ORVANA
MINERALS CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2016.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three and nine months ended June 30, 2016 and related notes thereto (the "Q3 Financials"). The Q3 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 August 4, 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

	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Operating Performance					
Gold					
Grade (g/t)	**2.12**	2.28	1.89	**2.17**	2.25
Recovery (%)	**76.2**	76.1	79.3	**77.9**	76.8
Production (oz)	**16,038**	17,116	16,012	**50,943**	57,610
Sales (oz)	**16,496**	14,659	19,121	**47,111**	59,417
Average realized price / oz	**$1,258**	$1,176	$1,194	**$1,202**	$1,213
Copper					
Grade (%)	**0.85**	0.78	0.92	**0.80**	1.04
Recovery (%)	**66.3**	62.5	77.3	**66.7**	76.7
Production ('000 lbs)	**3,833**	3,320	5,187	**11,104**	18,192
Sales ('000 lbs)	**3,879**	2,379	6,266	**10,071**	19,290
Average realized price / lb	**$2.13**	$2.07	$2.74	**$2.15**	$2.83
Silver					
Grade (g/t)	**14.92**	16.36	21.56	**17.97**	19.34
Recovery (%)	**75.9**	73.7	68.4	**74.3**	65.9
Production (oz)	**112,507**	119,175	157,172	**403,345**	424,012
Sales (oz)	**111,949**	100,814	175,136	**373,327**	433,839
Average realized price / oz	**$16.91**	$14.62	$16.47	**$15.40**	$16.61
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$26,030**	$21,279	$32,162	**$69,806**	$101,040
Mining costs	**$21,809**	$19,045	$29,834	**$61,660**	$81,748
Gross margin	**$406**	($821)	($5,791)	**($4,284)**	($3,265)
Net loss	**($1,181)**	($2,670)	($5,522)	**($6,927)**	($8,914)
Net loss per share (basic/diluted)	**($0.01)**	($0.02)	($0.04)	**($0.05)**	($0.07)
Operating cash flows before non-cash working capital changes (1)	**$3,223**	($81)	$1,026	**$4,013**	$11,143
Operating cash flows	**$2,176**	($535)	$6,667	**$3,216**	$26,153
Ending cash and cash equivalents	**$12,021**	$15,006	$23,874	**$12,021**	$23,874
Capital expenditures (2)	**$3,122**	$2,745	$1,720	**$9,583**	$7,777
Cash operating costs (by-product) ($/oz) gold (1)	**$1,035**	$1,100	$1,055	**$1,045**	$867
All-in sustaining costs (by-product) ($/oz) gold (1)(2)	**$1,311**	$1,411	$1,243	**$1,344**	$1,133

(1) Operating cash flows before non-cash working capital changes, cash operating costs ("COC") and all-in sustaining costs ("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 Q3 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 includes capex incurred (paid and unpaid) during the period.

Operational Highlights

- Production of 16,038 ounces of gold, 3.8 million pounds (1,739 tonnes) of copper and 112,507 ounces of silver during the third quarter of fiscal 2016, an increase in copper production of 15% and a decrease in gold and silver production of 6% and 6%, respectively, compared with the second quarter of fiscal 2016.
- Production of 23,859 gold equivalent ounces during the third quarter of fiscal 2016. (1)
- Sales of 16,496 ounces of gold, 3.9 million pounds (1,760 tonnes) of copper and 111,949 ounces of silver during the third quarter of fiscal 2016, an increase in gold, copper and silver sales of 13%, 63% and 11%, respectively, compared with the second quarter of fiscal 2016.
- Production of 50,943 ounces of gold, 11.1 million pounds (5,037 tonnes) of copper and 403,345 ounces of silver during the first nine months of fiscal 2016, a decrease in gold, copper and silver production of 12%, 39% and 5%, respectively, compared with the first nine months of fiscal 2015.
- Production of 76,473 gold equivalent ounces during the first nine months of fiscal 2016. (1)

- Sales of 47,111 ounces of gold, 10.1 million pounds (4,568 tonnes) of copper and 373,327 ounces of silver during the first nine months of fiscal 2016, a decrease in gold, copper and silver sales of 21%, 48% and 14%, respectively, compared with the first nine months of fiscal 2015.
- Appointment of Jim Gilbert as Chairman and Chief Executive Officer, effective August 4, 2016.

El Valle Mine

- Third quarter gold production decreased by 17% and copper and silver production increased by 71% and 24% to 9,806 ounces, 1.1 million pounds and 35,810 ounces, respectively, compared with the second quarter of fiscal 2016.
- Skarns production increased by 5% over the third quarter of fiscal 2016 compared with the second quarter of fiscal 2016. Higher production was due to increased development completed to access stopes in recent months, enabled by recent upgrades to mine power infrastructure.
- Oxide production remained consistent over the second and third quarters of fiscal 2016. Lower production at the beginning of the quarter due to ongoing development and backfill activities was offset by longer stopes and lower waste than expected towards June.
- During the third quarter of fiscal 2016, the Company performed a review of the Carlés Mine given the current gold price and foreign exchange environment. Based on the results of this review, the Company plans to restart mining activities on a short-term basis beginning in the fourth quarter of fiscal 2016. Incremental ore tonnage is readily accessible and is expected to be processed at the existing plant at El Valle. Production will be focused on the Carlés East and CZ zones where the Company expects to mine approximately 115,000 tonnes of ore with an average head grade of 2.5 g/t.
- Dewatering and power improvements continued during the third quarter with the objective of improving future production. Progress continued on the draining of the aquifer and the Company has made improvements to its future dewatering strategy to reduce impacts to production. Interim solutions to increase power capacity were implemented, including installation of a new surface diesel generator and upgrades to the existing power system during the third quarter. The administrative approval process continues on the construction of an additional permanent power line.

Don Mario Mine

- Third quarter gold and copper production at Don Mario increased by 17% and 2% to 6,232 ounces and 2.7 million pounds, respectively, compared to the second quarter of fiscal 2016 primarily as a result of higher grades mined from the Lower Mineralized Zone (“LMZ”), as well as higher recoveries. Silver production decreased by 15% to 76,697 ounces of silver compared to the second quarter of fiscal 2016 due to lower grades partially offset by higher recoveries. Higher gold grades and continued lower copper and silver grades are expected through the end of the fiscal year as material from the Upper Mineralized Zone (“UMZ”) is replaced with LMZ ore in the production of concentrates.

Financial Highlights

- Orvana successfully secured over US $20 million in debt financing to support growth plans at both of its operations, as follows:
  - Subsequent to quarter end, Orvana announced a US $12.5 million, 30 month copper concentrates and gold doré prepayment financing (“Prepayment Facility”) with Samsung C&T U.K. Ltd. (“Samsung C&T”). The proceeds will be used primarily to expedite planned development and infrastructure investments at El Valle Mine.
  - In May 2016, closed a US $7.9 million debt financing with Banco BISA S.A. in Bolivia (“BISA Loan”) to primarily fund the recommissioning of the carbon-in-leach (“CIL”) circuit at Don Mario Mine.
- Net cash and cash equivalents balance of $12.0 million at June 30, 2016, a decrease of $5.2 million compared to September 30, 2015.

