,575	$4,528	**$1,040**	$19,486
Ending cash and cash equivalents	**$15,006**	$17,535	$21,512	**$15,006**	$21,512
Capital expenditures [(2)]	**$2,745**	$3,716	$3,596	**$6,461**	$6,057
Cash operating costs (by-product) ($/oz) gold [(1)]	**$1,100**	$1,004	$871	**$1,050**	$777
All-in sustaining costs (by-product) ($/oz) gold [(1)(2)]	**$1,411**	$1,316	$1,230	**$1,361**	$1,080

(1) 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 Q2 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 17,116 ounces of gold, 3.3 million pounds (1,506 tonnes) of copper and 119,175 ounces of silver during the second quarter of fiscal 2016, a decrease in gold, copper and silver production of 4%, 16% and 31%, respectively, compared with the first quarter of fiscal 2016.
- Production of 24,529 gold equivalent ounces during the second quarter of fiscal 2016. [(1)]
- Sales of 14,777 ounces of gold, 2.4 million pounds (1,106 tonnes) of copper and 103,873 ounces of silver during the second quarter of fiscal 2016, a decrease in gold, copper and silver sales of 7%, 36% and 35%, respectively, compared with the first quarter of fiscal 2016.
- Production of 34,905 ounces of gold, 7.3 million pounds (3,298 tonnes) of copper and 290,839 ounces of silver during the first half of fiscal 2016, a decrease in gold and copper production of 16% and 44%, respectively, and an increase in silver production of 9% compared with the first half of fiscal 2015.
- Production of 52,411 gold equivalent ounces during the first half of fiscal 2016. [(1)]

- Sales of 30,733 ounces of gold, 6.3 million pounds (2,835 tonnes) of copper and 264,438 ounces of silver during the first half of fiscal 2016, a decrease in gold and copper sales of 24% and 52%, respectively, and an increase in silver sales of 2% compared with the first half of fiscal 2015.
- Appointment of Jeffrey A. Hillis as Interim Chief Executive Officer following the departure of Daniella Dimitrov, Chief Executive Officer, effective February 2016 to pursue other opportunities.

El Valle Mine

- Second quarter gold, copper and silver production decreased by 15%, 45% and 33% to 11,775 ounces, 0.7 million pounds and 28,947 ounces, respectively, compared with the first quarter of fiscal 2016.
- Skarns production declined slightly by 2% over the second quarter of fiscal 2016 compared with the first quarter of fiscal 2016. Lower production was anticipated due to new underground areas requiring additional development for new mining zones.
- Oxide production decreased significantly by 40% in the second quarter of fiscal 2016, primarily through March. Poor ground conditions were encountered in some areas and unplanned bypass waste development was required to access ore zones. These bypasses were completed during March and development continued through the end of the second quarter in the oxide areas.
- Dewatering and power issues continued to impact production. The water table is now actively being lowered and an additional pumping system with increased capacity is being designed based on a hydrological study completed in the second quarter. Power studies were completed in the first quarter and interim solutions to increase power capacity were initiated during the second quarter while negotiations continue on the construction of a permanent power line.

Don Mario Mine

- Second quarter gold production at Don Mario increased by 37% to 5,341 ounces compared to the first quarter of fiscal 2016 primarily as a result of higher grades mined from the Lower Mineralized Zone ("LMZ"). Copper and silver production decreased by 3% and 30%, respectively, to 2.7 million pounds and 90,228 ounces of silver compared to the first quarter of fiscal 2016 due to lower grades and recoveries. Higher gold grades and continued lower copper and silver grades are expected as the Upper Mineralized Zone ("UMZ") is mined out through the third quarter of fiscal 2016.

Financial Highlights

- Net cash and cash equivalents balance of $15.0 million at March 31, 2016, a decrease of $2.2 million compared to September 30, 2015.
- Net revenue of $21.3 million for the second quarter of fiscal 2016, or 29% lower, compared with $30.1 million for the second quarter of fiscal 2015 due to lower metal volumes sold, a decrease in realized metal prices and delays experienced in monetization at Don Mario due to adverse weather conditions at the departure port.
- Mining costs of $19.0 million for the second quarter of fiscal 2016, or 20% lower, compared with $23.9 million for the second quarter of fiscal 2015 due to lower metals volumes sold.
- Net loss for the second quarter of fiscal 2016 of $2.7 million compared with a net loss of $4.1 million for the second quarter of fiscal 2015.
- Cash flows used by operating activities of $0.5 million in the second quarter of fiscal 2016 compared with cash flows provided by operating activities of $4.5 million in the second quarter of fiscal 2015 and cash flows used by operating activities before changes in non-cash working capital of $0.1 million in the second quarter of fiscal 2016 compared with cash flows provided by operating activities before changes in non-cash working capital of $2.7 million in the second quarter of fiscal 2015. (2)
- Capital expenditures of $2.7 million in the second quarter of fiscal 2016 compared with $3.6 million in the second 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 second quarter of fiscal 2016 of $1,100 and $1,411, respectively, compared with COC and AISC (by-product) of $871 and $1,230, respectively, in the second quarter of fiscal 2015. Lower by-product revenue due to lower copper volumes produced impacted COC, and delays in product monetization due to weather-related issues at a port used at Don Mario generally impacted the gold ounces sold used in unitary cost calculations. Ongoing capital expenditures related to the tailings dam lift at Don Mario also contributed to the significant increase in AISC in the second quarter of fiscal 2016. [(2)]
- In March 2016, the Company committed to satisfy a €5.0 million bond 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. This commitment was the result of a recent outcome of negotiations with Spanish regulatory authorities and impacts the Company's liquidity position. The Company continues to appeal the bond requirement amount and to negotiate the amount of the bond with regulators.

Growth Initiatives Highlights

El Valle Mine

- Resource drilling continued to expand known inferred resources and convert inferred resources to indicated and measured resources. Drilling was focused on the A208 and Black Skarn West brownfield targets, as well as infill drilling targeted in the Boinás East Skarn zones to upgrade inferred resources for an additional stoping zone.

