MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2017

Introduction

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three and six months ended March 31, 2017.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three and six months ended March 31, 2017 and related notes thereto (the "Q2 Financials"). The Q2 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In this MD&A, all currency amounts (except per unit amounts) unless otherwise stated, are in United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". The information presented in this MD&A is as of May 3, 2017, 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 and Carlés Mine (collectively, "El Valle"), two underground gold-copper-silver mines with process facilities that produce copper concentrates 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 copper concentrates and gold doré, 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 unitary operating costs and realize growth in its future production base through exploration within and in proximity to its existing operations. Orvana is an Ontario registered company and its common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol TSX:ORV.

Second Quarter of Fiscal 2017 Consolidated Operating Highlights and Financial Results

The Company's strategy to increase production at its operations target productivity enhancements to allow for delivery of greater throughput, increased gold recovery and reduced unitary costs. The Company is pleased to report the following positive developments in the second quarter as follows:

- **El Valle – Sustained productivity improvements and delivered higher gold and copper production:** The daily mill throughput rates achieved during the first quarter were sustained during the second quarter, supported by continued productivity increases. Mine plan flexibility supported by improving development and backfill rates allowed El Valle to realize higher ore grades mined, increasing gold and copper production during the second quarter by 11% and 77%, respectively, as compared to the first quarter. The amended explosives permit required to increase mining rates at Carlés was received in February 2017 and El Valle expects to continue to improve its daily throughput rate through greater ore availability from Carlés.
- **Don Mario – CIL re-commissioning completed, immediately increasing gold production:** The re-commissioning of the carbon-in-leach circuit (the "CIL Project") was completed in January 2017. Improvements were made to optimize reagent mix and residence time subsequent to completion, allowing Don Mario to achieve gold recoveries of 86% in March 2017, exceeding its targeted average gold recovery of 80%. Doré refining and sales agreements were finalized and first sale under these

agreements was made in March 2017. The total capital costs of the CIL Project were within the capital cost estimate of $6.4 million +/-15%. Repayment of the associated project financing with Banco BISA S.A. (the “BISA Loan”) began in December 2016.

- **Realized reductions in unitary costs:** As a result of the above productivity increases, the Company has realized decreases in unitary costs at both of its operations and on a consolidated basis during the second quarter of fiscal 2017. Consolidated cash operating cost per ounce of gold sold fell to $993 per ounce, compared with $1,258 per ounce in the first quarter of fiscal 2017 and $1,100 per ounce in the second quarter of fiscal 2016.

- **Improved financial performance in the second quarter:** Supported by the productivity increases and higher commodity prices, revenue increased 35% to $31.7 million in the second quarter, compared with the first quarter of fiscal 2017. As a result, consolidated quarterly gross margin improved by $6.9 million quarter over quarter. Consolidated cash balances increased from $9.5 million at December 31, 2016 to $14.2 million at March 31, 2017.

	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating Performance					
Gold					
Grade (g/t)	**2.55**	1.97	2.28	**2.24**	2.19
Recovery (%)	**81.2**	72.8	76.1	**77.4**	78.7
Production (oz)	**20,513**	15,699	17,116	**36,212**	34,905
Sales (oz)	**20,773**	13,937	14,659	**34,710**	30,733
Average realized price / oz	**$1,238**	$1,260	$1,176	**$1,247**	$1,139
Copper					
Grade (%)	**0.66**	0.85	0.78	**0.76**	0.78
Recovery (%)	**63.7**	56.3	62.5	**59.4**	66.9
Production (‘000 lbs)	**2,867**	3,588	3,320	**6,455**	7,271
Sales (‘000 lbs)	**3,032**	3,560	2,379	**6,592**	6,251
Average realized price / lb	**$2.50**	$2.32	$2.07	**$2.40**	$2.16
Silver					
Grade (g/t)	**9.58**	14.04	16.36	**11.92**	19.47
Recovery (%)	**70.1**	70.4	73.7	**70.3**	73.7
Production (oz)	**66,485**	108,280	119,175	**174,765**	290,839
Sales (oz)	**87,441**	125,626	103,814	**213,067**	264,438
Average realized price / oz	**$17.42**	$17.25	$14.62	**$17.32**	$14.76
Financial Performance *(in 000’s, except per share amounts)*					
Revenue	**$31,714**	$23,458	$21,279	**$55,172**	$43,776
Mining costs	**$26,272**	$24,356	$19,045	**$50,628**	$39,851
Gross margin	**$8**	($6,853)	($821)	**($6,845)**	($4,690)
Net loss	**($2,233)**	($8,154)	($2,670)	**($10,387)**	($5,746)
Net loss per share (basic/diluted)	**($0.02)**	($0.06)	($0.02)	**($0.08)**	($0.04)
EBITDA [(1)]	**$4,774**	($3,334)	$216	**$1,440**	$948
Operating cash flows before non-cash working capital changes	**$3,683**	($3,294)	($81)	**$389**	$790
Operating cash flows	**$928**	($299)	($535)	**$629**	$1,040
Ending cash and cash equivalents	**$14,210**	$9,521	$15,006	**$14,210**	$15,006
Capital expenditures [(2)]	**$4,501**	$7,719	$2,745	**$12,220**	$6,461
Cash operating costs (by-product) ($/oz) gold [(1)]	**$993**	$1,258	$1,100	**$1,099**	$1,050
All-in sustaining costs (by-product) ($/oz) gold [(1)(2)]	**$1,214**	$1,732	$1,411	**$1,422**	$1,361

(1) Earnings before interest, taxes, depreciation and amortization (“EBITDA”), cash operating costs (“COC”) and all-in sustaining costs (“AISC”) are non-IFRS performance measures. For further information and a detailed reconciliation of these measures not presented elsewhere, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(2) These amounts are presented in the consolidated cash flows in the Q2 Financials on a cash basis. Each reported period excludes capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. See the “Cash Flows, Commitments and Liquidity - Capital Expenditures” section of this MD&A. The calculation of AISC includes capex incurred (paid and unpaid) during the period.

Operational Results

- Highest consolidated quarterly gold production since quarter ended December 31, 2014.
- Production of 20,513 ounces of gold, 2.9 million pounds (1,300 tonnes) of copper and 66,485 ounces of silver during the second quarter of fiscal 2017, an increase in gold production of 20% and a decrease in copper and silver production of 14% and 44%, respectively, compared with the second quarter of fiscal 2016.
- Production of 27,683 gold equivalent ounces during the second quarter of fiscal 2017, compared with 24,529 during the second quarter of fiscal 2016. (1)
- Sales of 20,773 ounces of gold, 3.0 million pounds (1,375 tonnes) of copper and 87,441 ounces of silver during the second quarter of fiscal 2017, an increase in gold and copper sales of 42% and 27%, respectively, and a decrease in silver sales of 13%, compared with the second quarter of fiscal 2016.
- Production of 36,212 ounces of gold, 6.5 million pounds (2,928 tonnes) of copper and 174,765 ounces of silver during the first half of fiscal 2017, an increase in gold production of 4% and a decrease in copper and silver production of 11% and 40%, respectively, compared with the first half of fiscal 2016.
- Production of 51,904 gold equivalent ounces during the first half of fiscal 2017, compared with 52,411 during the first half of fiscal 2016. (1)
- Sales of 34,710 ounces of gold, 6.6 million pounds (2,990 tonnes) of copper and 213,067 ounces of silver during the first half of fiscal 2017, an increase in gold and copper sales of 13% and 5%, respectively, and a decrease in silver sales of 19% compared with the first half of fiscal 2016.