- Net revenue of $26.0 million for the third quarter of fiscal 2016, or 19% lower, compared with $32.2 million for the third quarter of fiscal 2015 due to lower copper realized prices and lower gold and copper volumes sold.
- Mining costs of $21.8 million for the third quarter of fiscal 2016, or 27% lower, compared with $29.8 million for the third quarter of fiscal 2015 primarily due to lower metals volumes sold as well as lower operating costs at El Valle Mine.
- Net loss for the third quarter of fiscal 2016 of $1.2 million compared with a net loss of $5.5 million for the third quarter of fiscal 2015.
- Cash flows provided by operating activities of $2.2 million in the third quarter of fiscal 2016 compared with $6.7 million in the third quarter of fiscal 2015 and cash flows provided by operating activities before changes in non-cash working capital of $3.2 million in the third quarter of fiscal 2016 compared with $1.0 million in the third quarter of fiscal 2015. (2)
- Capital expenditures of $3.1 million in the third quarter of fiscal 2016 compared with $1.7 million in the third quarter of fiscal 2015.
- Cash operating costs and all-in sustaining costs 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 third quarter of fiscal 2016 of $1,035 and $1,311, respectively, compared with COC and AISC (by-product) of $1,055 and $1,243, respectively, in the third quarter of fiscal 2015. COC were impacted by lower deductions at Don Mario due to improved contractual offtake terms as well as lower mining costs at El Valle, offset by lower by-product revenue due to lower copper volumes and realized prices. Higher capital expenditures during the third quarter of fiscal 2016 from primary development and the recommissioning of the CIL increased AISC compared to the third quarter of fiscal 2015. (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 continues to actively work with Spanish regulatory authorities to coordinate the posting of this bond. Funds to cover this commitment have been allocated outside the Company's operating accounts during this interim period. The Company continues to appeal the amount of the bond requirement and to negotiate the amount of the bond with regulators.

Growth Initiatives Highlights

<u>El Valle Mine</u>

- As noted above, the Company has planned to restart mining activity at Carlés Mine. Further material may exist in the Carlés NW zone that may provide an opportunity to expand the Carlés Mine plan. The Company expects to complete infill drilling on Carlés NW during the project timeframe.
- Infill drilling continued during the third quarter, while advances were made on the greenfield Quintana property. A potential drilling project is being defined based on the results of a recent geophysical survey.

<u>Don Mario Mine</u>

- Don Mario previously processed ore from the LMZ and Cerro Felix in the 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.
- During the third quarter, the Company initiated the purchase of long-lead components of the CIL Project and, subsequent to closing the BISA Loan, the Company entered into a contract with EPCMC for the construction of the CIL Project. Procurement, refurbishment, and construction activities are underway while the detailed engineering is being finalized. The CIL Project is expected to result in lower unitary cash costs and maximize the value of recently defined Don Mario resource estimates,

along with providing the processing capabilities necessary to leverage exploration and potential business opportunities. Upon commissioning of the CIL circuit, Don Mario will shift to production of gold doré in lieu of the current gold concentrate, and will continue to produce copper concentrate. The CIL Project is expected to be completed within six months.

- The commissioning of the CIL circuit may also provide the Company with additional economic opportunities for processing existing material. In recent months, the Company has been re-evaluating the economic potential of its existing mineral stockpile and expects to have the results of this testing by the end of 2016. The Company will also be commencing an evaluation of processing of tailings material to determine the viability of recovering gold that has been deposited into the tailings facility as a result of the flotation-only process used since 2011.

(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

Through the completion of the Prepayment Facility and the BISA Loan, the Company now has the financial resources to fully realize its business plans. By improving its liquidity position, the Company is able to pursue its initiatives at El Valle and Don Mario on an accelerated basis 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.

At El Valle, the Company advanced with its power and water infrastructure projects by installing a surface diesel generator, upgrading its current power system and executing an improved dewatering strategy to reduce impacts to production. These initiatives have returned positive results in recent months and are expected to allow El Valle to deliver higher ore tonnes mined and development meters. Additionally, in July 2016, the Company announced the $12.5 million Prepayment Facility with Samsung C&T, the proceeds of which will be primarily invested into El Valle. Acceleration of underground mine development and the execution of planned water and power infrastructure projects are required to meet El Valle's long-term objectives of increasing production and lowering unitary costs. The proceeds will also support the restart of mining activity at the Carlés Mine to increase production in the near-term while the Company executes on these long-term objectives. The Company expects to satisfy all closing conditions of the Prepayment Facility and to drawdown thereon in August.

At Don Mario, the Company has commenced the CIL Project after successfully closing the $7.9 million BISA Loan. 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 expected 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 reported in its prior MD&A, dated May 4, 2016, that it would require external financing through debt, equity or other sources to support its activities over the next eighteen months. The Company's liquidity position had deteriorated in large part due to the recent commitment to satisfy an additional €5.0 million environmental reclamation bond in Spain. Consequently, the Company reported in its second quarter financial statements that its circumstances may have cast significant doubt as to the Company's ability to continue as a going concern. Through the completion of the Prepayment Facility and the BISA Loan together with the current gold price and Euro to USD foreign exchange environment, the Company believes, based on its current cash flow forecasts, that it has sufficient available liquidity to carry out its business plan at both operations, and significant going concern uncertainty no longer exists.

The following table sets out the results of Orvana's first nine months 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)	**35,474**	43,000 – 46,000
Copper (million lbs)	**3.0**	4.5 – 5.0
Silver (oz)	**108,188**	120,000 - 130,000
Don Mario Mine Production		
Gold (oz)	**15,469**	20,000 – 21,000
Copper (million lbs)	**8.1**	11.0 – 12.0
Silver (oz)	**295,157**	330,000 – 370,000
Total Production		
Gold (oz)	**50,943**	63,000 – 67,000
Copper (million lbs)	**11.1**	15.5 – 17.0
Silver (oz)	**403,345**	450,000 – 500,000
Total capital expenditures	**$9,583**	$17,000 - $19,000
Cash operating costs (by-product) ($/oz) gold (1)	**$1,045**	$1,000 - $1,100
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,344**	$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.

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.

Third Quarter Ended June 30, 2016 Compared with Third Quarter Ended June 30, 2015

The Company recorded a net loss of $1.2 million for the third quarter of fiscal 2016 or $0.01 per share compared with net loss of $5.5 million for the third quarter of fiscal 2015 or $0.04 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the third quarter of fiscal 2016 decreased by $6.1 million or 19% to $26.0 million on sales of 16,496 ounces of gold, 3.9 million pounds of copper and 111,949 ounces of silver from El Valle and Don Mario compared with revenue of $32.2 million on sales of 19,121 ounces of gold, 6.3 million pounds of copper and 175,136 ounces of silver in the third quarter of fiscal 2015. The decrease in revenue was due to lower average realized copper prices and lower gold and copper sales volumes.
- Mining costs were $21.8 million or $8.0 million lower for the third quarter of fiscal 2016 compared with $29.8 million for the third quarter of fiscal 2015 primarily due to lower metal sales volumes and lower mining costs at El Valle.
- Gross margin increased by $6.2 million to $0.4 million for the third quarter of fiscal 2016 compared with gross margin of negative $5.8 million for the third quarter of fiscal 2015.
- General and administrative costs were $1.5 million or $0.7 million higher for the third quarter of fiscal 2016 compared with $0.8 million in the third quarter of fiscal 2015. Reductions in corporate costs were offset by changes in non-cash share-based compensation expenses.

Total consolidated COC (by-product) of $1,035 per ounce of gold sold in the third quarter of fiscal 2016 were $20 or 2% lower than the third quarter of fiscal 2015. Total AISC (by-product) of $1,311 per ounce of gold sold in the third quarter of fiscal 2016 were $68 or 5% higher than in the third quarter of fiscal 2015. COC in the third quarter of fiscal 2016 were lower due to a decrease in metal deduction costs due to better contractual offtake terms as well as a decrease in mining costs at El Valle, offset by lower by-product revenues primarily from copper sales and realized prices. AISC in the third quarter of fiscal 2016 were higher compared with the third quarter of fiscal 2015 due to ongoing capital expenditures for primary development at El Valle.