Don Mario Mine

- At Don Mario, historical mining took place in the LMZ underground gold mine up until 2009. Extensive work was carried out over the last year to investigate the potential of mining the upper extension of the LMZ and a NI 43-101 compliant resource estimate was released in November 2015. Mining began in the LMZ during the second quarter of fiscal 2016, replacing declining production from the UMZ.
- 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.
- To fund the capital costs estimated for the CIL Project, the Company is nearing completion of project financing with a Bolivian regional bank, and expects to close this financing in May 2016. During April 2016, the Company initiated the purchase of long-lead components of the CIL Project and expects the project to be fully underway by the end of May 2016 with an estimated execution period of seven to nine months.

(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) 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 and Going Concern

The Company continues to pursue 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. It will also be pursuing strategic alternatives such as mergers or acquisitions.

The Company is currently monitoring its liquidity position closely and continues to assess its capital needs for the remainder of the fiscal year and beyond. The liquidity outlook of the Company has changed in large part due to the recent commitment to satisfy an additional €5.0 million environmental reclamation bond in Spain.

El Valle continues to focus on de-bottlenecking the mine through investments in power and water pumping infrastructure in order to meet lagging mine development requirements and increase productivity rates. 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.

At Don Mario, the Company is planning to execute the CIL Project, subject to closing the external financing noted above. The CIL Project together with the existing flotation plant best positions Don Mario for the future and is expected to result in the operation maximizing the value of the recently defined resource material, generating free cash flow through fiscal 2017. Furthermore, the CIL Project could provide enhanced processing capabilities to leverage other known opportunities in the future.

The Company believes that it will require external financing through debt, equity or other sources to support its activities over the next eighteen months, excluding financing for the CIL Project expected to close in May 2016. 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 following table sets out the results of Orvana's first half of fiscal 2016 as well as its updated fiscal 2016 production and cost guidance:

	YTD 2016 Actual	FY2016 Updated Guidance
El Valle Mine Production		
Gold (oz)	**25,668**	43,000 – 46,000
Copper (million lbs)	**1.9**	4.5 – 5.0
Silver (oz)	**72,378**	120,000 - 130,000
Don Mario Mine Production		
Gold (oz)	**9,237**	20,000 – 21,000
Copper (million lbs)	**5.4**	11.0 – 12.0
Silver (oz)	**218,461**	330,000 – 370,000
Total Production		
Gold (oz)	**34,905**	63,000 – 67,000
Copper (million lbs)	**7.3**	15.5 – 17.0
Silver (oz)	**290,839**	450,000 – 500,000
Total capital expenditures	**$6,461**	$17,000 - $19,000
Cash operating costs (by-product) ($/oz) gold (1)	**$1,050**	$1,000 - $1,100
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,361**	$1,300 - $1,400

(1) FY2016 guidance assumptions for COC and AISC include by-product commodity prices of $2.10 per pound of copper and $15.00 per ounce of silver and an average Euro to US Dollar exchange of 1.15.

Orvana revised its gold production guidance in the second quarter of fiscal 2016 as follows: (i) narrowed gold production guidance at El Valle from 43,000 to 48,000 ounces to 43,000 to 46,000 and (ii) decreased gold production guidance at Don Mario from 24,000 to 27,000 ounces to 20,000 to 21,000 ounces. Guidance was lowered at Don Mario as gold production estimates previously included the contribution impact of the CIL Project commencing in August 2016, which was delayed by a longer than expected financing timeframe.

As a result of the above gold production changes, Orvana also revised its COC and AISC guidance during the second quarter of fiscal 2016 as follows: (i) increased COC from $850 to $950 per ounce to $1,000 to $1,100 per ounce, and (ii) increased AISC from $1,150 to $1,250 per ounce to $1,300 to $1,400 per ounce.

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.

Second Quarter Ended March 31, 2016 Compared with Second Quarter Ended March 31, 2015

The Company recorded a net loss of $2.7 million for the second quarter of fiscal 2016 or $0.02 per share compared with net loss of $4.1 million for the second quarter of fiscal 2015 or $0.03 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2016 decreased by $8.8 million or 29% to $21.3 million on sales of 14,777 ounces of gold, 2.4 million pounds of copper and 103,873 ounces of silver from El Valle and Don Mario compared with revenue of $30.1 million on sales of 18,636 ounces of gold, 6.1 million pounds of copper and 111,563 ounces of silver in the second quarter of fiscal 2015. The decrease in revenue was due to a lower average realized metal prices and metal sales volumes.
- Mining costs were $19.0 million or $4.9 million lower for the second quarter of fiscal 2016 compared with $23.9 million for the second 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 $0.9 million to negative $0.8 million for the second quarter of fiscal 2016 compared with gross margin of $0.1 million for the second quarter of fiscal 2015.
- General and administrative costs were $1.4 million or $1.1 million lower for the second quarter of fiscal 2016 compared with $2.5 million in the second quarter of fiscal 2015, primarily due to ongoing corporate cost reductions and the improvement of the USD/CAD exchange rate.
- Higher current and deferred tax recoveries of $0.3 million in the second quarter of fiscal 2016 also offset the decrease in gross margin, compared with current and deferred taxes of $0.6 million in the second quarter of fiscal 2015.

Total consolidated COC (by-product) of $1,100 per ounce of gold sold in the second quarter of fiscal 2016 were $229 or 26% higher than the second quarter of fiscal 2015. Total AISC (by-product) of $1,411 per ounce of gold sold in the second quarter of fiscal 2016 were $181 or 15% higher than in the second quarter of fiscal 2015. COC and AISC in the second quarter of fiscal 2016 were higher compared with the second 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 Half Ended March 31, 2016 Compared with First Half Ended March 31, 2015

The Company recorded a net loss of $5.7 million for the first half of fiscal 2016 or $0.04 per share compared with a net loss of $3.4 million for the first half of fiscal 2015 or $0.02 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first half of fiscal 2016 decreased by $25.1 million or 36% to $43.8 million on sales of 30,733 ounces of gold, 6.2 million pounds of copper and 264,438 ounces of silver from El Valle and Don Mario compared with revenue of $68.9 million on sales of 40,296 ounces of gold, 13.0 million pounds of copper and 258,702 ounces of silver in the first half of fiscal 2015. The decrease in revenue was due to lower average realized metal prices and gold and copper sales volumes.