El Valle and Carlés Mines

- Second quarter gold, copper and silver production increased by 11%, 77% and 74%, respectively, to 11,917 ounces, 1.5 million pounds and 51,080 ounces, respectively, compared with the first quarter of fiscal 2017. Production improvements were primarily driven by higher gold, copper and silver grades mined.
- Mining production at El Valle increased compared with the first quarter of fiscal 2017, primarily through improved production from the Carlés Mine. Mining rates at Carlés improved by over 130% to 15,966 tonnes mined during March 2017, up from a monthly average of 6,791 tonnes prior to receiving the amended explosives permit in February 2017. Higher grade oxide production at the El Valle Mine also increased by 26% in the second quarter of fiscal 2017 compared to the first quarter of fiscal 2017.
- Supported by continued power and water infrastructure improvements and additional machinery, development and backfill rates continued to improve at El Valle, increasing by 4% and 55%, respectively, compared with the first quarter of fiscal 2017.

Don Mario Mine

- Second quarter gold production at Don Mario increased by 73% to 8,596 ounces compared with the first quarter of fiscal 2017, as a result of higher gold recoveries achieved from the re-commissioned CIL circuit.
- As a result of the planned transition to processing the higher gold grade and lower copper grade ore from the Lower Mineralized Zone (LMZ), copper production at Don Mario decreased by 50% to 1.4 million pounds compared to 2.7 million pounds in the first quarter of fiscal 2017.

Financial Results

- Cash and cash equivalents balance of $14.2 million at March 31, 2017, an increase of $4.7 million from the previous quarter ended December 31, 2016.

- Net revenue of $31.7 million for the second quarter of fiscal 2017, or 49% higher, compared with $21.3 million for the second quarter of fiscal 2016, primarily due to higher gold and copper sales volumes and realized metal prices, offset by lower silver sales volumes.
- Mining costs of $26.3 million for the second quarter of fiscal 2017, or 38% higher, compared with $19.0 million for the second quarter of fiscal 2016 primarily due to higher gold sales volumes, as well as higher mining costs at Don Mario as a result of increased reagent and power costs required by the re-commissioned CIL circuit.
- Net loss for the second quarter of fiscal 2017 of $2.2 million compared with $2.7 million for the second quarter of fiscal 2016.
- EBITDA for the second quarter of fiscal 2017 of $4.7 million compared with $0.2 million for the second quarter of fiscal 2016.
- Cash flows provided by operating activities of $0.9 million in the second quarter of fiscal 2017 compared with cash flows used in operating activities of $0.5 million in the second quarter of fiscal 2016 and cash flows provided by operating activities before changes in non-cash working capital of $3.7 million in the second quarter of fiscal 2017 compared with cash flows used in operating activities before changes in non-cash working capital of $0.1 million in the second quarter of fiscal 2016. (2)
- Capital expenditures of $4.5 million in the second quarter of fiscal 2017 compared with $2.7 million in the second quarter of fiscal 2016.
- COC and AISC on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold in the second quarter of fiscal 2017 of $993 and $1,214, respectively, compared with COC and AISC (by-product) of $1,100 and $1,411, respectively, in the second quarter of fiscal 2016. Higher ounces of gold sold at both El Valle and Don Mario positively impacted both COC and AISC. (2)
- Net revenue of $55.2 million for the first half of fiscal 2017, or 26% higher, compared with $43.8 million for the first half of fiscal 2016, driven primarily by higher realized metal sales prices and higher gold and copper volumes sold.
- Mining costs of $50.6 million for the first half of fiscal 2017, or 27% higher, compared with $39.9 million for the first half of fiscal 2016 due to higher sales volumes as well as increases in mining costs at Don Mario for reagents and power required by the re-commissioned CIL circuit and increases at El Valle in respect of contract mining costs at Carlés, labour increases at Boinás and increased materials costs for ground support and maintenance.
- Net loss for the first half of fiscal 2017 of $10.4 million compared with $5.7 million for the first half of fiscal 2016.
- EBITDA for the first half of fiscal 2017 of $1.4 million compared with $0.9 million for the first half of fiscal 2016.
- Cash flows provided by operating activities of $0.6 million in the first half of fiscal 2017 compared with cash flows provided by operating activities of $1.0 million in the first half of fiscal 2016 and cash flows provided by operating activities before changes in non-cash working capital of $0.4 million in the first half of fiscal 2017 compared with cash flows provided by operating activities before changes in non-cash working capital of $0.8 million in the first half of fiscal 2016. (2)
- Capital expenditures of $12.2 million in the first quarter of fiscal 2017 compared with $6.5 million in the first half of fiscal 2016.
- COC and AISC on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold in the first half of fiscal 2017 of $1,099 and $1,422, respectively, compared with COC and AISC (by-product) of $1,050 and $1,361, respectively, in the first half of fiscal 2016. The impact of higher mining costs and higher planned capital expenditures on COC and AISC were partially offset by higher volumes of gold sold and by-product revenues. (2)

Growth Initiatives Highlights

El Valle and Carlés Mines

- As mentioned above, ore production from Carlés has ramped up significantly since the receipt of the required amendment to the relevant explosives permit in February 2017. The Company expects that increased ore production from Carlés will continue to the end of fiscal 2017. As an opportunity to expand or increase the life of the Carlés Mine and extend the restart of Carlés beyond the short-term, the Company is conducting infill drilling in Carlés NW which is expected to be completed during fiscal 2017.
- Exploration advances continue on the Company's greenfield Quintana and Lidia properties.

Don Mario Mine

- The completed CIL Project may provide the Company with economic opportunities for processing additional sources of material at Don Mario. In recent months, the Company has been re-evaluating the economic potential of its existing mineral stockpile. Initial testing results have yielded positive indications, and the Company expects to carry out larger scale tests in the coming months. The Company has also commenced an evaluation of re-processing tailings to determine the viability of recovering gold from material deposited in the tailings impoundment since the commencement of production at Don Mario.

(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) EBITDA, 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 detailed reconciliations, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Outlook

The Company continues 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, supported by recent capital infrastructure and development investments, the Company continues to work towards achieving its target of a sustained mill throughput rate of 2,000 tonnes per day. Next steps at El Valle include continued improvements to development to increase access to higher grade oxide ore fronts in the El Valle Mine, adding greater flexibility to the mine's production activities, as well as continued geotechnical and planning improvements to further de-risk the mine plan. At the Carlés Mine, the Company received the required amended explosives permit in February 2017 and has since significantly improved its production rates. Together with the short-term boost of full production from Carlés Mine, El Valle is expected to improve its metal production and lower its unitary cash costs over the balance of fiscal 2017 with the objective of continuing to achieve production and cost guidance as set out below.

At Don Mario, the Company completed the CIL Project and poured its first gold-silver doré bar in January 2017. The Company closed doré refining and sales agreements during the second quarter, making first sale under these agreements in March 2017. During the second half of calendar 2016, Don Mario began to stockpile mined higher gold grade LMZ ore for use in the CIL circuit. During March 2017, gold recoveries exceeded the targeted rate of 80%, up from previous average recoveries of 55% from the flotation process. The combination of the higher gold grade LMZ material and the increased recovery rates from the CIL circuit are expected to allow Don Mario to generate free cash flow later in fiscal 2017 and allow for repayment of the BISA Loan in full by the end of fiscal 2017. Unitary costs are expected to continue to be positively impacted through the second half of fiscal 2017 as increased gold production is realized from the CIL circuit. The Company also continues to assess known opportunities for mine life extension, such as development of the resource at Cerro Felix and the processing of existing oxide stockpiles.

