CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER OF FISCAL 2017

THREE AND SIX MONTHS ENDED MARCH 31, 2017 AND 2016

UNAUDITED

(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.
Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss
Unaudited
(in thousands of United States dollars)

	Three months ended March 31, 2017	Three months ended March 31, 2016	Six months ended March 31, 2017	Six months ended March 31, 2016
Revenue	$ 31,714	$ 21,279	$ 55,172	$ 43,776
Cost of sales				
Mining costs (note 4)	26,272	19,045	50,628	39,851
Depreciation and amortization	5,434	3,055	11,389	8,615
	31,706	22,100	62,017	48,466
Gross margin	8	(821)	(6,845)	(4,690)
Expenses				
General and administrative (note 5)	761	1,416	1,480	2,307
Exploration	117	69	182	168
Community relations	133	91	319	180
Other (income) expense (note 6)	(565)	442	614	322
Finance costs (note 7)	424	91	761	157
Derivative instruments unrealized loss (note 8)	222	-	509	-
	1,092	2,109	3,865	3,134
Loss before income taxes	(1,084)	(2,930)	(10,710)	(7,824)
Provision for (recovery of) income taxes				
Current income tax (recovery) (note 19)	1,203	68	1,277	(71)
Deferred income tax recovery (note 19)	(54)	(328)	(1,600)	(2,007)
	1,149	(260)	(323)	(2,078)
Net loss and comprehensive loss	$ (2,233)	$ (2,670)	$ (10,387)	$ (5,746)
Net loss per share (note 9)				
Basic and diluted	$ (0.02)	$ (0.02)	$ (0.08)	$ (0.04)

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

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

	Three months ended March 31, 2017	Three months ended March 31, 2016	Six months ended March 31, 2017	Six months ended March 31, 2016
Operating activities				
Net loss	$ (2,233)	$ (2,670)	$ (10,387)	$ (5,746)
Adjustments for:				
Depreciation and amortization	5,437	3,082	11,420	8,670
Loss on disposal of assets	39	-	71	-
Accretion	118	38	232	77
Amortization of deferred financing fees	50	-	101	-
Stock-based compensation (note 21)	12	6	52	14
Warrants	(8)	15	(29)	5
Long-term compensation	(10)	53	(335)	(145)
Deferred income tax recovery (note 19)	(54)	(328)	(1,600)	(2,007)
Provision for statutory labour obligations	109	(71)	276	(52)
Foreign exchange loss (gain)	1	(278)	79	(98)
Derivative instruments unrealized loss (note 8)	222	-	509	-
Other operating activities	-	72	-	72
	3,683	(81)	389	790
Changes in non-cash working capital				
Concentrate and doré sales receivables	(1,543)	(1,726)	(3,305)	(2,203)
Value added taxes and other receivables and prepaid expenses	(1,331)	912	1,009	1,879
Inventory	(1,830)	(891)	(3,786)	(196)
Accounts payable and accrued liabilities	861	1,286	5,257	1,010
Income taxes payable	1,088	(35)	1,065	(240)
	(2,755)	(454)	240	250
Cash provided by (used in) operating activities	928	(535)	629	1,040
Financing activities				
Proceeds from Prepayment Facility (note 16)	4,500	-	4,500	-
Proceeds from (repayment of) BISA Loan, net (note 15)	(321)	-	557	-
Proceeds from bank debt, net	463	-	463	493
Finance leases (note 17)	(224)	-	2	-
Cash provided by financing activities	4,418	-	5,522	493
Investing activities				
Capital expenditures	(4,501)	(2,745)	(12,220)	(6,461)
Restricted cash	3,922	805	1,075	2,719
Cash used in investing activities	(579)	(1,940)	(11,145)	(3,742)
Change in cash	4,767	(2,475)	(4,994)	(2,209)
Cash, beginning of the period	9,521	17,535	18,939	17,236
Effect of exchange rate change on cash	(78)	(54)	265	(21)
Cash, end of period	$ 14,210	$ 15,006	$ 14,210	$ 15,006