First Nine Months Ended June 30, 2016 Compared with First Nine Months Ended June 30, 2015

The Company recorded a net loss of $6.9 million for the first nine months of fiscal 2016 or $0.05 per share compared with a net loss of $8.9 million for the first nine months of fiscal 2015 or $0.07 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first nine months of fiscal 2016 decreased by $31.2 million or 31% to $69.8 million on sales of 47,111 ounces of gold, 10.1 million pounds of copper and 373,327 ounces of silver from El Valle and Don Mario compared with revenue of $101.0 million on sales of 59,417 ounces of gold, 19.3 million pounds of copper and 433,839 ounces of silver in the first nine months of fiscal 2015. The decrease in revenue was primarily due to lower metal volumes sold due to lower production and lower realized copper and silver prices.
- Mining costs were $61.7 million or $20.0 million lower for the first nine months of fiscal 2016 compared with $81.7 million for the first nine months of fiscal 2015 primarily due to lower metal sales volumes, lower mining costs at El Valle, and a favorable EUR to USD exchange rate.
- Gross margin decreased by $1.0 million to negative $4.3 million for the first nine months of fiscal 2016 compared with gross margin of negative $3.3 million for the first nine months of fiscal 2015.
- General and administrative costs were $3.8 million or $0.8 million lower for the first nine months of fiscal 2016 compared with $4.6 million in the first nine months of fiscal 2015, primarily due to ongoing corporate cost reductions.

Total consolidated COC (by-product) of $1,045 per ounce of gold sold in the first nine months of fiscal 2016 were $178 or 21% higher than the first nine months of fiscal 2015. Total AISC (by-product) of $1,344 per ounce of gold sold in the first nine months of fiscal 2016 were $211 or 19% higher than in the first nine months of fiscal 2015. COC and AISC in the first nine months of fiscal 2016 were higher compared with the first nine months 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.

Third Quarter Ended June 30, 2016 Compared with Second Quarter Ended March 31, 2016

The Company recorded a net loss of $1.2 million for the third quarter of fiscal 2016 or $0.01 per share compared with net loss of $2.7 million for the second quarter of fiscal 2016 or $0.02 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the third quarter of fiscal 2016 increased by $4.8 million or 22% to $26.0 million on sales of 16,496 ounces of gold, 3.9 million pounds of copper and 111,949 ounces of silver from El Valle and Don Mario compared with revenue of $21.3 million on sales of 14,659 ounces of gold, 2.4 million pounds of copper and 100,814 ounces of silver in the second quarter of fiscal 2016. The increase in revenue was due to higher average realized metal prices and metal sales volumes.
- Mining costs were $21.8 million or $2.8 million higher for the third quarter of fiscal 2016 compared with $19.0 million for the second quarter of fiscal 2016 primarily due to higher metal sales volumes.
- Gross margin increased by $1.2 million to $0.4 million for the third quarter of fiscal 2016 compared with gross margin of negative $0.8 million for the second quarter of fiscal 2016.

Total consolidated COC (by-product) of $1,035 per ounce of gold sold in the third quarter of fiscal 2016 were $65 or 6% lower than the second quarter of fiscal 2016. Total AISC (by-product) of $1,311 per ounce of gold sold in the third quarter of fiscal 2016 were $100 or 7% lower than in the second quarter of fiscal 2016. COC and AISC in the third quarter of fiscal 2016 were lower compared with the second quarter of fiscal 2016 primarily due to adverse weather conditions causing delays in shipments from Don Mario planned for the second quarter and realized in the third quarter.

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 primarily due to market conditions. During the third quarter of fiscal 2016, the Company performed a review of the Carlés Mine given the current gold price and foreign exchange environment and plans to restart mining activities on a short-term basis beginning in the fourth quarter of fiscal 2016.

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

	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Operating Performance					
Ore mined (tonnes) (wmt)	**116,649**	109,334	125,621	**353,591**	431,393
Ore milled (tonnes) (dmt)	**107,452**	104,083	120,765	**332,803**	401,548
Daily average throughput (dmt)	**1,181**	1,144	1,327	**1,154**	1,471
Gold					
Grade (g/t)	**3.01**	3.76	3.37	**3.54**	3.50
Recovery (%)	**94.3**	93.7	92.3	**93.8**	92.0
Production (oz)	**9,806**	11,775	12,135	**35,474**	41,647
Sales (oz)	**9,665**	12,111	14,674	**34,188**	40,519
Copper					
Grade (%)	**0.62**	0.44	0.67	**0.55**	0.67
Recovery (%)	**77.4**	66.1	80.0	**74.0**	80.4
Production ('000 lbs)	**1,138**	665	1,422	**3,013**	4,775
Sales ('000 lbs)	**1,035**	725	1,852	**3,029**	4,656
Silver					
Grade (g/t)	**12.96**	10.74	13.15	**12.74**	13.28
Recovery (%)	**80.0**	80.6	72.5	**79.5**	73.6
Production (oz)	**35,810**	28,947	37,297	**108,188**	126,174
Sales (oz)	**32,804**	30,764	47,644	**108,951**	120,358
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$14,180**	$15,225	$19,738	$45,106	$56,553
Mining costs	**$13,575**	$13,547	$19,515	$40,649	$50,273
Loss before tax	**($2,592)**	($598)	($5,760)	($5,343)	($10,581)
Capital expenditures (1)	**$2,123**	$1,534	$1,298	$5,193	$5,107
Cash operating costs (by-product) ($/oz) gold (2)	**$1,249**	$1,067	$1,156	$1,075	$1,047
All-in sustaining costs (by-product) ($/oz) gold (2)	**$1,591**	$1,264	$1,332	$1,322	$1,277
All-in costs (by-product) ($/oz) gold (2)	**$1,591**	$1,264	$1,332	$1,322	$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 third quarter of fiscal 2016, El Valle produced 9,806 ounces of gold, 1.1 million pounds of copper and 35,810 ounces of silver compared with 12,135 ounces of gold, 1.4 million pounds of copper and 37,297 ounces of silver during the third quarter of fiscal 2015 and 11,775 ounces of gold, 0.7 million pounds of copper and 28,947 ounces of silver in the second quarter of fiscal 2016.

Gold, copper and silver production decreased by 19%, 20% and 4% compared with the third quarter of fiscal 2015 due to a decrease of 11% in tonnes milled. Gold, copper and silver production was also impacted by decreases in average head grades of 11%, 7% and 1%, respectively.

Compared to the second quarter of fiscal 2016, gold production decreased by 17%, while copper and silver production increased by 71% and 24%, respectively. Gold production was negatively impacted by a decrease in gold average head grade of 20%, whereas copper and silver average head grades improved by 42% and 21%, respectively.

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.

Currently, mine plans at El Valle are focused on opening additional stoping areas in the Black Skarns and Boinas East areas in order to improve production. To open new areas of the mine, additional capital development is required and additional power capacity is required for ventilation and pumping. A high capacity surface diesel generator was installed during the third quarter and modifications are being made to current power infrastructure as the administrative approval process continues on the construction of a new power line.

Oxide production at El Valle in the third quarter remained consistent with the second quarter of fiscal 2016. With the opening of the new AR195 zone at the end of the third quarter, oxide production is expected to increase through the remainder of fiscal 2016.

During the third quarter, the dewatering of the aquifer continued based on the recommendations of the hydrological study completed earlier in the year. The Company also made improvements to its dewatering strategy to reduce future impacts to production. Capital expenditures of $2.5 to $3.0 million for both power and water infrastructure improvements are included in guidance for fiscal 2016.