- Mining costs were $39.9 million or $12.1 million lower for the first half of fiscal 2016 compared with $51.9 million for the first half of fiscal 2015 primarily due to lower metal sales volumes, lower fixed mining costs at El Valle, and a favorable EUR to USD exchange rate.
- Gross margin decreased by $7.2 million to negative $4.7 million for the first half of fiscal 2016 compared with gross margin of $2.5 million for the first half of fiscal 2015.
- General and administrative costs were $2.3 million or $1.5 million lower for the first half of fiscal 2016 compared with $3.8 million in the first half of fiscal 2015, primarily due to ongoing corporate cost reductions.
- Higher current and deferred tax recoveries of $2.1 million in the first half of fiscal 2016 also offset the decrease in gross margin, compared with current and deferred tax recoveries of $0.1 million in the second quarter of fiscal 2015.

Total consolidated COC (by-product) of $1,050 per ounce of gold sold in the first half of fiscal 2016 were $273 or 35% higher than the first half of fiscal 2015. Total AISC (by-product) of $1,361 per ounce of gold sold in the first half of fiscal 2016 were $281 or 26% higher than in the first half of fiscal 2015. COC and AISC in the first half of fiscal 2016 were higher compared with the first half 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.

<u>Second Quarter Ended March 31, 2016 Compared with First Quarter Ended December 31, 2015</u>

The Company recorded a net loss of $2.7 million for the second quarter of fiscal 2016 or $0.02 per share compared with net loss of $3.1 million for the first quarter of fiscal 2016 or $0.02 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2016 decreased by $1.2 million or 5% to $21.3 million on sales of 14,777 ounces of gold, 2.4 million pounds of copper and 103,873 ounces of silver from El Valle and Don Mario compared with revenue of $22.5 million on sales of 15,955 ounces of gold, 3.8 million pounds of copper and 160,565 ounces of silver in the first quarter of fiscal 2016. The decrease in revenue was primarily due to a decrease in metal sales volumes, offset by an increase in gold realized prices.
- Mining costs were $19.0 million or $1.8 million lower for the second quarter of fiscal 2016 compared with $20.8 million for the first quarter of fiscal 2016 primarily due to lower metal sales volumes.
- Gross margin increased by $3.0 million to negative $0.8 million for the second quarter of fiscal 2016 compared with gross margin of negative $3.9 million for the first quarter of fiscal 2016.

Total consolidated COC (by-product) of $1,100 per ounce of gold sold in the second quarter of fiscal 2016 were $96 or 10% higher than the first quarter of fiscal 2016. Total AISC (by-product) of $1,411 per ounce of gold sold in the second quarter of fiscal 2016 were $95 or 7% higher than in the first quarter of fiscal 2016. COC and AISC in the second quarter of fiscal 2016 were higher compared with the first quarter of fiscal 2016 due to lower metal production and delays in expected sales due to weather related shipping issues at Don Mario.

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 and Carlés for the periods set out below.

	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating Performance					
Ore mined (tonnes) (wmt)	**109,334**	127,608	148,953	**236,942**	305,772
Ore milled (tonnes) (dmt)	**104,083**	121,268	139,837	**225,351**	280,783
Daily average throughput (dmt)	**1,144**	1,318	1,562	**1,318**	1,586
Gold					
Grade (g/t)	**3.76**	3.81	3.51	**3.78**	3.56
Recovery (%)	**93.7**	93.6	90.2	**93.6**	91.9
Production (oz)	**11,775**	13,893	14,236	**25,668**	29,512
Sales (oz)	**12,111**	12,412	11,769	**24,523**	25,845
Copper					
Grade (%)	**0.44**	0.58	0.63	**0.51**	0.67
Recovery (%)	**66.1**	77.8	77.1	**72.4**	80.7
Production ('000 lbs)	**665**	1,210	1,507	**1,875**	3,352
Sales ('000 lbs)	**725**	1,269	1,216	**1,994**	2,804
Silver					
Grade (g/t)	**10.74**	14.25	14.17	**12.63**	13.34
Recovery (%)	**80.6**	78.2	70.7	**79.3**	73.8
Production (oz)	**28,947**	43,431	44,930	**72,378**	88,876
Sales (oz)	**30,764**	45,384	35,148	**76,148**	72,714
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$15,225**	$15,701	$16,665	$30,926	$36,815
Mining costs	**$13,547**	$13,527	$13,938	$27,074	$30,758
Income (loss) before tax	**($598)**	($2,153)	($2,010)	($2,751)	($4,821)
Capital expenditures (1)	**$1,534**	$1,536	$1,424	$3,070	$3,809
Cash operating costs (by-product) ($/oz) gold (2)	**$1,067**	$948	$1,156	$1,007	$1,047
All-in sustaining costs (by-product) ($/oz) gold (2)	**$1,264**	$1,170	$1,332	$1,216	$1,277
All-in costs (by-product) ($/oz) gold (2)	**$1,264**	$1,170	$1,332	$1,216	$1,277

(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 second quarter of fiscal 2016, El Valle produced 11,775 ounces of gold, 0.7 million pounds of copper and 28,947 ounces of silver compared with 14,236 ounces of gold, 1.5 million pounds of copper and 44,930 ounces of silver during the second quarter of fiscal 2015 and 13,893 ounces of gold, 1.2 million pounds of copper and 43,431 ounces of silver in the first quarter of fiscal 2016.

Gold, copper and silver production decreased by 17%, 56% and 36% compared with the second quarter of fiscal 2015 due to a decrease of 26% in tonnes milled. This decrease in tonnes milled was slightly offset by an increase to gold average head grades of 7%, while copper and silver production were also impacted by decreases in average head grades of 30% and 24%, respectively.

Compared to the first quarter of fiscal 2016, gold, silver and copper production decreased by 15%, 45% and 33%, respectively, in the second quarter of fiscal 2016 primarily due to a decrease in tonnes milled of 14% and a decrease of gold, copper and silver average head grades of 1%, 24%, and 25%.