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

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

	As at March 31, 2017	As at September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 14,210	$ 18,939
Restricted cash (note 10)	1,016	2,092
Concentrate and doré sales receivables	5,673	2,368
Value added taxes and other receivables and prepaid expenses	8,034	9,721
Copperwood note (note 3)	1,208	1,108
Inventory (note 11)	21,793	17,947
Income tax receivable	-	280
	51,934	52,455
Non-current assets		
Value-added taxes and other receivables	4,766	4,039
Restricted cash (note 10)	1,964	1,963
Reclamation bonds (note 10)	8,054	8,408
Deferred income tax asset	1,839	1,541
Property, plant and equipment (note 12)	106,210	105,856
	$ 174,767	$ 174,262
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	$ 32,062	$ 26,935
Income taxes payable	886	101
Bank debt (note 14)	980	517
BISA Loan (note 15)	5,485	4,928
Deferred revenue (note 16)	329	356
Current portion of Prepayment Facility (note 16)	5,111	444
Obligations under finance leases (note 17)	1,023	885
Derivative instruments (note 8)	569	60
	46,445	34,226
Non-current liabilities		
Decommissioning liabilities (note 18)	20,886	20,713
Prepayment Facility (note 16)	6,519	6,381
Deferred revenue (note 16)	246	400
Obligations under finance leases (note 17)	762	898
Provision for statutory labour obligations	3,234	2,958
Deferred income tax liability	508	1,810
Other liabilities	1,987	1,987
Long-term compensation (note 21 (b))	385	729
Warrants (note 20)	19	49
	80,991	70,151
Shareholders' equity		
Share capital (note 20)	116,206	116,206
Contributed surplus	3,552	3,500
Accumulated deficit	(25,982)	(15,595)
	93,776	104,111
	$ 174,767	$ 174,262

Commitments and contingent liabilities (note 23)

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

ORVANA MINERALS CORP.

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

		Share Capital		Contributed Surplus		Accumulated Deficit		Total
Balance, October 1, 2016	$	116,206	$	3,500	$	(15,595)	$	104,111
Stock-based compensation		-		52		-		52
Net loss		-		-		(10,387)		(10,387)
Balance, March 31, 2017	$	116,206	$	3,552	$	(25,982)	$	93,776

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

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

1. Nature of operations and corporate information

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company involved in the evaluation, development and mining of precious and base metal deposits. The Company owns and operates the El Valle Mine ("El Valle Mine") and Carlés Mine in Spain (collectively "El Valle"), which is held indirectly through its wholly-owned subsidiary, OroValle Minerals S.L., ("OroValle"). The Company restarted mining activities at Carlés on a short-term project basis in the fourth quarter of fiscal 2016. The Carlés Mine was previously under care and maintenance since the fourth quarter of fiscal 2015. The Company also owns and operates the Don Mario Mine ("Don Mario Mine") in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA").

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

The Company's head and registered office is 170 University Avenue, Suite 900, Toronto, Ontario, Canada. The Company is incorporated under the laws of Ontario, Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol TSX:ORV.

2. Basis of preparation

The Company prepares its condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") which do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2016.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2016.

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in note 4 of the Company's consolidated financial statements for the year ended September 30, 2016. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on May 3, 2017.

3. Divestiture of Copperwood

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

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

(in thousands of United States dollars unless otherwise noted)

anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

4. Mining costs

Mining costs include mine production costs, transport costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but exclude primary mine development costs, incurred at El Valle, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the three and six months ended March 31, 2017 and 2016 relate to El Valle and Don Mario.

	For the three months ended March 31, 2017	For the three months ended March 31, 2016	For the six months ended March 31, 2017	For the six months ended March 31, 2016
Direct mining costs	$ 24,307	$ 17,942	$ 47,014	$ 37,322
Royalties and mining rights (1)	990	655	1,710	1,376
Mining royalty taxes (2)	975	448	1,904	1,153
Total mining costs	$ 26,272	$ 19,045	$ 50,628	$ 39,851

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

5. General and administrative expenses

	For the three months ended March 31, 2017	For the three months ended March 31, 2016	For the six months ended March 31, 2017	For the six months ended March 31, 2016
Salaries, directors' fees and office administration	$ 906	$ 1,255	$ 1,717	$ 2,159
Depreciation	3	27	31	55
Stock-based compensation expense	12	6	52	14
Warrants	(7)	16	(29)	6
Long-term compensation	(15)	159	(255)	129
Foreign exchange	(138)	(47)	(36)	(56)
Total general and administrative expenses	$ 761	$ 1,416	$ 1,480	$ 2,307