The following table sets out the results of Orvana's first half of fiscal 2017 as well as its fiscal 2017 production and cost guidance:

	YTD 2017 Actual	FY 2017 Guidance
El Valle Mine Production		
Gold (oz)	**22,640**	50,000 – 55,000
Copper (million lbs)	**2.4**	6.0 – 6.5
Silver (oz)	**80,401**	170,000 – 200,000
Don Mario Mine Production		
Gold (oz)	**13,572**	35,000 – 40,000
Copper (million lbs)	**4.1**	7.0 – 7.5
Silver (oz)	**94,364**	130,000 – 150,000
Total Production		
Gold (oz)	**36,212**	85,000 – 95,000
Copper (million lbs)	**6.5**	13.0 – 14.0
Silver (oz)	**174,765**	300,000 – 350,000
Total capital expenditures	**$12,220**	$27,000 – $30,000
Cash operating costs (by-product) ($/oz) gold (1)	**$1,099**	$1,050 – $1,150
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,422**	$1,300 – $1,400

(1) FY 2017 guidance assumptions for COC and AISC include by-product commodity prices of $2.00 per pound of copper and $18.00 per ounce of silver and an average Euro to US Dollar exchange of 1.12.

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.

<u>Second Quarter Ended March 31, 2017 Compared with Second Quarter Ended March 31, 2016</u>

The Company recorded a net loss of $2.2 million or $0.02 per share for the second quarter of fiscal 2017 compared with $2.7 million or $0.02 per share for the second quarter of fiscal 2016. The Company's net loss was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2017 increased by $10.4 million or 49% to $31.7 million on sales of 20,733 ounces of gold, 3.0 million pounds of copper and 87,441 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 primarily due to higher gold and copper sales volumes and realized gold and copper prices.
- Mining costs were $26.3 million or $7.2 million higher for the second quarter of fiscal 2017 compared with $19.0 million for the second quarter of fiscal 2016, primarily due to higher gold sales volumes, as well as higher mining costs at Don Mario as a result of increased reagent and power costs required by the re-commissioned CIL circuit.
- Gross margin increased by $0.8 million to $8.0 thousand for the second quarter of fiscal 2017 compared with negative $0.8 million for the second quarter of fiscal 2016.
- EBITDA increased by $4.6 million to $4.8 million for the second quarter of fiscal 2017 compared with $0.2 million for the second quarter of fiscal 2016.

Total consolidated COC (by-product) of $993 per ounce of gold sold in the second quarter of fiscal 2017 were $107 or 10% lower than the second quarter of fiscal 2016. Total AISC (by-product) of $1,214 per ounce of gold sold in the second quarter of fiscal 2017 were $197 or 14% lower than in the second quarter of fiscal 2016. Higher consolidated ounces of gold sold as well as higher by-product copper revenues positively impacted COC and AISC.

<u>First Half Ended March 31, 2017 Compared with First Half Ended March 31, 2016</u>

The Company recorded a net loss of $10.4 million for the first half of fiscal 2017 or $0.08 per share compared with $5.7 million for the first half of fiscal 2016 or $0.04 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first half of fiscal 2017 increased by $11.4 million or 26% to $55.2 million on sales of 34,710 ounces of gold, 6.6 million pounds of copper and 213,067 ounces of silver from El Valle and Don Mario compared with revenue of $43.8 million on sales of 30,733 ounces of gold, 6.3 million pounds of copper and 264,438 ounces of silver in the first half of fiscal 2016. The increase in revenue was primarily due to higher gold and copper sales volumes and higher realized metal prices.
- Mining costs were $50.6 million or $10.8 million higher for the first half of fiscal 2017 compared with $39.9 million for the first half of fiscal 2016, due to higher sales volumes as well as increases in mining costs at Don Mario for reagents and power required by the re-commissioned CIL circuit and increases at El Valle in respect of contract mining costs at Carlés, labour increases at Boinás and increased materials costs for ground support and maintenance.
- Gross margin decreased by $2.2 million to negative $6.8 million for the first half of fiscal 2017 compared with negative $4.7 million for the first half of fiscal 2016.
- EBITDA increased by $0.5 million to $1.4 million for the first half of fiscal 2017 compared with $0.9 million for the first half of fiscal 2016.

Total consolidated COC (by-product) of $1,099 per ounce of gold sold in the first half of fiscal 2017 were $49 or 5% higher than the first half of fiscal 2016. Total AISC (by-product) of $1,422 per ounce of gold sold in the first half of fiscal 2017 were $61 or 4% higher than in the first half of fiscal 2016. The impact of higher mining costs on COC and AISC was partially offset by higher gold ounces sold and by-product copper revenues. AISC was also impacted by higher planned capital expenditures primarily at El Valle.

Second Quarter Ended March 31, 2017 Compared with First Quarter Ended December 31, 2016

The Company recorded a net loss of $2.2 million or $0.02 per share for the second quarter of fiscal 2017 compared with $8.2 million or $0.06 per share for the first quarter of fiscal 2017. The Company's net loss was impacted significantly by the following factors:

- Revenue for the second quarter of fiscal 2017 increased by $8.3 million or 35% to $31.7 million on sales of 20,733 ounces of gold, 3.0 million pounds of copper and 87,441 ounces of silver from El Valle and Don Mario compared with revenue of $23.5 million on sales of 13,937 ounces of gold, 3.6 million pounds of copper and 125,626 ounces of silver in the first quarter of fiscal 2017. The increase in revenue was primarily due to higher gold sales volumes and realized copper sales prices.
- Mining costs were $26.3 million or $1.9 million higher for the second quarter of fiscal 2017 compared with $24.4 million for the first quarter of fiscal 2017, primarily due to higher gold sales volumes , as well as higher mining costs at Don Mario as a result of increased reagent and power costs required by the re-commissioned CIL circuit.
- Gross margin increased by $6.9 million to $8.0 thousand for the second quarter of fiscal 2017 compared with gross margin of negative $6.9 million for the first quarter of fiscal 2017.
- EBITDA increased by $8.1 million to $4.8 million for the second quarter of fiscal 2017 compared with negative $3.3 million for the first quarter of fiscal 2017.

Total consolidated COC (by-product) of $993 per ounce of gold sold in the second quarter of fiscal 2017 were $265 or 21% lower than the first quarter of fiscal 2017. Total AISC (by-product) of $1,214 per ounce of gold sold in the second quarter of fiscal 2017 were $518 or 30% lower than in the first quarter of fiscal 2017. Higher gold ounces sold positively impacted COC and AISC compared with the first quarter.

El Valle

Through its wholly-owned subsidiary, OroValle Minerals S.L. ("OroValle"), the Company owns and operates the El Valle and Carlés mines 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, Carlés was placed on care and maintenance. As a result of the beneficial gold price and foreign exchange environment experienced through fiscal 2016, the Company performed an economic review of Carlés and, based on the results of this review, restarted mining activities on a short-term basis beginning in September 2016.