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 been analyzing options to increase production and open additional stoping areas to de-risk the mine plan. Based on diamond drilling results and the conversion of inferred resources to indicated, updated mine planning is focusing on bringing forward areas in the production plan that were previously planned for future periods.

To open new areas of the mine, additional capital development will be required and additional power capacity is required for ventilation and pumping. A high capacity diesel generator was purchased in the second quarter and is expected to be installed through the third quarter to facilitate an interim power solution as negotiations continue on the construction of a new power line. The mine may continue to be highly dependent on production from the Black Skarns until new areas are opened.

Oxide production at El Valle in the second quarter fell by 40% compared to the first quarter of fiscal 2016 due to poor ground conditions, delaying the access of new oxide zones. Despite this reduction in production tonnages, advance rates were 10% above rates achieved in the first quarter of fiscal 2016 in respect of waste development.

Production at El Valle also continued to be impacted by dewatering challenges. The Company has begun to implement a comprehensive water management plan, completing a hydrological study in the second quarter of fiscal 2016 and initiating designs on a new freshwater pumping system. Capital expenditures of $2.5 to $3.0 million for both power and water infrastructure improvements are included in guidance for fiscal 2016.

El Valle Mine Financial Performance

Revenue from El Valle for the second quarter of fiscal 2016 decreased by 9% to $15.2 million on sales of 12,111 ounces of gold, 0.7 million pounds of copper and 30,764 ounces of silver from $16.7 million in the second quarter of fiscal 2015 on sales of 11,769 ounces of gold, 1.2 million pounds of copper and 35,148 ounces of silver primarily as a result of lower copper and silver volumes sold and lower realized metal prices, offset by higher gold volumes sold.

Mining costs decreased by 3% from $13.9 million in the second quarter of fiscal 2015 to $13.5 million in the second quarter of fiscal 2016 primarily due to planned reductions in fixed costs and favourable movements in Euro to US Dollar exchange rates.

Loss before tax for the second quarter of fiscal 2016 was $0.6 million compared with a loss of $2.0 million in the second quarter of fiscal 2015.

Total capital expenditures at El Valle during the second quarter of fiscal 2016 were $1.5 million compared with $1.4 million for the second quarter of fiscal 2015. Capital expenditures in the second 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 $1,067 per ounce of gold sold in the second quarter of fiscal 2016 were $89 or 8% lower than in the second quarter of fiscal 2015. Total AISC (by-product) of $1,264 per ounce of gold sold in the second quarter of fiscal 2016 were $68 or 5% lower than in the second quarter of fiscal 2015. COC and AISC in the second quarter of fiscal 2016 were lower compared with the second quarter of fiscal 2015 due to lower fixed mining costs, offset by a decline in by-product revenues.

In addition to the replacement of the oxides contractor and the placement of the Carlés Mine on care and maintenance in the Company’s 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 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. While drilling continued underground for near mine resources, field work was completed on the nearby Quintana property. Mapping and soil sampling will be continuing while a geophysical survey is completed in the third quarter of fiscal 2016. The survey will test for conductors that could indicate sulphide bearing minerals such as the skarn material at El Valle.

As previously announced in February 2016, 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	170
Indicated	44,730	5.12	0.50	8.91	7,363	220
Inferred	14,969	3.13	1.26	23.13	1,506	190
Total	**109,418**	**5.48**	**0.53**	**8.74**	**19,293**	**580**

(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	3

(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. Since January 2012, EMIPA has been mining the UMZ as an open-pit mine. EMIPA is currently phasing out the remaining ore from the UMZ, replacing it with new resources announced in the LMZ.

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

	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating Performance					
Ore mined (tonnes) (dmt)	**162,709**	168,713	241,238	**331,422**	503,938
Ore milled (tonnes) (dmt)	**203,314**	201,763	200,829	**405,077**	422,560
Daily average throughput (dmt)	**2,460**	2,520	2,513	**2,492**	2,567
Gold					
Grade (g/t)	**1.52**	1.07	1.49	**1.30**	1.67
Recovery (%)	**53.77**	55.88	53.6	**54.8**	53.3
Production (oz)	**5,341**	3,896	5,167	**9,237**	12,086
Sales (oz)	**2,666**	3,544	6,867	**6,210**	14,451
Copper					
Grade (%)	**0.96**	0.90	1.36	**0.93**	1.38
Recovery (%)	**61.54**	68.44	75.1	**65.0**	75.1
Production (‘000 lbs)	**2,655**	2,741	4,507	**5,396**	9,652
Sales (‘000 lbs)	**1,713**	2,544	4,875	**4,257**	10,220
Silver					
Grade (g/t)	**19.24**	27.34	22.90	**23.28**	21.58
Recovery (%)	**71.73**	72.3	58.6	**72.0**	60.7
Production (oz)	**90,228**	128,233	86,605	**218,461**	177,964
Sales (oz)	**73,109**	115,181	76,415	**188,290**	185,988
Financial Performance *(in 000’s, except per share amounts)*					
Revenue	**$6,054**	$6,796	$13,443	**$12,850**	$32,063
Mining costs	**$5,498**	$7,279	$10,006	**$12,777**	$21,156
Income (loss) before tax	**($878)**	($1,904)	$940	**($2,782)**	$4,685
Capital expenditures	**$1,472**	$1,992	$1,248	**$3,464**	$2,153
Cash operating costs (co-product) ($/oz) gold (1)	**$1,236**	$1,039	$904	**$1,118**	$872
Cash operating costs (co-product) ($/lb) copper (1) (2)	**$2.29**	$2.27	$2.00	**$2.28**	$2.08
Cash operating costs (co-product) ($/oz) silver (1)	**$16.74**	$15.93	$13.65	**$16.25**	$13.85
All-in sustaining costs (co-product) ($/oz) gold (1)	**$1,557**	$1,285	$1,039	**$1,394**	$976
All-in sustaining costs (co-product) ($/lb) copper (1)	**$2.84**	$2.77	$2.29	**$2.80**	$2.32
All-in sustaining costs (co-product) ($/oz) silver (1)	**$20.70**	$19.27	$15.72	**$19.85**	$15.41
All-in costs (co-product) ($/oz) gold (1)	**$1,578**	$1,298	$1,039	**$1,410**	$976
All-in costs (co-product) ($/lb) copper (1)	**$2.87**	$2.80	$2.29	**$2.83**	$2.32
All-in costs (co-product) ($/oz) silver (1)	**$20.96**	$19.45	$15.72	**$20.06**	$15.41

(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 second quarter of 2016, 5,341 ounces of gold, 2.7 million pounds of copper and 90,228 ounces of silver were produced at Don Mario compared with 5,167 ounces of gold, 4.5 million pounds of copper and 86,605 ounces of silver in the second quarter of fiscal 2015 and 3,896 ounces of gold, 2.7 million pounds of copper and 128,233 ounces of silver in the first quarter of fiscal 2016.

