AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

(EXPRESSED IN UNITED STATES DOLLARS)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Orvana Minerals Corp. were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee comprised of members of the Board of Directors assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews other continuous disclosure documents of the Company containing financial information to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The external auditor has full and unrestricted access to the Audit Committee to discuss the scope of its audits, the adequacy of the system of internal controls and review financial reporting issues.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

[signed]

Jim Gilbert

Chairman and Chief Executive Officer

[signed]

Jeffrey Hillis

Chief Financial Officer

Toronto, Canada

December 12, 2017

December 12, 2017

Independent auditor's report

To the Shareholders of Orvana Minerals Corp.

We have audited the accompanying consolidated financial statements of Orvana Minerals Corp. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2017 and September 30, 2016, and the consolidated statements of net loss and comprehensive loss, the consolidated statements of cash flows, and the consolidated statements of changes in shareholders' equity, for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orvana Minerals Corp. and its subsidiaries as at September 30, 2017, and September 30, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PriceWaterhouse Coopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

	Years ended September 30,	
	2017	**2016**
Revenue	$ 137,999	$ 93,850
Cost of sales		
Mining costs (note 6)	116,370	84,544
Depreciation and amortization	27,109	17,189
	143,479	101,733
Gross margin	(5,480)	(7,883)
Expenses		
General and administrative (note 7)	3,517	5,538
Exploration	922	345
Community relations	508	401
Other income (note 8)	(715)	(1,455)
Finance costs (note 9)	1,627	441
Derivative instruments unrealized loss (note 10)	862	60
	6,721	5,330
Loss before income taxes	(12,201)	(13,213)
Provision for income taxes		
Current income taxes (note 19)	4,993	172
Deferred tax recovery (note 19)	(1,639)	(4,930)
	3,354	(4,758)
Net loss and comprehensive loss	$ (15,555)	$ (8,455)
Net loss per share (note 11)		
Basic and diluted	$ (0.11)	$ (0.06)

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

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

	Years ended September 30, 2017	2016
Operating activities		
Net loss from continuing operations	$ (15,555)	$ (8,455)
Adjustments for:		
Depreciation and amortization	27,147	17,298
Loss on disposal of assets	227	407
Accretion	534	221
Amortization of deferred financing fees	202	34
Stock-based compensation	54	18
Warrants	(41)	31
Long-term compensation	(242)	89
Deferred tax recovery	(1,639)	(4,930)
Provision for statutory labour obligations	442	391
Foreign exchange (gain) loss	(77)	35
Derivative instruments unrealized loss (note 10)	862	60
	11,914	5,199
Changes in non-cash working capital		
Concentrate and doré sales receivables	(141)	(1,679)
Value added taxes and other receivables and prepaid expenses	1,046	347
Inventory	(1,710)	(1,664)
Accounts payable and accrued liabilities	5,240	1,513
Income taxes payable	4,377	(279)
	8,812	(1,762)
Cash provided by operating activities	20,726	3,437
Investing activities		
Capital expenditures	(21,332)	(14,977)
Restricted cash	1,057	771
Proceeds from Copperwood note (note 5)	1,250	-
Cash used in investing activities	(19,025)	(14,206)
Financing activities		
Proceeds from Prepayment Facility, net (note 16)	4,056	7,226
Proceeds from (repayment of) BISA CIL Loan, net (note 16)	(4,928)	4,928
Proceeds from BISA TSF Loan (note 16)	3,352	-
Proceeds from (repayment of) revolving facilities, net (note 16)	1,483	(961)
Deferred financing fees	-	(501)
Finance leases (note 17)	539	1,979
Repayment of finance leases (note 17)	(963)	(196)
Cash provided by financing activities	3,539	12,475
Change in cash and cash equivalents	5,240	1,706
Cash and cash equivalents, beginning of the year	18,939	17,236
Effect of exchange rate changes on cash	(368)	(3)
Cash and cash equivalents, end of year	$ 23,811	$ 18,939