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

	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating Performance					
Ore mined (tonnes) (wmt)	**177,572**	170,024	109,334	**347,596**	236,942
Ore milled (tonnes) (dmt)	**157,621**	162,121	104,083	**319,742**	225,351
Daily average throughput (dmt)	**1,844**	1,855	1,144	**1,850**	1,318
Gold					
Grade (g/t)	**2.60**	2.23	3.76	**2.41**	3.78
Recovery (%)	**90.4**	92.4	93.7	**91.4**	93.6
Production (oz)	**11,917**	10,723	11,775	**22,640**	25,668
Sales (oz)	**12,218**	8,828	12,111	**21,046**	24,523
Copper					
Grade (%)	**0.58**	0.34	0.44	**0.46**	0.51
Recovery (%)	**74.1**	69.3	66.1	**72.3**	72.4
Production ('000 lbs)	**1,503**	847	665	**2,350**	1,875
Sales ('000 lbs)	**1,441**	791	725	**2,232**	1,994
Silver					
Grade (g/t)	**13.49**	7.64	10.74	**10.52**	12.63
Recovery (%)	**74.7**	73.6	80.6	**74.3**	79.3
Production (oz)	**51,080**	29,321	28,947	**80,401**	72,378
Sales (oz)	**46,892**	27,311	30,764	**74,203**	76,148
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$17,435**	$11,978	$15,225	**$29,413**	$30,926
Mining costs	**$17,232**	$15,817	$13,547	**$33,049**	$27,074
Loss before tax	**($3,456)**	($7,876)	($598)	**($11,332)**	($2,751)
Capital expenditures (1)	**$2,253**	$3,425	$1,534	**$5,678**	$3,070
Cash operating costs (by-product) ($/oz) gold (2)	**$1,215**	$1,640	$1,067	**$1,393**	$1,007
All-in sustaining costs (by-product) ($/oz) gold (2)	**$1,484**	$2,141	$1,264	**$1,759**	$1,216
All-in costs (by-product) ($/oz) gold (2)	**$1,484**	$2,141	$1,264	**$1,759**	$1,216

(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 Operating Performance

During the second quarter of fiscal 2017, El Valle produced 11,917 ounces of gold, 1.5 million pounds of copper and 51,080 ounces of silver compared with 10,723 ounces of gold, 0.8 million pounds of copper and 29,321 ounces of silver during the first quarter of fiscal 2017 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 increased by 11%, 77% and 74% compared with the first quarter of fiscal 2017. Higher average head grades of gold, copper and silver of 17%, 71% and 77%, respectively, drove the increased production during the first quarter.

Compared to the second quarter of fiscal 2016, gold, copper and silver production increased by 1%, 126% and 76%, respectively, in the second quarter of fiscal 2017. Increases were driven by a 51% increase in ore tonnes milled as well as higher copper and silver average head grades of 32% and 26%.

During the second quarter of fiscal 2017, the El Valle Mine maintained its mine productivity gains achieved in both oxide and skarn areas, supported by recent planned capital investments in infrastructure, equipment and development. Oxide production improved by 26% compared with the first quarter of fiscal 2017 while skarn production decreased slightly by 5%.

During the second quarter of fiscal 2017, El Valle received an amendment to the explosives permit in February 2017 required to advance Carlés mine production to planned levels. Production rates at Carlés in March 2017 rose by over 130% compared with prior months. Increasing ore production from Carlés will allow El Valle to sustain nameplate plant capacity as was reached in December 2016, processing 2,000 tonnes per day.

El Valle continues its focus on improving mine grades while maintaining nameplate production. El Valle expects to increase mine production flexibility through continued improvements to development and backfill rates allowing for access to a greater number of stopes and planning options to improve mined grades – specifically in higher grade oxide zones beginning in the second half of fiscal 2017. During the second quarter of fiscal 2017, El Valle improved its development and backfill rates by 8% and 55%, respectively. In recent months, some planned higher grade transition stopes were eliminated from the mining sequence due to the increased frequency of geotechnical issues impacting production in these areas. Replacing these transition areas in the near-term mine plan is expected to positively impact physical production and allow efforts to be fully focused on improving grades delivered to the plant.

Water management and power infrastructure improvements also continued during the first half of fiscal 2017. Efforts are focused on upgrading underground water infrastructure to allow for more efficient water usage in operational equipment, as well as continued daily management of the drainage of the aquifer to reduce environmental and productivity risks. Interim power infrastructure upgrades were installed in fiscal 2016 while a permanent power line is being constructed by the local power company. The Company expects completion of this power line by the end of calendar 2017.

El Valle Financial Performance

Revenue from El Valle for the second quarter of fiscal 2017 increased by 15% to $17.4 million on sales of 12,218 ounces of gold, 1.4 million pounds of copper and 46,892 ounces of silver from $15.2 million in the second quarter of fiscal 2016 on sales of 12,111 ounces of gold, 0.7 million pounds of copper and 30,764 ounces of silver as a result of higher metal volumes sold as well as higher realized metal prices.

Mining costs increased by 27% from $13.5 million in the second quarter of fiscal 2016 to $17.2 million in the second quarter of fiscal 2017 primarily due to ramp-up costs at Carlés, additional labour at El Valle Mine and higher maintenance and ground support material costs.

Loss before tax for the second quarter of fiscal 2017 was $3.5 million compared with $0.6 million in the second quarter of fiscal 2016.

Total capital expenditures at El Valle during the second quarter of fiscal 2017 were $2.3 million compared with $1.5 million for the second quarter of fiscal 2016. Capital expenditures in the second quarter of fiscal 2017 consisted substantially of primary development, mining infrastructure and machinery. Refer to the “Financial Condition Review - Capital Expenditures” section of this MD&A.

Total COC (by-product) of $1,215 per ounce of gold sold in the second quarter of fiscal 2017 were $148 or 14% higher than in the second quarter of fiscal 2016. Total AISC (by-product) of $1,484 per ounce of gold sold in the second quarter of fiscal 2017 were $220 or 17% higher than in the second quarter of fiscal 2016. COC and AISC in the second quarter of fiscal 2017 were higher compared with the second quarter of fiscal 2016 due to increases in mining costs partially offset by higher metals volumes sold.

El Valle Growth Exploration

Infill drilling undertaken during the first quarter of fiscal 2017 brought the total targeted tonnage at Carlés Mine to approximately 123,000 tonnes at an average gold grade of approximately 2.6 g/t. As an opportunity to expand or increase the life of the Carlés Mine and extend the restart of Carlés beyond the short-term, the Company is conducting infill drilling on Carlés NW which is expected to be completed during fiscal 2017.

Additionally, 6,338 meters of infill definition diamond drilling was also completed through the second quarter of fiscal 2017 at the El Valle Mine, primarily targeting the Boinás East, Black Skarn, Boinás South and A107 zones.

Greenfield exploration continues on the Company's Quintana and Lidia properties in the immediate vicinity of the El Valle Mine.

Don Mario

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. From 2012 to the end of 2016, EMIPA had mined the Upper Mineralized Zone ("UMZ") as an open-pit mine and in 2016 EMIPA commenced mining of new material at the upper extension of the LMZ as an open-pit mine. EMIPA is currently focused on processing the higher grade LMZ ore in its recently re-commissioned CIL circuit.

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

	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating Performance					
Ore mined (tonnes) (dmt)	**162,246**	211,379	162,709	**373,625**	331,422
Ore milled (tonnes) (dmt)	**150,231**	178,480	203,314	**328,711**	405,077
Daily average throughput (dmt)	**1,911**	2,302	2,460	**2,105**	2,492
Gold					
Grade (g/t)	**2.50**	1.73	1.52	**2.08**	1.30
Recovery (%)	**71.1**	50.2	53.77	**59.7**	54.8
Production (oz)	**8,596**	4,976	5,341	**13,572**	9,237
Sales (oz)	**8,555**	5,109	2,548	**13,664**	6,210
Copper					
Grade (%)	**0.75**	1.31	0.96	**1.05**	0.93
Recovery (%)	**54.6**	53.1	61.54	**53.8**	65.0
Production ('000 lbs)	**1,364**	2,741	2,655	**4,105**	5,396
Sales ('000 lbs)	**1,591**	2,769	1,654	**4,360**	4,257
Silver					
Grade (g/t)	**5.48**	19.85	19.24	**13.28**	23.28
Recovery (%)	**58.2**	69.3	71.73	**64.2**	72.0
Production (oz)	**15,405**	78,959	90,228	**94,364**	218,461
Sales (oz)	**40,549**	98,315	70,050	**138,864**	188,290
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$14,279**	$11,480	$6,054	**$25,759**	$12,850
Mining costs	**$9,040**	$8,539	$5,498	**$17,579**	$12,777
Income (loss) before tax	**$3,082**	($888)	($878)	**$2,194**	($2,782)
Capital expenditures	**$1,472**	$4,755	$1,472	**$6,227**	$3,464
Cash operating costs (by-product) ($/oz) gold (1)	**$676**	$599	$1,256	**$647**	$1,222
All-in sustaining costs (by-product) ($/oz) gold (1)	**$836**	$1,048	$2,043	**$915**	$1,967
All-in costs (by-product) ($/oz) gold (1)	**$912**	$1,647	$2,095	**$1,187**	$2,011

(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.