The 3% increase in gold production compared with the second quarter of fiscal 2015 was due to higher average head grades of 2%, while the 4% increase in silver production compared with the second quarter of fiscal 2015 was due to 22% higher recoveries, offset by 16% lower average head grades. Copper production decreased by 41% compared with the second quarter of fiscal 2015, due to lower average head grades of 29% and 18% lower recoveries. Gold average head grades are expected to be higher compared with prior periods as the Company continues to replace tonnes mined from the UMZ with production from the LMZ, while copper and silver grades are expected to decrease.

Compared with the first quarter of fiscal 2016, gold production increased by 37% while copper and silver production decreased by 3% and 30%, respectively, in the second quarter of fiscal 2016. Higher gold production was due primarily to higher average head grades of 41%, whereas copper production was impacted by 10% lower recoveries and silver production was impacted by lower head grades of 30%.

Don Mario Mine Financial Performance

During the second quarter of fiscal 2016, revenue from Don Mario decreased by 55% from $13.4 million in the second quarter of fiscal 2015 to $6.1 million on sales of 2,666 ounces of gold, 1.7 million pounds of copper and 73,109 ounces of silver in the second quarter of fiscal 2016 compared with sales of 6,867 ounces of gold, 4.9 million pounds of copper and 76,415 ounces of silver in the second quarter of fiscal 2015. Lower revenue was the result of lower metal volumes sold due to adverse weather conditions affecting shipments, and lower realized metal prices.

Mining costs of $5.5 million for the second quarter of fiscal 2016 decreased by $4.5 million or 45% compared with $10.0 million during the second quarter of 2015 due to the lower volume of sales.

Loss before tax for the second quarter of fiscal 2016 was $0.9 million compared with income before tax of $0.9 million for the second quarter of fiscal 2015.

Total capital expenditures at Don Mario during the second quarter of fiscal 2016 were $1.5 million compared with $1.2 million in the second quarter of fiscal 2015. Capital expenditures in the second quarter of fiscal 2016 consisted primarily of capitalized costs for a tailings dam lift.

For the second quarter of fiscal 2016, COC (co-product) were $1,236 per ounce of gold or 37% higher, $2.29 per pound of copper or 15% higher and $16.74 per ounce of silver or 23% higher compared with $904 per ounce of gold, $2.00 per pound of copper and $13.65 per ounce of silver in the second quarter of fiscal 2015. Total AISC (co-product) were $1,557 per ounce of gold or 50% higher, $2.84 per pound of copper or 24% higher and $20.70 per ounce of silver or 32% higher compared with $1,039 per ounce of gold, $2.29 per pound of copper and $15.72 per ounce of silver for the second quarter of fiscal 2015. The increase in COC was driven primarily by lower ounces caused by adverse weather conditions delaying sales, and the increase in AISC was driven by continued capital expenditures towards a tailings dam lift.

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. A resource estimate for the LMZ was prepared and a technical report documenting this mineral resource estimate was published on November 16, 2015. The Company began replacing tonnes previously mined at the UMZ with production from 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.

To fund the capital costs estimated for the CIL Project, the Company is nearing completion of project financing with a Bolivian regional bank, and expects to close this financing in May 2016. During April 2016, the Company initiated the purchase of long-lead components of the CIL Project and expects the project to be fully underway by the end of May 2016 with an estimated execution period of seven to nine months.

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"). A resource estimate for Cerro

Felix was also prepared and together with the LMZ resource estimate disclosed above, released in a technical report on November 16, 2015.

Market Review and Trends

Metal Prices

The market prices of gold and copper are two of the primary drivers of Orvana's earnings and ability to generate free cash flows. During the second quarter of fiscal 2016, the gold price remained volatile, with the price ranging from $1,077 to $1,278 per ounce and an average market price of $1,178 per ounce compared with $1,219 per ounce in the second quarter of fiscal 2015. Orvana's average gold realized price for the second quarter of fiscal 2016 was $1,176 per ounce, as compared to $1,226 per ounce in the second quarter of fiscal 2015. The Company derived approximately 73% of its revenue from sales of gold in the second quarter of fiscal 2016.

The possibility of a future interest rate hike during 2016 by the US Federal Reserve continues to influence volatility in gold markets, as gold prices hit a one-year high in March 2016 on an expectation that interest rates would not be raised in April 2016.

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.

Copper prices during the second quarter of fiscal 2016 traded in a range of $1.96 to $2.31 per pound with an average price of $2.12 per pound compared with $2.62 per pound in the second quarter of fiscal 2015. Orvana's average copper realized price for the first quarter of fiscal 2016 was $2.07 per pound. The Company believes copper prices may continue to be affected by expectations of oversupply in the medium term. The Company derived approximately 21% of its revenue from sales of copper in the second quarter of fiscal 2016.

In the second quarter of fiscal 2016, silver prices traded in a range from $13.58 per ounce to $15.94 per ounce with an average price of $14.83 per ounce compared with $16.71 during the same period in fiscal 2015. Orvana's average silver realized price for the first quarter of fiscal 2016 was $14.62 per ounce. The Company derived approximately 6% of its revenue from sales of silver in the second 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 1.12 in the second quarter of fiscal 2015 to 1.10 through the second quarter of fiscal 2016. As a result, mining costs at El Valle were lower by approximately $0.3 million in the second quarter of fiscal 2016 compared with the second 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 March 31, 2016 and September 30, 2015.