6. Other (income) expense

	For the three months ended March 31, 2017	For the three months ended March 31, 2016	For the six months ended March 31, 2017	For the six months ended March 31, 2016
Provision for uncollectible VAT – EMIPA (1)	$ 60	$ 44	$ 138	$ 161
Loss on third party purchase and sale of copper concentrate (2)	7	-	1,133	-
Hoist settlement – OroValle (3)	(600)	-	(600)	-
Miscellaneous other (income) expense	(32)	398	(57)	161
Total other (income) expense	$ (565)	$ 442	$ 614	$ 322

(1) Based on the results of completed audits conducted by the Bolivian National Tax Service with respect to VAT claims, the Company had a provision of $2,563 as at March 31, 2017 for certain VAT amounts received or receivable that have not been audited by the Bolivian National Tax Service (September 30, 2016 - $2,425).
(2) Represents the estimated loss on the purchase and sale of third party copper concentrates used to satisfy a portion of the delivery terms of the Prepayment Facility during the first quarter of fiscal 2017. This transaction is not in the normal course of the Company's business. Refer to note 16 – Prepayment Facility.
(3) In 2017, the Company recovered a portion of its loss for the basic recovery costs of the hoist incurred in 2013.

(in thousands of United States dollars unless otherwise noted)

7. Finance costs

	For the three months ended March 31, 2017	2016	For the six months ended March 31, 2017	2016
Interest on credit facilities	$ 74	$ 37	$ 87	$ 52
Effective interest on Prepayment Facility	254	-	476	-
Other interest expense	32	16	69	28
Amortization of financing fees	50	-	101	-
Accretion expense on decommissioning obligations	88	84	177	169
Accretion gains on Copperwood deferred payments	(74)	(46)	(149)	(92)
Total finance costs	$ 424	$ 91	$ 761	$ 157

8. Derivative instruments

The Company had the following outstanding derivative instruments at March 31, 2017:

	Contract Prices	Cash Settlement	Contract Amounts
Copper			
Copper forwards (Apr 2017 - Sep 2017)	$4,519 to $4,850 / tonne	Monthly	536 tonnes

During the three and six months ended March 31, 2017, the Company paid and received net cash proceeds of $446 and $119, respectively (three and six months ended March 31, 2016 - $nil), in settlement of the gold and copper derivative instruments that matured in the period.

As at March 31, 2017, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

	Spot Rate / Price	Contract Rate / Price	Avg. Forward Rate/Price	Fair Value
Derivative instrument liabilities				
Copper forwards	$5,849/t	$4,519 to $4,850/t	$5,848/t	$569
Total fair value of derivative instruments liabilities at March 31, 2017				$569

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 counterparty for all the derivative instruments is Auramet International LLC.

The Company recorded fair value adjustments on its outstanding derivative instruments for the three and six months ended March 31, 2017 as follows:

	For the three months ended March 31, 2017	2016	For the six months ended March 31, 2017	2016
Change in unrealized fair value	$ (222)	$ -	$ (509)	$ -
Realized gain (loss) on cash settlements of derivative instruments (1)	(446)	-	119	-
Derivative instruments loss	$ (668)	$ -	$ (390)	$ -

(1) Realized gains (losses) on cash settlements of derivative instruments are recorded in revenue.

(in thousands of United States dollars unless otherwise noted)

9. Net loss per share

		For the three months ended		March 31,		For the six months ended		March 31,
		2017		2016		2017		2016
Net loss	$	(2,233)	$	(2,670)	$	(10,387)	$	(5,746)
Weighted average number of common shares outstanding – basic and diluted		136,623,171		136,623,171		136,623,171		136,623,171
Net loss per share – basic and diluted	$	(0.02)	$	(0.02)	$	(0.08)	$	(0.04)

10. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at March 31, 2017 was $1,016 (September 30, 2016 – $2,092), primarily consisting of guarantees on value-added tax (“VAT”) credit notes which expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government.