<u>Don Mario Operating Performance</u>

During the second quarter of 2017, 8,596 ounces of gold, 1.4 million pounds of copper and 15,405 ounces of silver were produced at Don Mario compared with 4,976 ounces of gold, 2.7 million pounds of copper and 78,959 ounces of silver in the first quarter of fiscal 2017 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 73% increase in gold production compared with the first quarter of fiscal 2017 was primarily driven by higher gold recoveries and grades of 42% and 45%, respectively. Copper and silver production decreased by 50% and 80%, respectively, primarily due to the lower copper grades and silver grades of 43% and 72%, respectively, realized in processing ore from the Lower Mineralized Zone.

Compared with the second quarter of fiscal 2016, gold production increased by 61% while copper and silver production decreased by 49% and 83%, respectively, in the second quarter of fiscal 2017. Higher gold production was due primarily to average head grades increasing by 64% and gold recoveries by 32%, while copper and silver production were reduced by average head grades decreasing by 22% and 72%, respectively.

Don Mario Financial Performance

During the second quarter of fiscal 2017, revenue from Don Mario increased by 136% from $6.1 million in the second quarter of fiscal 2016 to $14.3 million on sales of 8,555 ounces of gold, 1.6 million pounds of copper and 40,549 ounces of silver in the second quarter of fiscal 2017 compared with sales of 2,548 ounces of gold, 1.7 million pounds of copper and 70,050 ounces of silver.

Mining costs of $9.0 million for the second quarter of fiscal 2017 increased by $3.5 million or 64% compared with $5.5 million during the second quarter of 2016 primarily due to the higher volume of sales as well as increases in processing costs in respect of the re-commissioned CIL circuit.

Income before tax for the second quarter of fiscal 2017 was $3.1 million compared with loss before tax of $0.9 million for the second quarter of fiscal 2016.

Total capital expenditures at Don Mario during the second quarter of fiscal 2017 were $1.5 million compared with $1.5 million in the second quarter of fiscal 2016. Capital expenditures in the second quarter of fiscal 2017 related primarily to the construction of the CIL Project.

For the second quarter of fiscal 2017, COC (by-product) were $676 per ounce of gold or 4% higher compared to the second quarter of fiscal 2016. Total AISC (by-product) were $836 per ounce of gold or 9% lower compared to the second quarter of fiscal 2016. The increase in COC was primarily driven by increases in mining costs related to the CIL circuit as described above, while a decrease in sustaining capital expenditures and higher gold ounces sold resulted in the decrease to AISC.

Don Mario Exploration and Mine Life Extension

As described above, historical mining took place in the LMZ underground gold mine until 2009. During 2016, geotechnical and geological reviews concluded that a pushback of the existing pit allowed for the economic mining of the upper extension of the LMZ, and a resource estimate for the LMZ was published as at September 30, 2015. The Company began replacing tonnes previously mined at the UMZ with production from the upper extension of 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 from the higher gold grade ore associated with the LMZ as compared to the UMZ. Average historical gold recoveries achieved from the CIL were over 80%. The CIL circuit was placed under care and maintenance in April 2011 as Don Mario transitioned from mining the LMZ underground gold mine to the metallurgically more complex UMZ. Results of a metallurgical testing program undertaken by the Company during 2016 indicated potential gold recovery of higher than historical rates may be achieved by processing new LMZ material through a re-commissioned CIL circuit.

In re-commissioning the CIL circuit, the Company engaged EPCM Consultores SRL (“EPCMC”) and Lycopodium Minerals Canada to complete a capital cost estimate for the CIL Project. For the selected process option, the capital cost estimate was $6.4 million to accuracy estimate of +/- 15% including owner’s costs and 15% contingency. The Company’s final re-commissioning costs were within the capital cost estimate.

Financing for the CIL Project was obtained during the third quarter of fiscal 2016, when the Company successfully closed the $7.9 million BISA Loan facility. The Company engaged EPCMC for the construction of the CIL Project and substantially completed construction by the end of December 2016. Re-commissioning activities began in January 2017, with successful production of gold-silver doré bars subsequent to quarter end. The Company closed doré sales and refining contracts during the second quarter of fiscal 2017, and delivered under these contracts beginning in March 2017.

With a view to maximizing the value of the LMZ ore, Don Mario stockpiled mined LMZ material towards the end of the fourth quarter of fiscal 2016 and during the first quarter of fiscal 2017. To meet its delivery requirements under the Prepayment Facility (as hereinafter defined), the Company entered into a trade arrangement with a third party to supply alternative copper concentrates to Samsung C&T U.K. Ltd. ("Samsung C&T") for approximately two months of production (3,500 DMT). The resulting improvement in anticipated revenue through fiscal 2017 from the stockpiled LMZ material and the enhanced gold recovery from the CIL circuit is expected to provide the Company with positive economic benefit over the life of the LMZ reserve after incurring expected realized net loss on the aforementioned trade agreement of approximately $1.1 million, based on provisional invoicing estimates.

The re-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 oxide material previously treated through the leach-precipitation-flotation process. Initial testing results have yielded positive indications, and the Company expects to carry out larger scale tests in the coming months. As at September 30, 2016, EMIPA had oxide stockpile mineral resources of approximately 2.2 million tonnes with an average gold grade of 1.84 g/t. The Company has also commenced an evaluation of reprocessing of tailings, to determine the viability of recovering gold from the material deposited in the tailings impoundment since the commencement of production at Don Mario. Finally, the Company is currently assessing mine plan scenarios in order to determine the economic viability of mining Cerro Felix, which is expected to benefit from the re-commissioning of the CIL circuit due to its higher estimated gold grades and demonstrated amenability to CIL processing.

Market Review and Trends

Metal Prices

The market prices of gold and copper are one of the primary drivers of Orvana's earnings and ability to generate free cash flows. During the second quarter of fiscal 2017, the gold price remained volatile, with the price ranging from $1,148 to $1,258 per ounce and an average market price of $1,219 per ounce compared with $1,178 per ounce in the second quarter of fiscal 2016. Orvana's average gold realized price for the second quarter of fiscal 2017 was $1,238 per ounce, as compared to $1,176 per ounce in the second quarter of fiscal 2016. The Company derived approximately 73% of its revenue from sales of gold in the second quarter of fiscal 2017.

Copper prices during the second quarter of fiscal 2017 were also quite volatile while trading in a range of $2.49 to $2.79 per pound with an average price of $2.65 per pound compared with $2.12 per pound in the second quarter of fiscal 2016. Orvana's average copper realized price for the second quarter of fiscal 2017 was $2.50 per pound. The Company derived approximately 22% of its revenue from sales of copper in the second quarter of fiscal 2017.