To further increase skarns production and to take advantage of current gold price and foreign exchange conditions, the Company has also initiated actions to restart the Carlés Mine under a short-term mining plan beginning in the fourth quarter of fiscal 2016. Production is focused on the Carlés East and CZ zones, targeting approximately 115,000 tonnes of ore with an average grade of 2.5 g/t. Mining activities will be carried out by a local Spanish mining contractor that has recently been engaged by OroValle. The capital commitment required to restart Carlés is expected to be minimal as the ore is readily accessible with little to no primary development required. Further material may exist in the Carlés NW zone that could provide opportunity to expand the Carlés Mine plan. The Company expects to complete infill drilling on Carlés NW during the project timeframe.

El Valle Mine Financial Performance

Revenue from El Valle for the third quarter of fiscal 2016 decreased by 28% to $14.2 million on sales of 9,665 ounces of gold, 1.0 million pounds of copper and 32,804 ounces of silver from $19.8 million in the third quarter of fiscal 2015 on sales of 14,674 ounces of gold, 1.9 million pounds of copper and 47,644 ounces of silver primarily as a result of lower metal volumes sold and lower realized metal prices.

Mining costs decreased by 30% from $19.5 million in the third quarter of fiscal 2015 to $13.6 million in the third quarter of fiscal 2016 primarily due to reductions in operating costs and lower metal sales volumes.

Loss before tax for the third quarter of fiscal 2016 was $2.6 million compared with a loss of $5.7 million in the third quarter of fiscal 2015.

Total capital expenditures at El Valle during the third quarter of fiscal 2016 were $2.1 million compared with $1.3 million for the third quarter of fiscal 2015. Capital expenditures in the third quarter of fiscal 2016 consisted substantially of primary development and underground mine infrastructure investments. Refer to the “Financial Condition Review - Capital Expenditures” section of this MD&A.

COC (by-product) of $1,249 per ounce of gold sold in the third quarter of fiscal 2016 were $93 or 8% higher than in the third quarter of fiscal 2015. Total AISC (by-product) of $1,591 per ounce of gold sold in the third quarter of fiscal 2016 were $259 or 19% higher than in the third quarter of fiscal 2015. COC in the third quarter of fiscal 2016 were higher compared with the third quarter of fiscal 2015 due to a decline in by-product revenues and gold sales volumes and offset by lower fixed mining costs. AISC were also higher due to increased capital expenditures during the third quarter of 2016.

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 also pursuing opportunities to define new resources in the areas surrounding El Valle. During the third quarter, soil sampling at the Quintana property began and is expected to continue into the fourth quarter. Geophysical surveys were completed on the property during the third quarter and based on the results of these surveys, a drilling campaign is being defined.

As previously announced in February 2016, diamond drilling campaigns were completed in the Villar oxide zone and La Brueva property. Resource estimates for both Villar and La Brueva were prepared and released in February 2016.

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 depleting UMZ and replacing it with production from new resources announced in the LMZ upper extension.

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

	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Operating Performance					
Ore mined (tonnes) (dmt)	**175,080**	162,709	233,050	**506,502**	737,078
Ore milled (tonnes) (dmt)	**201,336**	203,314	210,897	**606,413**	633,457
Daily average throughput (dmt)	**2,393**	2,460	2,462	**2,459**	2,532
Gold					
Grade (g/t)	**1.65**	1.52	1.05	**1.41**	1.46
Recovery (%)	**58.5**	53.8	54.3	**56.0**	53.5
Production (oz)	**6,232**	5,341	3,877	**15,469**	15,963
Sales (oz)	**6,831**	2,548	4,447	**12,923**	18,898
Copper					
Grade (%)	**0.97**	0.96	1.06	**0.94**	1.27
Recovery (%)	**62.5**	61.5	76.3	**64.2**	75.5
Production ('000 lbs)	**2,695**	2,655	3,765	**8,091**	13,417
Sales ('000 lbs)	**2,844**	1,654	4,414	**7,042**	14,634
Silver					
Grade (g/t)	**15.97**	19.24	26.37	**20.85**	23.18
Recovery (%)	**74.2**	71.7	67.0	**72.7**	63.1
Production (oz)	**76,697**	90,228	119,875	**295,157**	297,839
Sales (oz)	**79,145**	70,050	127,492	**264,376**	313,481
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$11,850**	$6,054	$12,424	**$24,700**	$44,487
Mining costs	**$8,234**	$5,498	$10,319	**$21,011**	$31,475
Income (loss) before tax	**$2,411**	($878)	($1,079)	**($371)**	$3,606
Capital expenditures	**$609**	$1,472	$199	**$4,073**	$2,352
Cash operating costs (co-product) ($/oz) gold (1)	**$925**	$1,236	$1,008	**$1,055**	$910
Cash operating costs (co-product) ($/lb) copper (1)	**$1.69**	$2.29	$2.35	**$2.01**	$2.16
Cash operating costs (co-product) ($/oz) silver (1)	**$13.43**	$16.74	$15.11	**$14.97**	$14.17
All-in sustaining costs (co-product) ($/oz) gold (1)	**$1,025**	$1,557	$1,099	**$1,244**	$1,011
All-in sustaining costs (co-product) ($/lb) copper (1)	**$1.81**	$2.84	$2.55	**$2.35**	$2.39
All-in sustaining costs (co-product) ($/oz) silver (1)	**$14.40**	$20.70	$16.31	**$17.40**	$15.60
All-in costs (co-product) ($/oz) gold (1)	**$1,050**	$1,578	$1,099	**$1,264**	$1,011
All-in costs (co-product) ($/lb) copper (1)	**$1.85**	$2.87	$2.55	**$2.38**	$2.39
All-in costs (co-product) ($/oz) silver (1)	**$14.72**	$20.96	$16.31	**$17.65**	$15.60

(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.

Don Mario Mine Operating Performance

During the third quarter of 2016, 6,232 ounces of gold, 2.7 million pounds of copper and 76,697 ounces of silver were produced at Don Mario compared with 3,877 ounces of gold, 3.8 million pounds of copper and 119,875 ounces of silver in the third quarter of fiscal 2015 and 5,341 ounces of gold, 2.7 million pounds of copper and 90,228 ounces of silver in the second quarter of fiscal 2016.

The 61% increase in gold production compared with the third quarter of fiscal 2015 was due to higher average head grades of 57%. Copper and silver production in the third quarter of fiscal 2016 decreased by 28% and 36%, respectively, compared to the same period in 2015 primarily due to lower copper and silver average head grades. Gold average head grades are expected to be higher while copper and silver grades are expected to decrease compared with prior periods, as the Company has replaced tonnes mined from the UMZ with production from the LMZ upper extension.

Compared with the second quarter of fiscal 2016, gold and copper production increased by 17% and 2%, respectively, while silver production decreased by 15% in the third quarter of fiscal 2016. Higher gold and copper production was due primarily to higher average head grades of 9% and 1%, respectively. Silver production was impacted by lower average head grades of 17%.

Don Mario Mine Financial Performance

Revenue from Don Mario decreased by 5% from $12.4 million in the third quarter of fiscal 2015 on sales of 4,447 ounces of gold, 4.4 million pounds of copper and 127,492 ounces of silver to $11.9 million on sales of 6,831 ounces of gold, 2.8 million pounds of copper and 79,145 ounces of silver in the third quarter of fiscal 2016. Lower revenue was primarily the result of lower copper volumes sold and lower realized copper prices, partially offset by higher gold volumes sold and higher realized gold prices.