(in 000's)	**March 31, 2016**	**September 30, 2015**
Cash and cash equivalents	**$15,006**	$17,236
Restricted cash (short term)	**$97**	$2,593
Non-cash working capital (1)	**$1,493**	($1,807)
Total assets	**$162,394**	$169,435
Total liabilities	**$55,578**	$56,887
Shareholders' equity	**$106,816**	$112,548

(1) Working capital represents current assets of $42.8 million less cash and cash equivalents and short-term restricted cash totaling $15.1 million and less $26.2 million in current liabilities composed of accounts payable and accrued liabilities and income taxes payable (not including bank debt).

Total assets decreased by $7.0 million or 4% from $169.4 million to $162.4 million primarily as a result of the decrease in (i) short-term restricted cash of $2.5 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 $3.2 million primarily from VAT collections at EMIPA, (iii) property, plant and equipment of $4.3 million due to depreciation and changes in decommissioning assets and (iv) cash and cash equivalents of $2.2 million; offset by (v) the recognition of $1.1M of deferred tax assets in EMIPA, (vi) concentrate and doré receivables of $2.2 million and (vii) short term VAT recoverable and prepaid expenses at EMIPA of $1.2 million.

Short-term restricted cash as at March 31, 2016 was $0.1 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 labour courts pending the result of an ongoing claim. During the first quarter of fiscal 2016, this claim was settled and $2.4 million of restricted cash was released to the Company. The result of this settlement was appealed by the plaintiff in the second quarter of fiscal 2016, and the Company may have to place restricted cash on deposit in respect of this matter. EMIPA is actively appealing this demand for security. Refer to "Contingencies" below.

Total liabilities decreased by $1.3 million or 2% to $55.6 million at March 31, 2016 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 and (ii) a decrease in the future income tax liability of $0.9 million as a result of the quarterly net loss at OroValle, partially offset by (iii) increase in accounts payable and accrued liabilities of $0.9 million and (iv) increased short term bank debt at EMIPA of $0.5 million.

Through the second 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 March 31, 2016 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 second 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 $2.6 million (September 30, 2015 - $1.0 million) related to refunded value-added taxes and chemical and natural gas purchases.

Shareholders’ Equity

Shareholders’ equity at March 31, 2016 decreased by 5% to $106.8 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 March 31, 2016 and as at the date hereof.

	At March 31, 2016
Common Shares	136,623,171
Warrants (1)	1,150,000
Options (2)	1,850,000

(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$0.54 until July 11, 2019.

(2) The options have a weighted average exercise price of $0.91 and expiry dates ranging from 2016 to 2020.

Capital Resources

At March 31, 2016, the Company had cash and cash equivalents of $15.0 million and restricted cash of $2.1 million. The Company considers its capital employed to consist of shareholders’ equity (including share capital, contributed surplus and accumulated deficit) and total debt net of cash and cash equivalents as follows:

(in 000’s)	March 31, 2016	September 30, 2015
Shareholders’ equity	**$106,816**	$112,548
Bank debt (1)	**$1,971**	$1,478
	$108,787	$114,026
Less: Cash and cash equivalents	**(15,006)**	(17,236)
Capital employed	**$93,781**	$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 March 31, 2016 was $15.0 million primarily denominated in US dollars representing a decrease of $2.2 million from $17.2 million at September 30, 2015. Short-term restricted cash was $0.1 million at March 31, 2016 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 March 31, 2016. 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)	**Q2 2016**	**Q1 2016**	**Q2 2015**	**YTD 2016**	**YTD 2015**
Cash provided by (used in) operating activities before changes in non-cash working capital	**($81)**	$871	$2,662	**$790**	$10,117
Cash provided by (used in) operating activities	**($535)**	$1,575	$4,528	**$1,040**	$19,486
Cash provided by (used in) financing activities	**$ -**	$493	$493	**$493**	($22,035)
Cash provided by (used in) investing activities (1)	**($1,940)**	($1,802)	($4,067)	**($3,742)**	$7,275
Change in cash	**($2,475)**	$266	$954	**($2,209)**	$4,726

(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 used in operating activities before changes in non-cash working capital were $0.1 million for the second quarter of fiscal 2016 compared with cash flows provided by operating activities before changes in non-cash working capital of $0.9 million for the first quarter of fiscal 2016 and cash flows used in operating activities were $0.5 million for the second quarter of fiscal 2016 compared with cash flows provided by operating activities of $1.6 million for the first quarter of fiscal 2016.

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 were $nil in the second quarter of fiscal 2016 compared with $0.5 million in the first quarter of fiscal 2016 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 $1.9 million in the second quarter of fiscal 2016 compared with $1.8 million in the first quarter of fiscal 2016 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)**	**Q2 2016**	**Q1 2016**	**Q2 2015**	**YTD 2016**	**YTD 2015**
El Valle Mine (1)	**$1,534**	$1,536	$1,424	**$3,070**	$3,809
Don Mario Mine	**1,472**	1,992	1,248	**3,464**	2,153
Corporate	**-**	8	6	**8**	6
Subtotal capital expenditures	**$3,006**	$3,536	$2,678	**$6,542**	$5,968
El Valle Mine – accounts payable adjustments (1)	**(261)**	180	918	**(81)**	89
Total capital expenditures (2)	**$2,745**	$3,716	$3,596	**$6,461**	$6,057

(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 2016 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 $6.4 million in respect of the planned construction of the CIL plant at Don Mario. Refer to the "Outlook" section of the MD&A.

Other Commitments

At March 31, 2016, 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 March 31, 2016		**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	**$2,626**	$1,176	$1,015	$190	$245
Decommissioning liabilities (2)	**$21,729**	-	$1,157	$5,288	$15,284
Reclamation bond (3)	**$5,693**	$5,693	-	-	-
Purchase obligations	**$3,081**	$3,081	-	-	-
Provision for statutory labour obligations (4)	**$2,515**	-	$2,515	-	-
Long-term compensation	**$670**	$168	$290	-	$212
Total contractual obligations (5)	**$38,285**	**$12,089**	**$4,977**	**$5,478**	**$15,741**

(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 $8.6 million at March 31, 2016 (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. 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.