In the second quarter of fiscal 2017, silver prices traded in a range from $15.95 per ounce to $18.34 per ounce with an average price of $17.42 per ounce compared with $14.83 during the same period in fiscal 2016. Orvana's average silver realized price for the second quarter of fiscal 2017 was $17.42 per ounce. The Company derived approximately 5% of its revenue from sales of silver in the first quarter of fiscal 2017.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the Euro/US Dollar exchange rate. The Company incurs operating and administration costs at El Valle in Euros, while revenue is denominated in US dollars. Orvana's Euro costs fell year over year, with the Euro to US Dollar exchange rate moving from an average of 1.10 in the second quarter of fiscal 2016 to 1.06 in the second quarter of fiscal 2017. As a result of foreign exchange movements, mining costs at El Valle were lower by approximately $0.7 million in the second quarter of fiscal 2017 compared with the second quarter of fiscal 2016.

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

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at March 31, 2017 and September 30, 2016.

(in 000's)	**March 31, 2017**	**September 30, 2016**
Cash and cash equivalents	**$14,210**	$18,939
Restricted cash (short term)	**$1,016**	$2,092
Non-cash working capital (1)	**$3,191**	$4,328
Total assets	**$174,767**	$174,262
Total liabilities	**$80,991**	$70,151
Shareholders' equity	**$93,776**	$104,111

(1) Working capital represents current assets of $51.9 million less cash and cash equivalents and short-term restricted cash totaling $15.2 million and less $33.5 million in current liabilities composed of accounts payable and accrued liabilities, income taxes payable and derivative instruments (not including current debt).

Total assets increased by $0.5 million from $174.3 million to $174.8 million primarily as a result of the decrease in (i) cash and cash equivalents of $4.7 million, (ii) net release of restricted cash of $1.1 million and (iii) VAT receivable collections of $1.0 million, offset by increases in (iv) inventory of $3.8 million and (v) gold and concentrate receivables of $3.3 million.

Short-term restricted cash as at March 31, 2017 was $1.0 million (September 30, 2016 – $2.1 million), consisting of guarantees on VAT credit notes which expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government.

Total liabilities increased by $10.8 million or 15% to $81.0 million at March 31, 2017 from $70.2 million at September 30, 2016 primarily as a result of an increase of accounts payable and accrued liabilities of $5.0 million and the additional drawdown of the Prepayment Facility of $4.5 million.

BISA Loan

In May 2016, EMIPA closed the $7.9 million BISA Loan, the proceeds of which were used for the re-commissioning of the CIL circuit. 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 has an interest rate of 6% per annum, with ten monthly principal repayments that began in December 2016. Security includes the CIL asset and other equipment at Don Mario for the term of the BISA Loan. As of March 31, 2017, all planned disbursements were made available and principal repayments of $2.4 million were made against the BISA Loan.

Samsung C&T Prepayment Facility

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

Under the terms of the Prepayment Facility, Orvana is selling 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. In exchange, Orvana receives $12.5 million in prepayment financing from Samsung C&T in two instalments. 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 December 2017 in nine equal monthly payments. The Prepayment Facility bears interest at USD 3M LIBOR plus 4.5%. Interest payments and principal repayments under the terms of the Prepayment Facility are made against 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.

The Company's obligations to Samsung C&T 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.

Shareholders' Equity

Shareholders' equity at March 31, 2017 decreased by 10% to $93.8 million compared with $104.1 million at September 30, 2016. The table below sets out the number of each class of securities of the Company outstanding at March 31, 2017 and as at the date hereof.

	At March 31, 2017
Common Shares	136,623,171
Warrants (1)	600,000
Options (2)	2,077,778

(1) All of the outstanding warrants are held by Fabulosa. 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 $0.52 and expiry dates ranging from 2017 to 2021.

Derivative Instruments

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

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

The Company paid net cash proceeds of $446 during the second quarter of fiscal 2017 in settlement of the 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 Price	Contract Price	Avg. Forward 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 instrument liabilities				$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 Company recorded fair value adjustments on its outstanding derivative instruments as follows:

(in 000's)	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Change in unrealized fair value	**($222)**	($287)	$-	**($509)**	$-
Realized gain (loss) on cash settlements of derivative instruments	**(446)**	565	-	**119**	-
Derivative instruments loss	**($668)**	$278	$-	**($390)**	$-

Capital Resources

At March 31, 2017, the Company had cash and cash equivalents of $14.2 million and restricted cash of $3.0 million. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings) and total debt net of cash and cash equivalents as follows:

(in 000's)	**March 31, 2017**	**September 30, 2016**
Shareholders' equity	**$93,776**	$104,111
Bank debt	**980**	517
Capital leases	**1,785**	1,783
BISA Loan	**5,485**	4,928
Prepayment Facility	**11,630**	6,825
	$113,656	$118,164
Less: Cash and cash equivalents	**(14,210)**	(18,939)
Capital employed	**$99,446**	$99,225

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 obtained the $7.9 million BISA Loan and the $12.5 million Prepayment Facility. 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

Cash Flows

Total cash and cash equivalents as at March 31, 2017 was $14.2 million primarily denominated in US dollars representing a decrease of $4.7 million from $18.9 million at September 30, 2016. Short-term restricted cash was $1.0 million at March 31, 2017 compared with $2.1 million at September 30, 2016 which included $1.0 million in 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 Company's total debt was $18.1 million at March 31, 2017. This compares with total debt as at September 30, 2016 of $12.3 million.

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

(in 000's)	**Q2 2017**	**Q1 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**
Cash provided by (used in) operating activities before changes in non-cash working capital	**$3,683**	($3,294)	($81)	**$389**	$790
Cash provided by (used in) operating activities	**928**	(299)	(535)	**629**	1,040
Cash provided by financing activities	**4,418**	1,104	-	**5,522**	493
Cash used in investing activities (1)	**(579)**	(10,566)	(1,940)	**(11,145)**	(3,742)
Change in cash	**$4,767**	($9,761)	($2,475)	**($4,994)**	($2,209)

(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 by operating activities before changes in non-cash working capital were $3.7 million for the second quarter of fiscal 2017 compared with cash used in operating activities before changes in non-cash working capital of $0.1 million for the second quarter of fiscal 2016. Cash flows provided by operating activities were $0.9 million for the second quarter of fiscal 2017 compared with cash used in operating activities of $0.5 million for the second quarter of fiscal 2016.

Significant drivers of the change in operating cash flow are production and realized gold and copper prices on sales. 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 have been the funding of the Company's planned capital expenditures.

Cash provided by financing activities was $4.4 million in the second quarter of fiscal 2017 compared with $nil in the second quarter of fiscal 2016 primarily related to the final drawdowns under the BISA Loan and Prepayment Facility.

Cash used in investing activities was $0.6 million in the second quarter of fiscal 2017 compared with $1.9 million in the second quarter of fiscal 2016 primarily due to increased capital expenditures offset by restricted cash released in the second quarter of fiscal 2017.

Capital Expenditures

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

(in 000's)	**Q2 2017**	**Q1 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**
El Valle Mine	**$2,253**	$3,425	$1,534	**$5,678**	$3,070
Don Mario Mine	**1,472**	4,755	1,472	**6,227**	3,464
Corporate	**2**	-	-	**2**	8
Sub-total capital expenditures	**$3,727**	$8,180	$3,006	**$11,907**	$6,542
Accounts payable adjustments (1)	**774**	(461)	(261)	**313**	(81)
Total capital expenditures (1)	**$4,501**	$7,719	$2,745	**$12,220**	$6,461

(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.

At El Valle, capital expenditures in fiscal 2017 consisted mainly of primary development, mining infrastructure improvements and mining equipment purchases. Significant capital expenditures at Don Mario included the annual tailings dam lift as well as the re-commissioning costs of the CIL Project at Don Mario.

The Company expects sustaining capital expenditures for fiscal 2017 to be in the range of $27.0 to $30.0 million. Refer to the "Outlook" section of the MD&A.