Mining costs of $8.2 million for the third quarter of fiscal 2016 decreased by $2.1 million or 20% compared with $10.3 million during the third quarter of 2015 due to the lower volume of copper sales.

Income before tax for the third quarter of fiscal 2016 was $2.4 million compared with a loss before tax of $1.1 million for the third quarter of fiscal 2015.

Total capital expenditures at Don Mario during the second quarter of fiscal 2016 were $0.6 million compared with $0.2 million in the second quarter of fiscal 2015. Capital expenditures in the second quarter of fiscal 2016 consisted primarily of construction costs for the CIL Project.

For the third quarter of fiscal 2016, COC (co-product) were $925 per ounce of gold or 8% lower, $1.69 per pound of copper or 28% lower and $13.43 per ounce of silver or 11% lower compared with $1,008 per ounce of gold, $2.35 per pound of copper and $15.11 per ounce of silver in the third quarter of fiscal 2015. Total AISC (co-product) were $1,025 per ounce of gold or 7% lower, $1.81 per pound of copper or 29% lower and $14.40 per ounce of silver or 12% lower compared with $1,099 per ounce of gold, $2.55 per pound of copper and $16.31 per ounce of silver for the third quarter of fiscal 2015. The decreases in co-product COC and AISC were driven primarily by higher gold ounces sold in the third quarter from delayed shipments in the second quarter and from the changes in metal content ratios from the LMZ ore mined through fiscal 2016 against the UMZ ore mined through fiscal 2015.

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.

During the third quarter of fiscal 2016, the Company successfully closed the $7.9 million BISA Loan facility, the proceeds of which are being used primarily for the construction of the CIL Project. During April 2016, the Company initiated the purchase of long-lead components of the CIL Project, and subsequent to the closing of the BISA Loan, the Company entered into a contract with EPCMC for the construction of the CIL Project. Procurement, refurbishment, and construction activities are underway while the detailed engineering is being finalized. The CIL Project is expected to result in lower unitary cash costs and maximize the value of the recently defined resource estimates in the LMZ. Upon commissioning of the CIL circuit, Don Mario will shift to production of gold doré in lieu of the current gold concentrate, and will continue to produce copper concentrate. The CIL Project is expected to be completed within six 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. The Company is currently assessing mine plan scenarios in order to determine economic viability of mining Cerro Felix.

The commissioning of the CIL is also expected to position Don Mario to leverage other potential business opportunities. In recent months, the Company has been re-evaluating the economic potential of processing existing mineral stockpiles, including the oxides previously treated through the leach-precipitation-flotation process, and expects to have the results of this testing by the end of 2016. As at September 30, 2015, EMIPA had stockpile mineral resources of approximately 2.5 tonnes with an average gold grade of 1.9 g/t. The Company will also be commencing an evaluation of processing of tailings material through the CIL circuit to determine the viability of recovering gold that has been deposited into the tailings facility as a result of the flotation-only process used since 2011.

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 third quarter of fiscal 2016, the gold price, while reaching highs not seen since 2014, remained volatile, with the price ranging from $1,212 to $1,325 per ounce and an average market price of $1,259 per ounce compared with $1,193 per ounce in the third quarter of fiscal 2015. Orvana's average gold realized price for the third quarter of fiscal 2016 was $1,258 per ounce, as compared to $1,194 per ounce in the third quarter of fiscal 2015. The Company derived approximately 67% of its revenue from sales of gold in the third quarter of fiscal 2016.

Political and economic uncertainty continued to drive market volatility and increased gold prices during the Company's third quarter, including the results of the Brexit referendum in the United Kingdom, slowing global growth, and the more dovish tone of the US Federal Reserve in respect of an interest rate hike.

In managing volatility risk, during 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 approximately 25% of forecast consolidated production from May 2016 to October 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 to the Company from a rising gold price is capped at US $1,265 or US $55 per ounce. In respect of copper, the Company has entered into fixed forward pricing arrangements for approximately 25% of forecast consolidated production from May 2016 to October 2016, at prices ranging between US $2.10 per pound to US $2.20 per pound. Refer to the "Derivative Instruments" section of this MD&A.

Copper prices during the third quarter of fiscal 2016 traded in a range of $2.04 to $2.29 per pound with an average price of $2.15 per pound compared with $2.75 per pound in the third quarter of fiscal 2015. Orvana's average copper realized price for the third quarter of fiscal 2016 was $2.13 per pound. The Company believes copper prices may continue to be affected by expectations of oversupply in the medium term. The Company derived approximately 26% of its revenue from sales of copper in the second quarter of fiscal 2016.

In the third quarter of fiscal 2016, silver prices traded in a range from $14.96 per ounce to $18.36 per ounce with an average price of $16.78 per ounce compared with $16.71 during the same period in fiscal 2015. Orvana's average silver realized price for the third quarter of fiscal 2016 was $16.91 per ounce. The Company derived approximately 7% of its revenue from sales of silver in the third 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 in Euros, while revenue is earned in US dollars. Orvana's cost of sales and expenses were slightly negatively affected by the decrease of the Euro to US Dollar exchange rate from an average of 1.10 in the third quarter of fiscal 2015 to 1.13 through the third quarter of fiscal 2016. As a result, mining costs at El Valle were higher by approximately $0.4 million in the third quarter of fiscal 2016 compared with the third 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 June 30, 2016 and September 30, 2015.

(in 000's)	**June 30, 2016**	**September 30, 2015**
Cash and cash equivalents	**$12,021**	$17,236
Restricted cash (short term)	**$3,229**	$2,593
Non-cash working capital (1)	**$2,859**	($1,807)
Total assets	**$161,910**	$169,435
Total liabilities	**$56,273**	$56,887
Shareholders' equity	**$105,637**	$112,548

(1) Working capital represents current assets of $44.4 million less cash and cash equivalents and short-term restricted cash totaling $15.3 million and less $26.2 million in current liabilities composed of accounts payable and accrued liabilities and income taxes payable (not including bank debt and derivative instruments).

Total assets decreased by $7.5 million or 4% from $169.4 million to $161.9 million primarily as a result of the decrease in (i) property, plant and equipment of $5.8 million due to depreciation and changes in decommissioning assets, (ii) cash and cash equivalents of $5.2 million and (iii) value-added taxes and other receivables of $1.4 million from accelerated VAT receipts through fiscal 2016 at EMIPA, partially offset by increases in (iv) concentrate and doré receivables of $2.9 million and (v) inventory of $1.0 million.

Short-term restricted cash as at June 30, 2016 was $3.2 million (September 30, 2015 – $2.6 million), primarily consisting of restricted cash placed on deposit with a Canadian bank as security on the BISA Loan as well as 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. Refer to the "Contingencies" section of the MD&A.

Total liabilities decreased by $0.6 million or 1% to $56.3 million at June 30, 2016 from $56.9 million at September 30, 2015 primarily as a result of decreases in (i) decommissioning liabilities of $1.8 million as a result of a change in a discount rate and (ii) the deferred income tax liability of $1.8 million as a result of the quarterly net loss at OroValle, offset primarily by increases in (iii) bank debt at EMIPA of $1.5 million as a result of the close of the BISA Loan and (iv) accounts payable and accrued liabilities of $0.8 million.

Previously, EMIPA had short-term credit facilities with Bolivian banks, including BISA, payable in 90 to 180 days from the date of advance with an annual interest rate of 6.0%. As part of the negotiations leading up to the BISA Loan, it was agreed that EMIPA's remaining short-term credit facility held with BISA of $2.0 million would not be renewed. As of June 30, 2016, $3.0 million had been drawn from the $7.9 million BISA Loan. Refer to the "BISA Loan" section of the MD&A.