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

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

	As at September 30, 2017	As at September 30, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 23,811	$ 18,939
Restricted cash (note 12)	1,027	2,092
Concentrate and doré sales receivables	2,509	2,368
Value added taxes and other receivables and prepaid expenses	5,593	9,721
Copperwood note (note 5)	1,179	1,108
Inventory (note 13)	18,915	17,947
Income tax receivable	-	280
	53,034	52,455
Non-current assets		
Value-added taxes and other receivables	6,041	4,039
Restricted cash (note 12)	1,971	1,963
Reclamation bonds (note 12)	8,893	8,408
Deferred income tax asset (note 19)	1,370	1,541
Property, plant and equipment (note 14)	100,054	105,856
	$ 171,363	$ 174,262
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	$ 32,808	$ 26,935
Income taxes payable (note 19)	4,198	101
Debt (note 16)	12,391	5,889
Deferred revenue (note 16)	288	356
Obligations under finance leases (note 17)	1,003	885
Derivative instruments (note 10)	922	60
	51,610	34,226
Non-current liabilities		
Decommissioning liabilities (note 18)	19,939	20,713
Debt (note 16)	4,463	6,381
Deferred revenue (note 16)	112	400
Obligations under finance leases (note 17)	356	898
Provision for statutory labour obligations	3,400	2,958
Deferred income tax liability (note 19)	-	1,810
Other liabilities	2,338	1,987
Long-term compensation (note 21 (b))	525	729
Warrants (note 20)	10	49
	82,753	70,151
Shareholders' equity		
Share capital (note 20)	116,206	116,206
Contributed surplus	3,554	3,500
Accumulated deficit	(31,150)	(15,595)
	88,610	104,111
	$ 171,363	$ 174,262

Commitments and contingent liabilities (note 23)
The notes to the consolidated financial statements are an integral part of these financial statements.

Approved by the Board of Directors:

[signed] Ed Guimaraes, Director

[signed] Jim Gilbert, Director

ORVANA MINERALS CORP.
Consolidated Statements of Changes in Shareholders' Equity
(in thousands of United States dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2016	$ 116,206	$ 3,500	$ (15,595)	$ 104,111
Stock-based compensation	-	54	-	54
Net loss	-	-	(15,555)	(15,555)
Balance, September 30, 2017	$ 116,206	$ 3,554	$ (31,150)	$ 88,610

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2015	$ 116,206	$ 3,482	$ (7,140)	$ 112,548
Stock-based compensation	-	18	-	18
Net loss	-	-	(8,455)	(8,455)
Balance, September 30, 2016	$ 116,206	$ 3,500	$ (15,595)	$ 104,111

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

1. Nature of operations and corporate information

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company involved in the evaluation, development and mining of precious and base metal deposits. The Company owns and operates the underground gold, copper and silver El Valle Mine (“El Valle Mine") and Carlés Mine in the Rio Narcea Gold Belt in northern Spain (collectively “El Valle”), which is held indirectly through its wholly-owned subsidiary, OroValle Minerals S.L., ("OroValle"). The Company restarted mining activities at Carlés on a short-term project basis in the fourth quarter of fiscal 2016. Mining activities at Carles Mine concluded in the fourth quarter of fiscal 2017 and moved it back to care and maintenance. The Company also owns and operates the open pit copper, gold and silver Don Mario Mine (“Don Mario Mine”) in south eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA").

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

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

2. Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and including interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of these consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company’s accounting policies. The areas involving significant judgments and estimates have been set out in note 4 – Critical accounting estimates and judgements. Certain comparative amounts have been reclassified to conform to the current year’s presentation.

These consolidated financial statements for the year ended September 30, 2017 were approved by the Board of Directors of the Company on December 12, 2017.

3. Summary of significant accounting policies

(a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments including derivative instruments, warrants and stock options, which are measured at fair value.

(b) Principles of consolidation

The financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

Wholly-owned subsidiaries:
- Operating companies:
  - Empresa Minera Paititi S.A.
  - OroValle Minerals S.L.
- Non-operating companies:
  - Orvana Minerals Asturias Corp.
  - Orvana Cyprus Limited
  - Orvana Sweden International AB
  - Orvana Pacific Minerals Corp.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of the Company.

(d) Foreign currency translation

i. Functional and presentation currency

The Company's functional and presentation currency is the United States dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. The functional currency of all of the Company's subsidiaries has also been determined to be the United States dollar.

ii. Transactions and balances

Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Significant transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction, other income and expense transactions in currencies other than the functional currency are translated into the functional currency using the average exchange rates from the previous month. Foreign exchange gains and losses are recognized in the consolidated statement of loss.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short-term highly liquid deposits with original maturities of 90 days or less. Cash that is held in escrow, or otherwise restricted from use, is excluded and is reported separately from cash and cash equivalents.