Long-term restricted cash as at March 31, 2017 was $1,964 (September 30, 2016 – $1,963), related to a deposit with a local bank in favour of the Bolivian government pending the appeal of a VAT audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. The associated liability related to the VAT audit has been recorded as part of accrued liabilities on the statement of financial position. As of March 31, 2017, the matter remains unresolved.

Reclamation bonds

At March 31, 2017, cash backed reclamation bonds held in a Spanish financial institution were $8,054 (September 30, 2016 – $8,408) and are expected to be released after all reclamation work at El Valle Mine and Carlés Mine has been completed. Prior to its acquisition by OroValle, El Valle Mine and Carlés Mine had been shut down by the owner thereof and remediation measures required were completed. On OroValle’s acquisition of El Valle Mine and Carlés Mine a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by OroValle relating to its tailings facility.

Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $5,346) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is awaiting a court decision after the Supreme Court of Spain ordered a reconsideration of the evidence regarding the application and amount of this bond. The Company is working with Spanish regulatory authorities to come to an agreement regarding posting this bond, including the consideration of alternatives to posting this bond, while preserving the Company’s rights in court.

11. Inventory

		March 31, 2017		September 30, 2016
Ore in stockpiles	$	1,476	$	222
Ore in-process		1,274		1,311
Gold doré		1,592		357
Copper concentrates		6,763		7,523
Materials and supplies		10,688		8,534
	$	21,793	$	17,947

(in thousands of United States dollars unless otherwise noted)

The Company recognized $28,982 and $56,166 of inventory in cost of sales for the three and six months ended March 31, 2017, respectively (three and six months ended March 31, 2016 – $20,942 and $43,416, respectively).

12. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2016	$1,600	$50,230	$247	$53,779	$105,856
Additions	31	8,289	93	3,494	11,907
Disposals	-	(71)	-	-	(71)
Depreciation (1)	-	(5,983)	(86)	(5,413)	(11,482)
Net book value, March 31, 2017	$1,631	$52,465	$254	$51,860	$106,210
Total cost	$1,631	$133,296	$2,358	$127,641	$264,926
Total accumulated depreciation	-	(80,831)	(2,104)	(75,781)	(158,716)
Net book value, March 31, 2017	$1,631	$52,465	$254	$51,860	$106,210

(1) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the six months ended March 31, 2017, capital expenditures exclude approximately $2,383 of capital expenditures incurred but unpaid as at March 31, 2017 (March 31, 2016 – $1,542), and include $2,696 of capital expenditures incurred in fiscal 2016 but unpaid as at September 30, 2016 (September 30, 2015 – $1,167).

13. Accounts payable and accrued liabilities

		March 31, 2017		September 30, 2016
Accounts payable	$	23,415	$	18,943
Accrued liabilities		8,647		7,992
Total accounts payable and accrued liabilities	$	32,062	$	26,935

14. Bank debt

In July 2016, OroValle entered into a €1,000,000 revolving credit facility with Banco Santander for a one year term bearing an annual rate of Euribor plus 2.25%. The credit facility is secured by OroValle's VAT receivable from the Spanish government. As at March 31, 2017, the balance drawn on the credit facility was €916,155 (approximately $980).

For the three and six months ended March 31, 2017, the Company paid $74 and $87, respectively, in interest on bank debt (three and six months ended March 31, 2016 – $37 and $52, respectively).

15. BISA Loan

In May 2016, EMIPA entered into a $7.9 million debt financing with Banco BISA S.A ("BISA") in Bolivia ("BISA Loan"), the proceeds of which were primarily used for the recommissioning of the carbon-in-leach circuit ("CIL Project"). Under the terms of the BISA Loan, five disbursements of specified amounts were drawn down by EMIPA as expenditures were incurred on the CIL Project. The BISA Loan matures in September 2017 and bears an interest rate of 6% per annum, with ten monthly principal repayments that began in December 2016. Security includes the CIL circuit as well as certain other assets at Don Mario for the term of the BISA Loan.

The BISA Loan contains covenants that, among other things, (i) restrict EMIPA's ability to make cash distributions to Orvana in certain circumstances and (ii) restrict EMIPA's ability to dispose or otherwise encumber material assets.