Other Commitments

At March 31, 2017, the Company's contractual obligations included: the Prepayment Facility; the BISA Loan; operating and finance leases; decommissioning liabilities; a reclamation bond requirement; 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:

As at March 31, 2017		**Payment Due by Period**			
(in 000's)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
BISA Loan	**$5,485**	$5,485	-	-	-
Prepayment Facility	**$12,500**	$5,111	$7,389	-	-
Operating leases	**$2,944**	$1,844	$1,086	$14	
Finance leases	**$1,785**	$1,023	$762	-	-
Decommissioning liabilities (1)	**$23,264**	$356	$897	$6,455	$15,556
Reclamation bond (2)	**$5,346**	$5,346	-	-	-
Purchase obligations	**$3,039**	$3,039	-	-	-
Provision for statutory labour obligations (3)	**$3,234**	-	$3,234	-	-
Long-term compensation	**$589**	$147	$176	-	$266
Total contractual obligations (4)	**$58,186**	**$22,351**	**$13,544**	**$6,469**	**$15,822**

(1) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for Euro denominated reclamation bonds amounted to approximately $8.1 million at March 31, 2017 (September 30, 2016 - $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. 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.

(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 March 31, 2017. 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 the El Valle Royalty. The El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. The El Valle Royalty expense totaled $0.5 and $0.8 million for the second quarter and the first half of fiscal 2017, respectively, compared with $0.4 and $0.9 million for the second quarter and the first half of fiscal 2016, respectively.

Production from Don Mario is subject to a 3% NSR. This expense totaled $0.5 and $0.9 million for the second quarter and the first half of fiscal 2017, respectively, compared with $0.2 and $0.5 million for the second quarter and the first half of fiscal 2016, 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 and $1.9 million for the second quarter and the first half of fiscal 2017, respectively, compared with $0.4 and $1.3 million for the second quarter and the first half of fiscal 2016, respectively.

Liquidity

Orvana's primary sources of liquidity in the second quarter of fiscal 2017 were operating cash flows as well as the remaining drawdowns from the BISA Loan and Prepayment Facility. Expected sources of liquidity during the remainder of 2017 are from operating cash flows as the Company executes on its capital investment program and expects to continue to improve its production profile and lower its unitary costs.

As at March 31, 2017, the Company had cash of $14.2 million, and together with forecasted operating cash flows, expects to cover the Company's commitments due in less than one year of $22.4 million.

In August 2016, the Company entered into the $12.5 million Prepayment Facility with Samsung C&T, the proceeds of which are being invested into El Valle. The acceleration of previously delayed underground mine development and the execution of planned water and power infrastructure projects have allowed El Valle to improve its ore production to approach nameplate plant capacity. Further work is being performed at El Valle to improve mine flexibility and mined grades. These efforts are expected to lower unitary costs towards the end of fiscal 2017, with the full benefit realized in fiscal 2018. The proceeds of the Prepayment

Facility are also supporting the restart of the Carlés Mine to increase production in the near-term while the Company executes on the above.

At Don Mario, the Company has completed the CIL Project, and began deliveries under its doré refining and sales agreements beginning in March 2017. The fully re-commissioned CIL circuit is expected to result in the operation generating free cash flow in the second half of fiscal 2017 and allow for repayment of the BISA Loan in full by the end of fiscal 2017. Unitary costs are expected to be positively impacted through the second half of fiscal 2017 as increased gold recovery is realized from CIL production and higher volumes of gold ounces are produced and sold.

Security for the BISA Loan included a cash-backed letter of credit of $2.0 million, which was released in March 2017 and replaced as security with the assets comprising the completed CIL circuit.

Through the completion of the recent debt financings and together with the current Euro to USD foreign exchange environment, the Company believes, based on its current cash flow forecasts, that it has sufficient financial resources to fully realize its current business plans. 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 future financing requirements for the Company.

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 an 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. While it appears that these remediation efforts are addressing these matters, there can be no assurances that OroValle's continuing remediation activities will be successful to fully comply with local regulations. In addition, OroValle has been seeking amendments to certain of its permits or, alternatively to receive new permits, and extensions of deadlines to comply with local requirements. Orvana is committed to developing and operating its mines and projects in full compliance with local environmental regulations and recognized international environmental standards.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended March 31, 2017:

	Quarters ended			
(in 000's, except per share amounts)	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**
Revenue	**$31,714**	$23,458	$24,044	$26,030
Net loss	**($2,233)**	($8,154)	($1,528)	($1,181)
Loss per share (basic and diluted)	**($0.02)**	($0.06)	($0.01)	($0.01)
Total assets	**$174,767**	$171,155	$174,262	$161,910
Total financial liabilities (1)	**$20,449**	$15,626	$14,113	$2,957
	Quarters ended			
	Q2 2016	**Q1 2016**	**Q4 2015**	**Q3 2015**
Revenue	$21,279	$22,497	$20,385	$32,162
Net loss	($2,670)	($3,076)	($7,819)	($5,522)
Loss per share (basic and diluted)	($0.02)	($0.02)	($0.06)	($0.04)
Total assets	$162,394	$163,730	$169,435	$183,334
Total financial liabilities (1)	$1,971	$1,971	$1,478	-

(1) Financial liabilities include the BISA Loan, Prepayment Facility, bank debt, derivative liabilities, and current and long-term portions of obligations under finance leases.

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 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.

Net Realizable Amounts of Property, Plant and Equipment

At March 31, 2017, the net carrying value of the property, plant and equipment in respect of El Valle and Don Mario amounted to $90.1 million and $16.1 million, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

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

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

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of El Valle and Don Mario at March 31, 2017. These estimates were prepared by management with the assistance of independent third party experts.

March 31, 2017	Undiscounted Cash Flows Estimated to Settle Decommissioning Liabilities	Discount Rate	Discounted Cash Flows Required to Settle Decommissioning Liabilities
(in 000's)			
El Valle [1]	$15,546	0.99%	$13,983
Don Mario [1]	$7,718	3.20%	$6,903
Total	**$23,264**		**$20,886**

(1) Accretion expense is recorded using the discount interest rate set out above. It is estimated that these amounts will be incurred beginning in 2017 and 2019 at Don Mario and El Valle, 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.

Stock-based compensation

The Company recorded stock-based compensation expense of $11.5 thousand in the second quarter of fiscal 2017 compared with $6.0 thousand in the second quarter of fiscal 2016, and $52.0 thousand in the first half of fiscal 2017 compared with $14.1 thousand in the first half of fiscal 2016. The stock-based compensation expense is based on an estimate of the fair value of 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 subsequent to December 1, 2015, the fair value of the units issued is expensed over the fiscal year in which they are issued, and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the DSUs are marked to the quoted market price of Common Shares at each reporting date and changes in their fair value are also recorded under general and administrative expenses. Payouts are settled in cash within a specified period following a director's departure, based on the market price of the Common Shares at exercise.

The Company established a Restricted Share Unit ("RSU") plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the RSUs are marked to the quoted market price of the Common Shares at each reporting date and changes in their fair value are recorded under general and administrative expenses. Payouts are settled in cash after a specified period of vesting, based on the market price of the Common Shares at vesting.

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

Impairment

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

Management of the Company has assessed its CGUs to be each country in which it operates (El Valle and Don Mario) which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of El Valle and Don Mario using forecasted production and costs per the current life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at March 31, 2017 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company was below the carrying amount of Orvana's net assets at March 31, 2017 of $93.8 million, following the completion of an impairment test in respect of each CGU in the second quarter of fiscal 2017, the Company estimated that the net recoverable amounts are greater than the carrying values of such assets based on the Company's current life-of-mine plans and the assumptions set out above at March 31, 2017. As such, there was no impairment of such carrying values as at March 31, 2017.