(f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

i. Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified in this category if acquired principally for the purpose of trading in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss within derivative instruments (gains) and losses in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, restricted cash, concentrate and doré receivables and reclamation bonds and are included in assets. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

iii. Financial liabilities at amortized cost

Financial liabilities at amortized cost include debt, accounts payable and accrued liabilities. Accounts payable are recognized at the amount required to be paid. Debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss include:

i. Significant financial difficulty of the obligor;
ii. Delinquencies in interest or principal payments; and
iii. It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets could be impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

i. Financial assets carried at amortized cost:

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii. Available-for-sale financial assets:

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less impairment losses previously recognized in the consolidated statement of loss. This amount represents the loss in accumulated other comprehensive income that is re-classified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(h) Inventories

Gold inventory, which consists of gold bullion and gold in circuit, gold-copper concentrate inventory and ore stock pile inventory are stated at the lower of cost and net realizable value. Material and supplies inventory is stated at the lower of average cost and replacement cost.

(i) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they occur.

Effective from the point that they are ready for their intended use, plant and equipment; furniture and equipment; equipment under finance leases; corporate equipment and mineral properties 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, an ore body where a 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. Changes in the estimate of mineral reserves and resources will result in changes to depreciation and will be accounted for on a prospective basis over the remaining life of the operation.

Estimated useful lives of major asset categories are as follows:

Plant and equipment	3 to 10 years
Furniture and equipment	3 to 5 years

(j) Exploration and development

Acquired mineral properties are recognized at cost, or if acquired as part of a business combination, at fair value at the date of acquisition. Exploration expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. Mineral properties under exploration are reclassified to mineral properties under development when technical feasibility and commercial viability of the property can be demonstrated. Expenditures directly attributable to the development of the property are capitalized.

(k) Mineral properties in development and production

Mineral properties in development and production are classified as property, plant and equipment. The Company assesses each mine development project to determine when a mine has advanced to the production stage. The criteria used to assess the start date are determined based on the nature of each mine development project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when a mine is substantially complete and ready for its intended use and has advanced to the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce materials in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project has advanced into the production stage, the capitalization of certain mine construction costs cease and costs are either included in inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

(l) Impairment of non-financial assets

Property, plant and equipment, including intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

At each financial position reporting date the carrying amounts of the Company's assets, including mineral properties under exploration and mineral properties under development, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

An impairment loss, excluding those recognized in goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Decommissioning liabilities

The Company recognizes a decommissioning liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Decommissioning liabilities are recognized as incurred. Decommissioning liabilities are discounted using a rate reflecting risks specific to the liability, and the unwinding of the discount is included in finance costs. At the time of establishing the liability, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The liabilities are reviewed on a regular basis for changes in cost estimates, discount rates and operating lives.

(n) Revenue recognition

For the sale of gold-copper concentrate, the revenue recognition criteria are typically met upon notification of payment of the provisional invoice by the buyer. Provisionally priced contracts contain embedded derivatives meeting separate recognition criteria. Sales of gold-copper concentrate are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, assays and metal prices, including provisions where final metal prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded provisionally based on spot prices or average market prices, depending on the sales contract. Subsequent variations to weights, assays and metal prices are recognized in revenue each period end and in the period of final settlement. Refining and treatment charges and freight in respect of certain contracts are netted against revenues from concentrate sales. The Company's revenue is dependent on three contracts with off-take customers, two of whom comprise more than 10% of revenue.

Revenue from gold doré is recognized upon notification of payment from the buyer based on spot prices. Sales of gold doré are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, and assays.

(o) Deferred revenue

The Company recognizes deferred revenue on the statement of financial position when it has received cash in return for an obligation to deliver concentrate or doré product in a future reporting period. As product is delivered under such an agreement, the deferred revenue balance is reduced as revenue is recognized on the statement of loss.

(p) Cost of sales

Cost of sales consists of mining costs, which include personnel costs; energy costs (principally diesel fuel and electricity); maintenance and repair costs; operating supplies; external services; costs associated with delivery of the concentrate and doré to the point of sale; an allocation of site general and administrative costs; costs related to royalty expenses for the period; and depreciation and amortization. All costs include any impairment to reduce inventory to net realizable value.

(q) Share-based payments

Directors and senior executives of the Company participate in long-term compensation plans under which they are eligible to purchase or receive Company common shares or the equivalent cash amount. The plans consist of a stock option plan, a restricted share unit plan, a deferred share unit plan and stock appreciation rights.