As at March 31, 2017, EMIPA had received all planned disbursements in the amount of $7,885 (September 30, 2016 - $4,928) and principal repayments of $2,400 were made against the BISA loan, such that the principal outstanding was $5,485 (September 30, 2016 - $4,928).

For the three and six months ended March 31, 2017, the Company paid $93 and $228, respectively, in interest on the BISA Loan (three and six months ended March 31, 2016 - $nil).

16. Prepayment Facility

In August 2016, the Company entered into a $12.5 million copper concentrates and gold doré Prepayment Facility with Samsung C&T U.K. Limited ("Samsung C&T"), the proceeds of which are being invested at El Valle for its on-going mine development activities and infrastructure projects.

Under the terms of the Prepayment Facility, Orvana is selling gold doré from its El Valle and Carlés Mines 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. In exchange, Orvana received $12.5 million in prepayment financing from Samsung C&T. The first instalment of $8.0 million was drawn on closing and will be repaid beginning in September 2017 in eighteen equal monthly payments. The second instalment of $4.5 million was drawn down in February 2017 and will be repaid beginning in December 2017 in nine equal monthly payments. The Prepayment Facility bears interest at USD 3M LIBOR plus 4.5% per annum. Interest payments and principal repayments under the terms of the Prepayment Facility are deducted from Orvana's on-going shipments of copper concentrates and/or gold doré. 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 Prepayment Facility.

Based on estimates of the expected gold recoveries and future profitability, Don Mario began to stockpile the higher gold grade LMZ mined ore during the second half of calendar 2016. As a result of this stockpiling activity and the requirements of the Prepayment Facility, the Company entered into a concentrate purchase agreement in October 2016, purchasing third-party copper concentrates for delivery under the Prepayment Facility. In the first quarter of fiscal 2017, the Company recorded an estimated loss of $1.1 million based on the provisional pricing terms on these transactions, representing the difference between the purchase terms and the sales terms under the Prepayment Facility. Final settlement of these transactions is expected to be in third quarter of fiscal 2017.

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

On initial recognition in its financial statements, the Company determined that the Prepayment Facility should be recognized as a hybrid financial instrument with value ascribed to a debt component and a deferred revenue or prepayment component. Each of these components were fair valued and, based on the results of these calculations, the initial $8.0 million received was divided into a long-term debt of $7.2 million and deferred revenues of $0.8 million. Amortization of deferred revenue, for the three and six months ended March 31, 2017 totalled $90 and $180, respectively (three and six months ended March 31, 2016 - $nil) and was recorded as part of revenues. Inputs to determine the fair value of the debt component included interest rates from recent independent market financing transactions, and inputs to determine the fair value of the deferred revenue component included the Company's expected production and commodity price estimates.

(in thousands of United States dollars unless otherwise noted)

Deferred financing fees of $501 were recognized on the closure of the Prepayment Facility. For the three and six months ended March 31, 2017, the Company amortized financing fees of $50 and $101, respectively (three and six months ended March 31, 2016 - $nil).

For the three and six months ended March 31, 2017, the Company paid $151 and $273, respectively, in interest on the Prepayment Facility (three and six months ended March 31, 2016 - $nil).

17. Obligations under finance leases

During fiscal 2016, El Valle entered into three lease agreements with a two to three-year lease term to purchase underground mobile equipment. The leases are payable in monthly installments at annual interest rates of 1.75% to 2.40%. Each contract has a purchase option.

At March 31, 2017, the long-term obligation outstanding was $1,785 (September 30, 2016 - $1,783). During the three and six months ended March 31, 2017, the Company made lease payments of $224 and $537, respectively (three and six months ended March 31, 2016 - $nil). The following is a schedule of future minimum payments under the finance leases:

			March 31, 2017		September 30, 2016
Fiscal	2017	$	524	$	911
	2018		949		773
	2019		321		126
	2020		27		10
			1,821		1,820
Amount representing interest at 1.96%			(36)		(37)
			1,785		1,783
Less: current portion of lease obligation			(1,023)		(885)
Total long-term obligations under finance leases		$	762	$	898

18. Decommissioning liabilities

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

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

		March 31, 2017		September 30, 2016
Balance, beginning of period	$	20,713	$	19,904
Revision in estimated cash flows, timing of payments and discount rates				
– El Valle Mine		-		(517)
– Don Mario Mine		-		1,022
		20,713		20,409
Accretion expense		177		338
Reclamation payments		(4)		(34)
Total decommissioning liabilities	$	20,886	$	20,713

(in thousands of United States dollars unless otherwise noted)

For El Valle Mine, the revision in estimated cash flows at September 30, 2016 includes the impact of the change in discount rate, the impact of the foreign exchange rate of Euros versus the US dollar, an update of the footprint of its estimated tailings area and updated estimates for other reclamation activities.