BISA Loan

In May 2016, EMIPA closed the $7.9 million BISA Loan, the proceeds of which are being used for the recommissioning of the CIL Project. Under the terms of the BISA Loan, five disbursements of specified amounts will be made available to EMIPA as expenditures are incurred on the CIL Project. The BISA Loan matures in September 2017 and has an interest rate of 6% per annum, with ten monthly principal repayments beginning in December 2016. Security includes certain assets at Don Mario for the term of the BISA Loan and a stand-by letter of credit held by a Canadian bank of $2.0 million which will be replaced with the CIL asset once operational.

Samsung C&T Loan

Subsequent to quarter end, the Company announced a $12.5 million copper concentrates and gold doré Prepayment Facility with Samsung C&T, the proceeds of which will be primarily invested into El Valle for its planned development and infrastructure projects.

Under the terms of the Facility, Orvana will sell gold doré from its El Valle Mine in Spain and copper concentrate from its Don Mario Mine in Bolivia to Samsung C&T, on an exclusive basis for a period of thirty months (the "Facility Term"). In exchange, Orvana will receive $12.5 million in prepayment financing from Samsung C&T in two instalments. The first instalment of $8.0 million will be drawn upon closing and will be repaid beginning twelve months after drawdown in eighteen equal monthly payments. The second instalment of $4.5 million will be available for drawdown six to twelve months after closing and will be repaid beginning nine months after drawdown in nine equal monthly payments. The Facility will bear interest at USD 3M LIBOR plus 4.5% Interest payments and principal repayments will be made against Orvana's future shipments of copper concentrates and gold doré during the Facility Term. Samsung C&T has agreed to pay for copper concentrates and gold doré at a price based on the prevailing metal prices for the gold, silver and copper content around time of shipment, less customary treatment, refining and shipping charges, and pursuant to the terms of the Facility.

The Company's obligations to Samsung C&T under the Facility are secured by the pledge to Samsung C&T of all of Orvana's shares of OroValle which owns El Valle Mine in Spain.

Drawdown of the Facility is subject to satisfaction of customary closing conditions by Orvana for this type of transaction.

Shareholders' Equity

Shareholders' equity at June 30, 2016 decreased by 6% to $105.6 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 June 30, 2016 and as at the date hereof.

	At June 30, 2016
Common Shares	136,623,171
Warrants (1)	1,050,000
Options (2)	1,716,667

(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, 2,275,000 of the 2,725,000 Warrant Certificates may never be exercised as of

the date of the MD&A. The remaining 450,000 Warrant Certificates 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 $0.79 and expiry dates ranging from 2016 to 2020.

Derivative Instruments

The Company had the following outstanding derivative instruments at June 30, 2016:

	Contract Prices	Cash Settlement	Contract Amounts
Copper			
Copper swaps (Jul 2016 - Sep 2016)	$4,630 to $4,850 / tonne	Monthly	732 tonnes
Gold			
Gold forwards (Jul 2016 – Sep 2016)	$1,210 / troy oz	Monthly	4,300 troy oz
Gold capped calls (Jul 2016 – Sep 2016)	$1,265 / troy oz	Monthly	4,300 troy oz

During the third quarter of fiscal 2016, approximately 25% of the Company's forecasted gold and copper production were hedged under gold and copper derivative instruments. The Company paid net cash of $78 in settlement of the derivative instruments that matured in the period.

As at June 30, 2016, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

	Spot Rate/ Price	Contract Rate / Price	Fair Value
Derivative Instrument Assets			
Gold capped calls	$1,325/oz	$1,265/oz	$325
Total fair value of derivative instruments assets at June 30, 2016			$325

	Spot Rate/ Price	Contract Rate / Price	Avg. Forward Rate / Price	Fair Value
Derivative Instrument Liabilities				
Gold forwards	$1,325/oz	$1,210/oz	$1,320/oz	$472
Copper swaps	$4,872/t	$4,630 to $4,850/t	$4,836/t	$57
Total fair value of derivative instruments liabilities at June 30, 2016				$529

Changes in the fair value of the Company's outstanding derivative instruments are recognized through the Company's income statement as non-cash derivative instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the derivative instruments. The mark-to-market fair value of the Company's outstanding derivative instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk.

The Company recorded fair value adjustments on its outstanding derivative instruments for the three and nine months ended June 30, 2016 as follows:

	Q3 2016	YTD 2016
Change in unrealized fair value	**$204**	$204
Realized loss on cash settlements of derivative instruments closed	**78**	78
Recorded derivative instruments loss	**$282**	$282

Capital Resources

As at June 30, 2016, the Company had cash and cash equivalents of $12.0 million and restricted cash of $3.2 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)	**June 30, 2016**	**September 30, 2015**
Shareholders' equity	**$105,637**	$112,548
Bank debt (1)	**-**	1,478
BISA loan	**2,957**	-
	$108,594	$114,026
Less: Cash and cash equivalents	**(12,021)**	(17,236)
Capital employed	**$96,573**	$96,790

(1) Bank debt represents a credit facility associated with Don Mario at September 30, 2015.

The Company's financial objective when managing capital is to ensure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or obtain additional debt. Through fiscal 2016, the Company has closed the $7.9 million BISA Loan and, subsequent to quarter end, announced the $12.5 million Prepayment Facility with Samsung C&T. The Company continues to discuss and evaluate further financing opportunities with a number of Spanish banks at what the Company believes will be a competitive cost of capital, with the objectives of expanding OroValle's in-country banking relationships and to secure access to greater liquidity.

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 sustain its ongoing capital projects at EMIPA and OroValle.

Cash Flows, Commitments, Liquidity and Contingencies

<u>Cash Flows</u>

Total cash and cash equivalents as at June 30, 2016 was $12.0 million primarily denominated in US dollars representing a decrease of $5.2 million from $17.2 million at September 30, 2015. Short-term restricted cash was $3.2 million at June 30, 2016 compared with $2.6 million at September 30, 2015 which included $2.0 million placed on deposit with a Canadian bank as security on the BISA Loan. The Company's total debt was $3.0 million at June 30, 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)	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Cash provided by (used in) operating activities before changes in non-cash working capital	**$3,223**	($81)	$1,026	**$4,013**	$11,143
Cash provided by (used in) operating activities	**$2,176**	($535)	$6,667	**$3,216**	$26,153
Cash provided by (used in) financing activities	**$986**	$ -	$(3,943)	**$1,479**	($25,978)
Cash provided by (used in) investing activities (1)	**($6,164)**	($1,940)	($307)	**($9,906)**	$6,968
Change in cash	**($3,002)**	($2,475)	$2,417	**($5,211)**	$7,143

(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 provided in operating activities before changes in non-cash working capital were $3.2 million for the third quarter of fiscal 2016 compared with cash flows used by operating activities before changes in non-cash working capital of $0.1 million for the second quarter of fiscal 2016 and cash flows provided in operating activities were $2.2 million for the third quarter of fiscal 2016 compared with cash flows used by operating activities of $0.5 million for the second quarter of fiscal 2016.

Significant drivers of changes in operating cash flow are production and realized gold and copper prices. Future changes in the market price of gold and copper, 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 during 2016 have been the funding of the Company's capital expenditures.

Cash provided by financing activities were $1.0 million in the third quarter of fiscal 2016 compared with $nil in the second quarter of fiscal 2016 due to the $3.0 million drawdown on the BISA Loan offset by the repayment of the remaining $2.0 million BISA short-term credit facility.