Awards under the compensation plans are measured at fair value on the date of grant and recorded as compensation expense in the statements of loss over the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. The Company re-assesses, at the end of each reporting period, its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of loss.

i. Stock options

As stock option awards are settled in common shares of the Company, the obligations under the stock option plan are included in contributed surplus within shareholders' equity. The fair value of stock options is determined using a Black-Scholes option pricing model.

ii. Restricted share units ("RSUs") and deferred share units ("DSUs")

RSUs and DSUs are settled in cash and the obligations under these plans are recorded as liabilities. The liabilities are adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under general and administrative expense. The fair value of RSUs and DSUs is determined based on the quoted market price of Company's common shares at the reporting date.

iii. Stock appreciation rights ("SARs")

As SARs are settled in cash, the obligations under these plans are recorded as liabilities. The liabilities are adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under general and administrative expenses. The fair value of the SARs is 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.

(r) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed using the "treasury stock method". The treasury stock method assumes that all "in the money" option proceeds are used to purchase common shares of the Company at the average market price during the period.

(s) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to the consolidated statement of loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(t) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for its intended use or sale. All other borrowing costs are recognized as interest expense in the consolidated statement of loss in the period in which they are incurred.

(u) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants related to additions or betterments to property, plant and equipment are recognized as credits against the carrying values of the related assets, and subsequently recognized in net earnings over the useful lives of the related assets as reductions to the resulting depreciation expense.

(v) New standards and interpretations not yet adopted

i. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments (“IFRS 9”). IFRS 9 replaces and updates the classification and measurement, impairment, and hedge accounting guidance included in IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted. The Company has not yet determined the potential impact the adoption of IFRS 9 will have on its consolidated financial statements.

ii. IFRS 15 Revenue from contracts with customers

In May 2014, the IASB issued a new standard, IFRS 15 Revenue from contracts with customers (“IFRS 15”)., IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company has not yet determined the potential impact the adoption of IFRS 15 will have on its consolidated financial statements.

iii. IFRS 16 Leases

In January 2017, the IASB issued a new standard, IFRS 16 Leases (“IFRS 16”). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company’s interim financial statements for the quarter ended December 31, 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers, has also been applied. The Company has not yet determined the potential impact the adoption of IFRS 16 will have on its consolidated financial statements.

4. Critical accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value-in-use and fair value less costs to sell. The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. These estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. No impairments of non-financial assets have been recorded for the year ended September 30, 2017 or 2016.

(b) Decommissioning liabilities

Management is required to make significant estimates and assumptions in determining the Company's ultimate obligation for decommissioning liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

As at September 30, 2017, the Company had recognized $19,939 of decommissioning liabilities (September 30, 2016 – $20,713). Refer to note 18 – Decommissioning liabilities.

(c) Income taxes

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. As at September 30, 2017, the Company had non-capital losses of $18,760 (September 30, 2016 – $20,245) in Canada that expire over the periods of 2029 to 2033 and other deductible temporary differences of $5,361 (September 30, 2016 – $4,264). EMIPA had deductible temporary differences of $23,760 (September 30, 2016 – $17,778). OroValle had non-capital losses of $22,300 (September 30, 2016 - $nil) with an indefinite carry-forward. The Company has not recognized the benefit of these items in the consolidated financial statements. Refer to note 19 – Income tax.

5. Divestiture of Copperwood

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

On June 17, 2017, the Company received a cash payment of $1,250 of this additional consideration. A further $1,250 is due on the anniversary of the first payment.

Of the remaining additional consideration, $1,250 may be received if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb. A final $1,250 will be paid if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

(in thousands of United States dollars unless otherwise noted)

6. Mining costs

Mining costs include mine production costs, transport costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, incurred at El Valle, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the year ended September 30, 2017 and 2016 relate to El Valle and Don Mario.