For Don Mario Mine, the revision in estimated cash flows at September 30, 2016 includes the impact of the change in discount rate, updated estimates for reclamation activities and the impact of a longer estimated mine life.

The decommissioning liability balance consists of:

		March 31, 2017		September 30, 2016
El Valle Mine	$	13,983	$	13,914
Don Mario Mine		6,903		6,799
Total decommissioning liabilities	$	20,886	$	20,713

As at March 31, 2017, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine (1)	$	15,546	0.99%	$	13,983
Don Mario Mine		7,718	3.20%		6,903
Total	$	23,264		$	20,886

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred beginning in 2017 and 2019 in respect of Don Mario Mine and El Valle Mine, respectively. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $8,054 at March 31, 2017 (September 30, 2016 – $8,408) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 10 – Restricted cash and reclamation bonds.

19. Income tax

Deferred tax balances are subject to remeasurement for changes in currency exchange rates for each period.

		For the three months ended March 31, 2017		2016		For the six months ended March 31, 2017		2016
Current income taxes:								
Current tax (recovery) on income for the periods	$	1,203	$	68	$	1,277	$	(71)
Total current income tax (recovery)		1,203		68		1,277		(71)
Deferred income tax:								
Tax rate increase in Spain		-		26		-		91
Origination and reversal of temporary differences in OroValle		(47)		(370)		(1,302)		(1,027)
Origination and reversal of temporary differences in EMIPA		(7)		16		(298)		(1,071)
Total deferred tax recovery		(54)		(328)		(1,600)		(2,007)
Total income tax expense (recovery)	$	1,149	$	(260)	$	(323)	$	(2,078)

Cash taxes paid by EMIPA during the three and six months ended March 31, 2017 totaled $nil and $88, respectively (three and six months ended March 31, 2016 – $nil and $97, respectively).

20. Share capital and warrants

Issued share capital as at March 31, 2017 was $116,206 (September 30, 2016 – $116,206). The Company's authorized share capital contains an unlimited number of common shares. As at March 31, 2017, the Company had 136,623,171 common shares (September 30, 2016 – 136,623,171) issued and outstanding.

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares		Stated Value
Balance, October 1, 2015	1,470,000	$	17
Non-exercisable warrants [(1)]	(420,000)		(13)
Fair value adjustment	-		45
Balance, September 30, 2016	1,050,000	$	49
Expiry	(450,000)		(4)
Fair value adjustment	-		(26)
Balance, March 31, 2017	600,000	$	19

(1) As a result of the forfeiture or expiration of certain stock options to acquire common shares under the Company's equity incentive plan on May 16, 2011 (the exercise of which were tied to Fabulosa's ability to exercise certain warrants), these warrants are non-exercisable.

As at March 31, 2017, outstanding and exercisable warrants were as follows:

Grant date		Fair value US$000's	Number of vested warrants	Exercise price C$	Expiry date
August 22, 2013		15	500,000	0.49	August 22, 2018
July 11, 2014		4	100,000	0.54	July 11, 2019
	$	19	600,000		

21. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, October 1, 2015	2,253,334	$1.29
Expired	(503,333)	3.04
Forfeited	(33,334)	0.41
Balance, September 30, 2016	1,716,667	$0.79
Granted	944,444	0.23
Expired	(583,333)	0.86
Balance, March 31, 2017	2,077,778	$0.52

The fair value of the options granted during the six months ended March 31, 2017 were estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date:	December 22,2016
Options granted:	944,444
Exercise price (C$ per share)	$0.23
Risk-free interest rate:	1.11%
Expected life in years:	5.00
Expected volatility:	72.54%
Expected dividend yield:	Nil
Expected forfeiture rate	10%
Fair value per option granted C$	$0.14
Weighted average grant date fair value US$000's	$97