Cash used in investing activities was $6.2 million in the third quarter of fiscal 2016 compared with $1.9 million in the second quarter of fiscal 2016 primarily due to capital expenditures.

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)**	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
El Valle Mine (1)	**$2,123**	$1,534	$1,298	**$5,193**	$5,107
Don Mario Mine	**609**	1,472	199	**4,073**	2,352
Corporate	**13**	-	2	**21**	8
Subtotal capital expenditures	**$2,745**	$3,006	$1,499	**$9,287**	$7,467
Accounts payable adjustments (1)	**377**	(261)	221	**296**	310
Total capital expenditures (2)	**$3,122**	$2,745	$1,720	**$9,583**	$7,777

(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".

At El Valle, capital expenditures in fiscal 2016 consisted primarily of primary development and underground infrastructure improvements. Significant capital expenditures at Don Mario included the annual tailings dam lift as well as recommissioning costs of the CIL Project 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 June 30, 2016, the Company's contractual obligations included: the BISA Loan; 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 June 30, 2016		**Payment Due by Period**			
(in 000's)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
BISA Loan	**$2,957**	$214	$2,743	-	-
Operating leases	**$2,947**	$1,680	$970	$207	$90
Decommissioning liabilities (1)	**$21,714**	-	$1,142	$5,288	$15,284
Reclamation bond (2)	**$5,551**	$5,551	-	-	-
Purchase obligations	**$5,540**	$5,540	-	-	-
Provision for statutory labour obligations (3)	**$2,660**	-	$2,660	-	-
Long-term compensation	**$768**	$177	$341	-	$250
Total contractual obligations (4)	**$42,137**	**$13,162**	**$7,856**	**$5,495**	**$15,624**

(1) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for Euro denominated reclamation bonds amounted to approximately $8.4 million at June 30, 2016 (September 30, 2015 - $8.4 million). Decommissioning liabilities are discussed below under "Other Information - Critical Accounting Estimates - Decommissioning Liabilities".

(2) 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.

(3) 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.

(4) Production from El Valle and Don Mario is subject to certain royalties for which amounts have not been included in total contractual obligations at June 30, 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 $0.4 million and $1.3 million for the third quarter of fiscal 2016 and the first nine months of fiscal 2016, respectively, compared with $0.6 million and $1.8 million in the third quarter of fiscal 2015 and the first nine months of fiscal 2015, respectively.

Production from Don Mario is subject to a 3% NSR. This expense totaled $0.4 million and $0.9 million for the third quarter of fiscal 2016 and the first nine months of fiscal 2016, respectively, compared with $0.4 million and $1.4 million in the third quarter of fiscal 2015 and the first nine months of fiscal 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 $1.0 million and $2.2 million for the third quarter of fiscal 2016 and the first nine months of fiscal 2016, respectively, compared with $1.2 million and $4.2 million in the third quarter of fiscal 2015 and the first nine months of fiscal 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 nine months of fiscal 2016 were operating cash flows, and the BISA Loan that was secured in May 2016.

As at June 30, 2016, the Company had cash of $12.0 million designated to cover the Company's commitments due in less than one year of $13.2 million. In March 2016, the Company committed to satisfy €5.0 million (US $5.7 million) in respect of a reclamation bond requirement to Spanish regulatory authorities included in its commitments due in less than one year. The Company continues to actively work with authorities to coordinate the posting of this bond. Cash held to satisfy this requirement has been allocated outside the Company's operating accounts, and when posted, will be presented as restricted cash in the Company's statement of financial position.

The Company generated positive operating cash flows in the first nine months of fiscal 2016 of $3.2 million. Financing and investing activities including capital expenditures resulted in overall negative cash flow generation of $5.2 million.

In July 2016, the Company announced the US $12.5 million Prepayment Facility with Samsung C&T, the proceeds of which are expected to be invested into El Valle. Acceleration of previously delayed underground mine development and the execution of planned water and power infrastructure projects are required to meet El Valle's long-term objectives of increasing production and lowering unitary costs. The proceeds will also support the restart of the Carlés Mine to increase production in the near-term while the Company executes on the above. The Company expects to satisfy all customary closing conditions of the Prepayment Facility and to drawdown thereon in the coming weeks.

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 expected capital costs for the CIL Project, the Company secured the BISA Loan in May 2016. During the third quarter, the Company initiated the purchase of long-lead components of the CIL Project and, subsequent to closing the BISA Loan, the Company entered into a contract with EPCMC for the construction of the CIL Project. Procurement, refurbishment, and construction activities are underway while the detailed engineering is being finalized. The CIL Project is expected to be completed within six months.

Security for the BISA Loan 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 commissioning is completed.

The Company reported in its prior MD&A, dated May 4, 2016, that it would require external financing through debt, equity or other sources to support its activities over the next eighteen months. The Company's liquidity position had deteriorated in large part due to the recent commitment to satisfy an additional €5.0 million environmental reclamation bond in Spain. Through the completion of the recent financings and together with the current gold price and Euro to USD foreign exchange environment, the Company believes, based on its current cash flow forecasts, that it has resolved the going concern uncertainty that was reported in its second quarter consolidated financial statements of fiscal 2016. The Company's cash flow forecasts are developed using best available information at the time of their preparation and rely on certain material assumptions, such as gold and copper market prices and the ability to achieve planned production of gold and copper. There can be no assurances that the Company's cash flow forecasts will not change materially in the future and that the effect of changes to the Company's forecasts, if negative, could result in renewed significant doubt as to the Company's ability to continue as a going concern.

Additionally, the Company is actively managing its commodity price risk through price fixing a limited amount of its production revenue from July to October 2016. Refer to "Derivative Instruments" 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 claim was appealed and is expected to be resolved with no increase in the amount of the ruling and no further freezing of EMIPA's accounts.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended June 30, 2016:

	Quarters ended			
(in 000's, except per share amounts)	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**
Revenue	**$26,030**	$21,279	$22,497	$20,385
Net loss	**($1,181)**	($2,670)	($3,076)	($7,819)
Loss per share (basic and diluted)	**($0.01)**	($0.02)	($0.02)	($0.06)
Total assets	**$161,910**	$162,394	$163,730	$169,435
Total financial liabilities (1)	**$2,957**	$1,971	$1,971	$1,478
	Quarters ended			
	Q3 2015	**Q2 2015**	**Q1 2015**	**Q4 2014**
Revenue	$32,162	$30,108	$38,770	$43,998
Net income (loss)	($5,522)	($4,130)	$738	($2,896)
Earnings (loss) per share (basic and diluted)	($0.04)	($0.03)	$0.01	($0.02)
Total assets	$183,334	$192,690	$200,991	$221,218
Total financial liabilities (1)	-	$3,943	$3,450	$25,978

(1) Financial liabilities include the BISA Loan, bank debt, the Fabulosa Loan 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 June 30, 2016, the net carrying value of the property, plant and equipment in respect of El Valle and Don Mario amounted to $90.0 million and $11.8 million, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

The reserve and resource estimates for each operation are the prime determinants of the life of a mine. In general, a mineralized deposit where the mineralization is reasonably well defined is amortized over its proven and probable mineral reserves. Non-reserve material may be included in the depreciation calculations in limited circumstances where there is a high degree of confidence in economic extraction. The expected economic life of these mines is dependent upon, among other things, the estimated remaining ore; gold, copper and silver prices; cash operating costs and capital expenditures.

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

<u>Decommissioning Liabilities</u>

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of El Valle and Don Mario at June 30, 2016. These estimates were prepared by management with the use of independent third party experts.