(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 for which amounts have not been included in total contractual obligations at March 31, 2016. 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 and $0.9 million for the second quarter of fiscal 2016 and the first half of fiscal 2016, respectively, compared with $0.5 million and $1.2 million in the second quarter of fiscal 2015 and the first half of 2015, respectively.

Production from Don Mario is subject to a 3% NSR. This expense totaled $0.2 million and $0.5 million for the second quarter of fiscal 2016 and the first half of fiscal 2016, respectively, compared with $0.5 million and $1.0 million in the second quarter of fiscal 2015 and the first half of 2015, respectively. 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 $0.5 million and $1.2 million for the second quarter of fiscal 2016 and the first half of fiscal 2016, respectively, compared with $1.4 million and $3.0 million in the second quarter of fiscal 2015 and the first half of 2015, respectively. 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 half of fiscal 2016 were operating cash flows, the renewal of credit facilities at Don Mario and the release of restricted cash previously held in respect of a Bolivian labour court.

As at March 31, 2016, the Company had cash of $15.0 million designated to cover the Company's commitments due in less than one year of $12.1 million. In March 2016, the Company committed to satisfy €5.0 million (USD $5.7 million) in respect of a reclamation bond requirement to Spanish regulatory authorities included in its commitments due in less than one year.

At Don Mario, the Company had previously disclosed that capital expenditures in respect of the CIL Project would only be incurred should financing acceptable to the Company be realized. To fund the capital costs estimated for the CIL Project, the Company is nearing completion of project financing with a local bank in Bolivia, and expects to close this financing in May 2016. During April 2016, the Company initiated the purchase of long-lead components of the CIL Project and expects the project to be fully underway by the end of May 2016 with an estimated execution period of seven to nine months.

Security on the project financing of the CIL Project includes a cash-backed letter of credit of $2.0 million. This restricted cash is expected to be returned one month after the CIL Project is completed.

The Company generated positive operating cash flows in the first half of fiscal 2016 of $1.0 million. Financing and investing activities including capital expenditures resulted in overall negative cash flow generation of $2.2 million. For the remainder of 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 may not be fully funded by existing cash on hand, primarily due to the recent commitment to satisfy the reclamation bond requirement mentioned above. In addition, the Company is assessing its near-term mine plan at El Valle and its capital requirements in respect of dewatering, power and development.

The Company believes that it will require external financing through debt, equity or other sources to support its activities over the next eighteen months, excluding financing for the CIL Project expected to close in May 2016. 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 financing efforts or as to the timing and sufficiency of financing that may be 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. The Company continues to monitor 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 through fiscal 2016. In respect of non-operating costs, the Company has also reduced its general and administrative overhead and is targeting a reduction in year over year costs of 20% including benefits realized from the stronger US Dollar. The Company is currently evaluating and implementing further cost reductions at its operations, balanced against possible impacts on mine productivity.

Additionally, the Company is actively managing its commodity price risk through price fixing a limited amount of its production revenue from May to June 2016. Refer to "Market Review and Trends – Metal Prices" above.

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 Mine operated by the Company's Spanish subsidiary, OroValle, as well as other industrial 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. Based on recent scientific studies conducted by the Company, the Company confirmed its belief that 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 €1.0 million (approximately $1.1 million) 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 preliminary investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge may decide to dismiss the matter, conduct a further investigation and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged. OroValle 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.

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.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended March 31, 2016:

	Quarters ended			
(in 000's, except per share amounts)	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**
Revenue	**$21,279**	$22,497	$20,385	$32,162
Net loss	**($2,670)**	($3,076)	($7,819)	($5,522)
Loss per share (basic and diluted)	**($0.02)**	($0.02)	($0.06)	($0.04)
Total assets	**$162,394**	$163,730	$169,435	$183,334
Total financial liabilities [(1)]	**$1,971**	$1,971	$1,478	-
	Quarters ended			
	Q2 2015	**Q1 2015**	**Q4 2014**	**Q3 2014**
Revenue	$30,108	$38,770	$43,998	$34,064
Net income (loss)	($4,130)	$738	($2,896)	($25,902)
Earnings (loss) per share (basic and diluted)	($0.03)	$0.01	($0.02)	($0.19)
Total assets	$192,690	$200,991	$221,218	$236,738
Total financial liabilities [(1)]	$3,943	$3,450	$25,978	$44,853

(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 March 31, 2016, the net carrying value of the property, plant and equipment in respect of El Valle and Don Mario amounted to $90.7 million and $12.5 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.

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table 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 March 31, 2016. These estimates were prepared by management with the use of independent third party experts.

At March 31, 2016	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%	$12,312
Don Mario Mine [(1)]	$6,417	2.4%	$5,737
Total	**$21,729**		**$18,049**

(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 $6.0 thousand in the second quarter of fiscal 2016 compared with the $8.1 thousand in the first quarter of fiscal 2016. 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 March 31, 2016 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 March 31, 2016 of $106.8 million, following the completion of an impairment test in respect of each CGU in the second 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 March 31, 2016. As such, there was no impairment of such carrying values as at March 31, 2016.

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 second 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

COC, AISC and AIC

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)	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [(1)] *(in 000's)*					
Total mining costs (sales based)	**$16,878**	**$17,876**	**$21,203**	**$34,753**	**$46,338**
Deductions, refining, treatment, penalties, freight & other costs	5,038	7,101	9,005	12,139	19,148
Accrued/paid royalties - based on sales	1,102	1,427	2,310	2,529	4,964
Sub-total - other operating costs	**$6,140**	**$8,528**	**$11,315**	**$14,668**	**$24,112**
Copper sales - gross revenue value	(5,240)	(8,130)	(14,384)	(13,370)	(34,904)
Silver sales - gross revenue value	(1,635)	(2,261)	(1,901)	(3,876)	(4,240)
Sub-total by-product revenue	**($6,875)**	**($10,391)**	**($16,285)**	**($17,246)**	**($39,144)**
Cash operating costs	**$16,143**	**$16,012**	**$16,233**	**$32,175**	**$31,306**
Corporate general & administrative costs	1,395	891	2,528	2,286	3,783
Community costs related to current operations	91	89	125	180	207
Reclamation, accretion & amortization	138	497	712	635	1,438
Exploration and study costs (sustaining)	69	98	722	168	880
Primary development (sustaining)	803	652	628	1,691	1,213
Other sustaining capital expenditures [(2) (3)]	2,069	2,751	1,976	4,580	4,681
All-in sustaining costs	**$20,708**	**$20,991**	**$22,924**	**$41,715**	**$43,508**
Capital expenditures (non-sustaining)	132	133	-	265	-
All-in costs	**$20,840**	**$21,124**	**$22,924**	**$41,980**	**$43,508**
Au/oz sold	14,777	15.955	18,636	30,733	40,296
Cash operating costs ($/oz) gold	**$1,100**	**$1,004**	**$871**	**$1,050**	**$777**
All-in sustaining costs ($/oz) gold	**$1,411**	**$1,316**	**$1,230**	**$1,361**	**$1,080**
All-in costs ($/oz) gold	**$1,420**	**$1,324**	**$1,230**	**$1,370**	**$1,080**