As at March 31, 2017, outstanding and exercisable options were as follows:

Grant date		Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
June 1, 2012		22	-	0.17	50,000	0.86	June 1, 2017
August 30, 2012		4	-	0.42	8,334	0.92	August 30, 2017
March 7, 2013		141	-	0.94	250,000	1.02	March 7, 2018
March 29, 2013		80	-	0.14	150,000	1.05	May 20, 2017
March 29, 2013		27	-	1.00	50,000	1.05	March 29, 2018
December 16, 2013		28	-	0.58	100,000	0.43	October 31, 2017
February 26, 2014		50	-	0.09	150,000	0.75	May 3, 2017
February 26, 2014		50	-	0.14	150,000	0.75	May 20, 2017
December 18, 2014		21	-	2.72	125,000	0.30	December 18, 2019
May 14, 2015		17	33,334	3.12	66,666	0.37	May 14, 2020
December 22, 2016		97	944,444	4.73	-	0.23	December 22, 2021
	$	537	977,778	2.66	1,100,000		
Total vested and unvested options					2,077,778		

The Company uses the fair value method of accounting for options and, during the three and six months ended March 31, 2017, recognized stock-based compensation expense of $12 and $52, respectively (three and six months ended March 31, 2016 – $6 and $14, respectively).

The compensation expense associated with the options for the three and six months ended March 31, 2017 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (March 31, 2016 – 10%).

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

As at March 31, 2017, the fair value associated with unvested options is $103 (September 30, 2016 – $13).

(b) Long-term compensation

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

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

(in thousands of United States dollars unless otherwise noted)

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

	Number of DSUs		Fair value
Balance, October 1, 2015	365,446	$	49
Issued	2,206,331		249
Redeemed	(660,255)		(77)
Mark-to-market adjustment	-		196
Changes in current portion	(136,378)		(30)
Balance, September 30, 2016	1,775,144	$	387
Issued	471,700		74
Redeemed	(304,450)		(67)
Forfeited	(99,206)		(22)
Mark-to-market adjustment	-		(106)
Changes in current portion	(345,509)		(57)
Balance, March 31, 2017	1,497,679	$	209

(ii) Restricted share units (“RSU”) plan

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

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

	Number of RSUs		Fair Value
Balance, October 1, 2015	862,508	$	116
Issued	3,059,923		281
Redeemed	(1,401,298)		(172)
Forfeited	(2,650,916)		(261)
Mark-to-market adjustment	-		102
Changes in current portion	1,095,647		147
Balance, September 30, 2016	965,864	$	213
Issued	796,296		128
Mark-to-market adjustment	-		4
Changes in current portion	(965,864)		(213)
Balance, March 31, 2017	796,296	$	132

(iii) Stock appreciation rights (“SAR”) plan

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

(in thousands of United States dollars unless otherwise noted)

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

	Number of SARs		Fair value
Balance, October 1, 2015	1,558,630	$	33
Issued	4,972,666		-
Forfeited	(4,759,214)		-
Mark-to-market adjustment	-		96
Balance, September 30, 2016	1,772,082	$	129
Expired	(1,046,532)		(78)
Mark-to-market adjustment	-		(6)
Changes in current portion	(123,188)		(1)
Balance, March 31, 2017	602,362	$	44

22. Compensation of key management and related party transactions

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

	For the three months ended March 31,				For the six months ended March 31,			
		2017		2016		2017		2016
Salaries and short term employee benefits	$	370	$	367	$	750	$	696
Share-based payments (1)		(48)		59		(310)		317
Termination benefits		-		456		-		456
Other		-		-		-		4
Total compensation of key management	$	322	$	882	$	440	$	1,473

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

The Company's related parties as defined by IAS 24 "Related Party Disclosures", include the Company's subsidiaries, executive and non-executive directors, senior officers, entities controlled or jointly by the Company's directors or senior officers and Fabulosa, including entities controlled by or affiliated with Fabulosa.