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 2017, 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 March 31, 2017.

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	**Q2 2017**	**Q1 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [1] *(in 000's)*					
Total mining costs (sales based)	**$26,272**	**$24,356**	**$19,045**	**$50,628**	**$39,851**
Deductions, refining, treatment, penalties, freight & other costs	3,637	4,442	3,973	8,079	9,569
Sub-total - other operating costs	**$3,637**	**$4,442**	**$3,973**	**$8,079**	**$9,569**
Copper sales - gross revenue value	(7,612)	(9,343)	(5,240)	(16,955)	(13,370)

Orvana Consolidated	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Silver sales - gross revenue value	(1,653)	(1,899)	(1,635)	(3,552)	(3,876)
Other by-product gross revenue value	(21)	(22)	(23)	(43)	(42)
Sub-total by-product revenue	**($9,286)**	**($11,264)**	**($6,898)**	**($20,550)**	**($17,288)**
Cash operating costs	**$20,623**	**$17,534**	**$16,120**	**$38,157**	**$32,132**
Corporate general & administrative costs	761	719	1,395	1,480	2,286
Community costs related to current operations	133	186	91	319	180
Reclamation, accretion & amortization	511	519	138	1,030	635
Exploration and study costs (sustaining)	117	65	69	182	167
Primary development (sustaining)	1,107	1,126	803	2,233	1,687
Other sustaining capital expenditures (2) (3)	1,968	3,993	2,069	5,961	4,588
All-in sustaining costs	**$25,220**	**$24,142**	**$20,685**	**$49,362**	**$41,675**
Capital expenditures (non-sustaining) (3)	649	3,062	132	3,711	265
All-in costs	**$25,869**	**$27,204**	**$20,817**	**$53,073**	**$41,940**
Au/oz sold	20,773	13,937	14,658	34,710	30,614
Cash operating costs ($/oz) gold	**$993**	**$1,258**	**$1,100**	**$1,099**	**$1,050**
All-in sustaining costs ($/oz) gold	**$1,214**	**$1,732**	**$1,411**	**$1,422**	**$1,361**
All-in costs ($/oz) gold	**$1,245**	**$1,952**	**$1,420**	**$1,529**	**$1,370**

(1) Costs are reported per ounce of gold sold in the period.

(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.

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

El Valle Mine	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1) *(in 000's)*					
Total mining costs	**$17,232**	**$15,817**	**$13,547**	**$33,049**	**$27,074**
Deductions, refining, treatment, penalties, freight & other costs	2,112	1,146	1,341	3,258	2,904
Sub-total - other operating costs	**$2,112**	**$1,146**	**$1,341**	**$3,258**	**$2,904**
Copper sales - gross revenue value	(3,645)	(2,080)	(1,493)	(5,725)	(4,154)
Silver sales - gross revenue value	(856)	(408)	(476)	(1,264)	(1,134)
Sub-total by-product revenue	**($4,501)**	**($2,488)**	**($1,969)**	**($6,989)**	**($5,288)**
Cash operating costs	**$14,843**	**$14,475**	**$12,919**	**$29,318**	**$24,690**
Corporate general & administrative costs	625	625	800	1,250	1,600
Reclamation, accretion & amortization	396	356	34	752	428
Exploration and study costs (sustaining)	11	20	19	31	36
Primary development (sustaining)	1,107	1,126	803	2,233	1,687
Other sustaining capital expenditures (2) (3)	1,145	2,299	729	3,444	1,381
All-in sustaining costs	**$18,127**	**$18,901**	**$15,304**	**$37,028**	**$29,822**
All-in costs	**$18,127**	**$18,901**	**$15,304**	**$37,028**	**$29,822**
Au/oz sold	12,218	8,828	12,111	21,046	24,523
Cash operating costs ($/oz) gold	**$1,215**	**$1,640**	**$1,067**	**$1,393**	**$1,007**
All-in sustaining costs ($/oz) gold	**$1,484**	**$2,141**	**$1,264**	**$1,759**	**$1,216**
All-in costs ($/oz) gold	**$1,484**	**$2,141**	**$1,264**	**$1,759**	**$1,216**

(1) Costs are reported per ounce of gold sold in the period.

(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.

Previously, the Company reported unitary costs from Don Mario on a co-product per pound of copper and per ounce of gold and silver as a result of revenue from the sale of copper and silver representing more than 60% of total gross revenue. As a result of the changes in product mix realized during fiscal 2017 and an increase in gold revenue relative to copper and silver revenue, the Company began presenting its 2017 unitary costs for Don Mario on a by-product basis and has restated its comparatives accordingly. The following table provides a reconciliation of AISC per ounce of gold sold for Don Mario for the periods set out below:

Don Mario Mine	**Q2 2017**	**Q1 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [1] *(in 000's)*					
Total mining costs	**$9,040**	**$8,539**	**$5,498**	**$17,579**	**$12,777**
Deductions, refining, treatment, penalties, freight & other costs	1,525	3,296	2,632	4,821	6,665
Sub-total - other operating costs	**$1,525**	**$3,296**	**$2,632**	**$4,821**	**$6,665**
Copper sales – gross revenue value	(3,967)	(7,263)	(3,747)	(11,230)	(9,216)
Silver sales – gross revenue value	(797)	(1,491)	(1,159)	(2,288)	(2,742)
Other by-product gross revenue value	(21)	(21)	(23)	(43)	(42)
Sub-total by-product revenue	**($4,785)**	**($8,776)**	**($4,929)**	**($13,561)**	**($12,000)**
Cash Operating Costs	**$5,780**	**$3,059**	**$3,201**	**$8,839**	**$7,442**
Corporate general & administrative costs	195	208	420	403	825
Community costs related to current operations	133	186	91	319	180
Reclamation, accretion & amortization	115	163	104	278	207
Capital expenditures (sustaining) [2][3]	823	1,694	1,340	2,517	3,199
Exploration and study costs (sustaining)	106	44	50	151	131
All-in sustaining costs	**$7,152**	**$5,355**	**$5,206**	**$12,507**	**$11,984**
Capital expenditures (non-sustaining)	649	3,062	132	3,711	265
All-in costs	**$7,801**	**$8,417**	**$5,338**	**$16,218**	**$12,249**
Au/oz sold	8,555	5,109	2,548	13,664	6,091
Cash operating costs ($/oz) gold	**$676**	**$599**	**$1,256**	**$647**	**$1,222**
All-in sustaining costs ($/oz) gold	**$836**	**$1,048**	**$2,043**	**$915**	**$1,967**
All-in costs ($/oz) gold	**$912**	**$1,647**	**$2,095**	**$1,187**	**$2,011**

(1) Costs are reported per ounce of gold sold in the period.

(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 includes unpaid capital expenditures incurred in the period.

EBITDA

The Company has included Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") as a non-IFRS performance measure in this MD&A. The Company excludes these items from net loss to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flows. Accordingly, it is 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.

The following table provides a reconciliation of EBITDA to the Company's consolidated financial statement for their respective periods:

(in 000's)	**Q2 2017**	**Q1 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**
Net loss	**($2,233)**	($8,154)	($2,670)	**($10,387)**	($5,746)
Less:					
Finance costs	**424**	337	91	**761**	157
Income taxes	**1,149**	(1,472)	(260)	**(323)**	(2,078)
Depreciation and amortization	**5,434**	5,955	3,055	**11,389**	8,615
EBITDA	**$4,774**	($3,334)	$216	**$1,440**	$948

Other Information

Other operating and financial information with respect to the Company, including the AIF, 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 long-term 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, 2016 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.