At June 30, 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%	$12,369
Don Mario Mine (1)	$6,402	2.4%	$5,750
Total	**$21,714**		**$18,119**

(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 $2.2 thousand in the third quarter of fiscal 2016 compared with $6.0 thousand in the second 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 June 30, 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 June 30, 2016 of $106.8 million, following the completion of an impairment test in respect of each CGU in the third 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 June 30, 2016. As such, there was no impairment of such carrying values as at June 30, 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

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

The Company, in conjunction with an initiative undertaken within the gold mining industry, began reporting COC, AISC and AIC non-IFRS performance measures as set out in the guidance note released by the

World Gold Council in June 2013. The Company believes that these performance measures more fully define the total costs associated with producing gold, copper and silver, however, these performance measures have no standardized meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

Orvana Consolidated (by-product)	Q3 2016	Q2 2016	Q3 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)	**$21,809**	**$19,045**	**$29,834**	**$61,660**	**$81,748**
Deductions, refining, treatment, penalties, freight & other costs	5,570	3,973	9,343	15,139	27,929
Sub-total - other operating costs adjustments	**$5,570**	**$3,973**	**$9,343**	**$15,139**	**$27,929**
Copper sales - gross revenue value	(8,315)	(5,240)	(16,263)	(21,684)	(51,167)
Silver sales - gross revenue value	(1,975)	(1,635)	(2,700)	(5,851)	(6,961)
Other by-product credits	(8)	(22)	(17)	(49)	(22)
Sub-total by-product revenue	**($10,298)**	**($6,897)**	**($18,980)**	**($27,584)**	**($58,150)**
Cash operating costs	**$17,081**	**$16,121**	**$20,197**	**$49,215**	**$51,527**
Corporate general & administrative costs	1,506	1,416	816	3,813	4,599
Community costs related to current operations	111	91	256	291	463
Reclamation, accretion & amortization	311	138	567	945	2,005
Exploration and study costs (sustaining)	88	69	537	256	1,417
Primary development (sustaining)	1,171	803	258	6,059	1,471
Other sustaining capital expenditures (2) (3)	1,384	2,069	1,169	2,765	5,808
All-in sustaining costs	**$21,660**	**$20,707**	**$23,800**	**$63,344**	**$67,290**
Capital expenditures (non-sustaining)	308	132	-	574	-
All-in costs	**$21,960**	**$20,839**	**$23,800**	**$63,918**	**$67,290**
Au/oz sold	16,496	14,659	19,121	47,110	59,417
Cash operating costs ($/oz) gold	**$1,035**	**$1,100**	**$1,055**	**$1,045**	**$867**
All-in sustaining costs ($/oz) gold	**$1,311**	**$1,411**	**$1,243**	**$1,344**	**$1,133**
All-in costs ($/oz) gold	**$1,331**	**$1,420**	**$1,243**	**$1,357**	**$1,133**

(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.

Consolidated AISC (co-product) for the third quarter of fiscal 2016 were $1,259 per ounce of gold sold and $2.13 per pound of copper sold and for the third quarter of fiscal 2015 were $1,204 per ounce of gold sold and $2.72 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	Q3 2016	Q2 2016	Q3 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)	**$13,575**	**$13,547**	**$19,515**	**$40,649**	**$50,273**
Deductions, refining, treatment, penalties, freight & other costs	1,438	1,341	2,868	4,342	6,180
Sub-total - other operating cost adjustments	**$1,438**	**$1,341**	**$2,868**	**$4,342**	**$6,180**
Copper sales - gross revenue value	(2,297)	(1,493)	(4,685)	(6,451)	(12,092)
Silver sales - gross revenue value	(648)	(476)	(730)	(1,782)	(1,949)
Sub-total by-product revenue	**($2,945)**	**($1,969)**	**($5,415)**	**(8,233)**	**($14,041)**
Cash operating costs	**$12,068**	**$12,918**	**$16,968**	**$36,758**	**$42,412**
Corporate general & administrative costs	800	800	800	2,400	2,394
Reclamation, accretion & amortization	208	34	408	635	1,534
Exploration and study costs (sustaining)	48	19	132	85	418
Primary development (sustaining)	870	803	258	2,560	1,471
Other sustaining capital expenditures [2] [3]	1,384	729	975	2,765	3,497
All-in sustaining costs	**$15,378**	**$15,304**	**$19,541**	**$45,203**	**$51,726**
All-in costs	**$15,378**	**$15,304**	**$19,541**	**$45,203**	**$51,726**
Au/oz sold	9,665	12,111	14,674	34,188	40,519
Cash operating costs ($/oz) gold	**$1,249**	**$1,067**	**$1,156**	**$1,075**	**$1,047**
All-in sustaining costs ($/oz) gold	**$1,591**	**$1,264**	**$1,332**	**$1,322**	**$1,277**
All-in costs ($/oz) gold	**$1,591**	**$1,264**	**$1,332**	**$1,322**	**$1,277**

(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]	Q3 2016	Q2 2016	Q3 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)	**$8,234**	**$5,498**	**$10,319**	**$21,011**	**$31,475**
Deductions, refining, treatment, penalties, freight & other costs	5,547	3,480	8,639	14,253	29,219
Sub-total - other operating costs	**$6,947**	**$4,146**	**$10,251**	**$17,288**	**$34,803**
Gross by-product credit	(8)	(22)	(17)	(49)	(22)
Cash Operating Costs	**$12,358**	**$8,017**	**$16,780**	**$31,759**	**$53,203**
Corporate general & administrative costs	370	419	413	1,194	1,412
Community costs related to current operations	111	91	256	291	504
Reclamation, accretion & amortization	103	104	159	310	471
Capital expenditures (sustaining) [3]	301	1,340	194	3,499	2,312
Exploration and study costs (sustaining)	40	50	404	171	100
All-in sustaining costs	**$13,283**	**$10,021**	**$18,206**	**$37,224**	**$58,002**
Capital expenditures (non-sustaining)	308	132	-	574	-
All-in costs	**$13,591**	**$10,153**	**$18,206**	**$37,798**	**$58,002**
Au/oz sold	6,831	2,548	4,447	12,923	18,898

Don Mario Mine [1]	Q3 2016	Q2 2016	Q3 2015	YTD 2016	YTD 2015
Cu/lbs sold (000's)	2,844	1,654	4,414	7,042	14,634
Ag/oz sold	79,145	70,050	127,492	264,376	313,481
Cash operating costs (co-product) ($/oz) gold	**$952**	**$1,236**	**$1,008**	**$1,055**	**$910**
Cash operating costs (co-product) ($/lb) copper	**$1.69**	**$2.29**	**$2.35**	**$2.01**	**$2.16**
Cash operating costs (co-product) ($/oz) silver	**$13.43**	**$16.74**	**$15.11**	**$14.97**	**$14.17**
All-in sustaining costs (co-product) ($/oz) gold	**$1,025**	**$1,557**	**$1,099**	**$1,244**	**$1,011**
All-in sustaining costs (co-product) ($/lb) copper	**$1.81**	**$2.84**	**$2.55**	**$2.35**	**$2.39**
All-in sustaining costs (co-product) ($/oz) silver	**$14.40**	**$20.70**	**$16.31**	**$17.40**	**$15.60**
All-in costs (co-product) ($/oz) gold	**$1,050**	**$1,578**	**$1,099**	**$1,264**	**$1,011**
All-in costs (co-product) ($/lb) copper	**$1.85**	**$2.87**	**$2.55**	**$2.38**	**$2.39**
All-in costs (co-product) ($/oz) silver	**$14.72**	**$20.96**	**$16.31**	**$17.65**	**$15.60**

(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.