(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 second quarter of fiscal 2016 were $1,279 per ounce of gold sold and $3.02 per pound of copper sold and for the second quarter of fiscal 2015 were $1,186 per ounce of gold sold and $2.51 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	**Q2 2016**	**Q1 2016**	**Q2 2015**	**YTD 2016**	**YTD 2015**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [1] *(in 000's)*					
Total mining costs (sales based)	**$12,894**	**$12,758**	**$13,012**	**$25,651**	**$29,040**
Deductions, refining, treatment, penalties, freight & other costs	1,558	1,876	1,986	3,434	3,876
Accrued/paid royalties - based on sales	436	457	542	893	1,154
Sub-total - other operating costs	**$1,994**	**$2,333**	**$2,528**	**4,327**	**$5,030**
Copper sales - gross revenue value	(1,493)	(2,661)	(2,992)	(4,154)	(7,407)
Silver sales - gross revenue value	(476)	(658)	(625)	(1,134)	(1,219)
Sub-total by-product revenue	**($1,969)**	**($3,319)**	**($3,617)**	**(5,288)**	**($8,626)**
Cash operating costs	**$12,918**	**$11,771**	**$11,923**	**$24,690**	**$25,444**
Corporate general & administrative costs	800	800	793	1,600	1,594
Reclamation, accretion & amortization	34	394	609	427	1,126
Exploration and study costs (sustaining)	19	17	147	36	285
Primary development (sustaining)	803	884	628	1,691	1,213
Other sustaining capital expenditures [2] [3]	729	652	722	1,381	2,522
All-in sustaining costs	**$15,304**	**$14,518**	**$14,822**	**$29,762**	**$32,184**
All-in costs	**$15,304**	**$14,518**	**$14,822**	**$29,762**	**$32,184**
Au/oz sold	12,111	12,412	11,769	24,523	25,845
Cash operating costs ($/oz) gold	**$1,067**	**$948**	**$1,013**	**$1,007**	**$984**
All-in sustaining costs ($/oz) gold	**$1,264**	**$1,170**	**$1,259**	**$1,216**	**$1,245**
All-in costs ($/oz) gold	**$1,264**	**$1,170**	**$1,259**	**$1,216**	**$1,245**

(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)	**Q2 2016**	**Q1 2016**	**Q2 2015**	**YTD 2016**	**YTD 2015**
Cash operating costs, all-in sustaining costs and all-in costs (co-product) (1) *(in 000's)*					
Total mining costs (sales based)	**$3,893**	**$5,118**	**$5,552**	**$9,102**	**$11,876**
Deductions, refining, treatment, penalties, freight & other costs	3,480	5,225	9,602	8,705	20,580
Accrued/paid royalties - based on sales	666	970	1,872	1,635	3,972
Sub-total - other operating costs	**$4,146**	**$6,195**	**$11,474**	**$10,340**	**$24,552**
Gross by-product credit	(22)	(19)	(14)	(42)	(5)
Cash Operating Costs	**$8,017**	**$11,294**	**$17,012**	**$19,400**	**$36,423**
Corporate general & administrative costs	419	405	427	825	1,000
Community costs related to current operations	91	89	166	180	249
Reclamation, accretion & amortization	104	103	104	207	312
Capital expenditures (sustaining) (3)	1,340	1,859	1,212	3,199	2,118
Exploration and study costs (sustaining)	50	81	575	131	595
All-in sustaining costs	**$10,021**	**$13,831**	**$19,496**	**$23,942**	**$40,697**
Capital expenditures (non-sustaining)	132	133	-	265	-
All-in costs	**$10,153**	**$13,964**	**$19,496**	**$24,207**	**$40,697**
Au/oz sold	2,667	3,544	6,867	6,210	14,451
Cu/lbs sold (000's)	1,713	2,544	4,875	4,257	10,220
Ag/oz sold	73,109	115,181	76,415	188,290	185,988
Cash operating costs (co-product) ($/oz) gold	**$1,236**	**$1,039**	**$904**	**$1,118**	**$872**
Cash operating costs (co-product) ($/lb) copper	**$2.29**	**$2.27**	**$2.00**	**$2.28**	**$2.08**
Cash operating costs (co-product) ($/oz) silver	**$16.74**	**$15.93**	**$13.65**	**$16.25**	**$13.85**
All-in sustaining costs (co-product) ($/oz) gold	**$1,557**	**$1,285**	**$1,039**	**$1,394**	**$976**
All-in sustaining costs (co-product) ($/lb) copper	**$2.84**	**$2.77**	**$2.29**	**$2.80**	**$2.32**
All-in sustaining costs (co-product) ($/oz) silver	**$20.70**	**$19.27**	**$15.72**	**$19.85**	**$15.41**
All-in costs (co-product) ($/oz) gold	**$1,578**	**$1,298**	**$1,039**	**$1,410**	**$976**
All-in costs (co-product) ($/lb) copper	**$2.87**	**$2.80**	**$2.29**	**$2.83**	**$2.32**
All-in costs (co-product) ($/oz) silver	**$20.96**	**$19.45**	**$15.72**	**$20.06**	**$15.41**

(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.