The Company announced the appointment of Jim Gilbert as Chairman and Chief Executive Officer of the Company effective August 4, 2016. Compensation for Mr. Gilbert is payable through Minera S.A., a related party to the Company due to its affiliation with Fabulosa, with which the Company has signed a management fee agreement for Mr. Gilbert's services. The management fee agreement is based on an annual salary of $323 plus benefits and performance related compensation. As at March 31, 2017, the Company has accrued for $278 of outstanding payables under this agreement.

23. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle which may not be in compliance with certain of OroValle's permits. The Company believes that the average levels of selenium in this river are, by international standards, not a health or environmental risk. In recent years, OroValle has received approximately €955,000 (approximately $1,021) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Asturias is conducting an investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge may dismiss the matter and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged and has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

(in thousands of United States dollars unless otherwise noted)

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $5,346) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000,000 (approximately $5,346) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $5,346) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is awaiting a court decision after the Supreme Court of Spain ordered a reconsideration of the evidence regarding the application and amount of this bond. The Company is working with Spanish regulatory authorities to come to an agreement regarding posting this bond, including the consideration of alternatives to posting this bond, while preserving the Company's rights in court.

(c) Production from El Valle is subject to a 3% net smelter return royalty ("NSR"), referred to herein as El Valle Royalty, payable monthly. El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $502 and $837 for the three and six months ended March 31, 2017, respectively (three and six months ended March 31, 2016 - $436 and $893, respectively).

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled $489 and $873 for the three and six months ended March 31, 2017 (three and six months ended March 31, 2016 – $217 and $482, respectively). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $975 and $1,904 for the three and six months ended March 31, 2017 (three and six months ended March 31, 2016 – $448 and $1,153, respectively).

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

24. Segmented information

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

As at March 31, 2017:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 3,496	$ 90,084	$ 8,086	$ 17,841	$ 119,507
EMIPA	6,085	16,095	2,948	21,471	46,599
Corporate	4,629	31	-	4,001	8,661
	$ 14,210	$ 106,210	$ 11,034	$ 43,313	$ 174,767

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2016:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 7,645	$ 92,632	$ 8,442	$ 12,838	$ 121,557
EMIPA	3,965	13,164	2,021	21,280	40,430
Corporate	7,329	60	2,000	2,886	12,275
	$ 18,939	$ 105,856	$ 12,463	$ 37,004	$ 174,262

For the three months ended March 31, 2017:

	Revenue	Mining costs [(1)]	Depreciation Amortization[(2)]	Other costs	Income (loss) before taxes
OroValle	$ 17,435	$ 17,232	$ 3,955	$ (296)	$ (3,456)
EMIPA	14,279	9,040	1,479	678	3,082
Corporate	-	-	3	707	(710)
	$ 31,714	$ 26,272	$ 5,437	$ 1,089	$ (1,084)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 4 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

For the three months ended March 31, 2016:

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

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 4 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

For the six months ended March 31, 2017:

	Revenue	Mining costs [(1)]	Depreciation Amortization[(2)]	Other costs	Loss before taxes
OroValle	$ 29,413	$ 33,049	$ 7,616	$ 80	$ (11,332)
EMIPA	25,759	17,579	3,773	2,213	2,194
Corporate	-	-	31	1,541	(1,572)
	$ 55,172	$ 50,628	$ 11,420	$ 3,834	$ (10,710)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 4 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

For the six months ended March 31, 2016:

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

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 4 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

(in thousands of United States dollars unless otherwise noted)

25. Fair value measurements

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

Fair value hierarchy

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

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

As at March 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial liabilities:				
Long-term compensation	$ 341	$ 44	$ -	$ 385
Warrants	-	19	-	19
Total	$ 341	$ 63	$ -	$ 404

Valuation techniques for Level 2 financial instruments:

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

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

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

At March 31, 2017 and September 30, 2016, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes and other receivables; bank debt; BISA Loan; Prepayment Facility, accounts payable and accrued liabilities; and obligations under finance leases approximate their fair value either due to their short-term maturities or, for borrowings, interest payables are close to current market rates. Measurements for the financial assets and liabilities above are classified as level 1 in the fair value hierarchy, except for the Prepayment Facility which is classified as level 3 due to the use of unobservable inputs, including own credit risk.