For the years ended September 30,		2017		2016
Direct mining costs	$	107,294	$	78,693
Royalties and mining rights (1)		4,222		2,974
Mining royalty taxes (2)		4,854		2,877
Total mining costs	$	116,370	$	84,544

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

7. General and administrative expenses

For the years ended September 30,		2017		2016
Salaries, directors fees and office administration	$	3,406	$	4,242
Depreciation		38		109
Stock-based compensation expense		54		18
Warrants		(39)		32
Long-term compensation		(77)		418
Foreign exchange loss		135		719
Total general and administrative expenses	$	3,517	$	5,538

8. Other income

For the years ended September 30,		2017		2016
Provision for uncollectible VAT – EMIPA (1)	$	362	$	274
Loss on third party purchase and sale of copper concentrate (2)		1,069		-
Hoist settlement – OroValle (3)		(600)		(1,500)
Tax litigation – EMIPA (4)		(1,081)		-
Miscellaneous other income		(465)		(229)
Total other income	$	(715)	$	(1,455)

(1) Based on the results of completed audits conducted by the Bolivian National Tax Service with respect to VAT claims, the Company had a provision of $2,787 as at September 30, 2017 for certain VAT amounts received or receivable that have not been audited by the Bolivian National Tax Service (September 30, 2016 – $2,425).
(2) Represents the loss on the purchase and sale of third party copper concentrates used to satisfy a portion of the delivery terms of the Prepayment Facility during the first quarter of fiscal 2017. This transaction is not in the normal course of the Company's business. Refer to note 16 – Debt.
(3) In 2017 and 2016, the Company recovered a portion of its loss for the basic recovery costs of the hoist in 2013.
(4) In September 2017, a Bolivian administrative court ruled in EMIPA's favour to reduce the challenged amount of a 2004 VAT refund audit, as well as associated penalties and interest. Refer to note 12 – Restricted cash and reclamation bonds.

9. Finance costs

For the years ended September 30,		2017		2016
Interest on credit facilities	$	193	$	83
Effective interest on Prepayment Facility		1,028		124
Other interest expense		87		45
Amortization of financing fees		205		34
Accretion expense on decommissioning obligations		355		338
Accretion gains on Copperwood deferred payments		(241)		(183)
Total finance costs	$	1,627	$	441

(in thousands of United States dollars unless otherwise noted)

10. Derivative instruments

The Company had the following outstanding derivative instruments at September 30, 2017:

	Contract Prices	Cash Settlement	Contract Amounts
Copper			
Copper puts (Nov 2017 - Mar 2018)	$5,515 / tonne	Monthly	1,875 tonnes
Copper calls (Nov 2017 - Mar 2018)	$6,125 / tonne	Monthly	1,875 tonnes
Copper forward (Oct 2017)	$5,900 / tonne	Monthly	375 tonnes
Gold			
Gold forwards (Nov 2017 – Mar 2018)	$1,250 to $1,310 / troy oz	Monthly	18,700 troy oz
Gold capped calls (Jan 2018 – Mar 2018)	$1,320 / troy oz	Monthly	7,500 troy oz

The Company paid net cash of $695 in settlement of the derivative instruments that matured in the period.

As at September 30, 2017, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

	Spot Rate / Price	Contract Rate / Price	Fair Value
Derivative instrument assets			
Gold capped calls	$1,283/oz	$1,320 / troy oz	$102
Total fair value of derivative instruments assets at September 30, 2017			$102

	Spot Rate / Price	Contract Rate / Price	Avg. Forward Rate/Price	Fair Value
Derivative instrument liabilities				
Gold forwards	$1,283/oz	$1,250 to $1,310 / troy oz	$1,286/oz	$360
Copper forward	$6,485/t	$5,900 / tonne	$6,515 / tonne	230
Copper collars	$6,485/t	-	-	$434
Total fair value of derivative instruments liabilities at September 30, 2017				$1,024
Total fair value of derivative instruments liabilities, net at September 30, 2017				$922

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

The Company recorded fair value adjustments on its outstanding derivative instruments as follows:

For the years ended September 30,		2017		2016
Change in unrealized fair value	$	862	$	60
Realized loss on cash settlements of derivative instruments [(1)]		695		338
Derivative instruments loss	$	1,557	$	398

(1) Realized gains and losses on settlement of derivative instruments are recorded in revenue.

(in thousands of United States dollars unless otherwise noted)

11. Net loss per share

For the years ended September 30,		2017		2016
Net loss	$	(15,555)	$	(8,455)
Weighted average number of common shares outstanding – basic and diluted		136,623,171		136,623,171
Net loss per share – basic and diluted	$	(0.11)	$	(0.06)

12. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at September 30, 2017 was $1,027 (September 30, 2016 – $2,092), primarily consisting of guarantees on value-added tax (“VAT”) credit notes which expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government.

Long-term restricted cash as at September 30, 2017 was $1,971 (September 30, 2016 – $1,963), related to a deposit with a local bank in favour of the Bolivian government pending the appeal of a VAT audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. In September 2017, a Bolivian administrative court ruled in EMIPA’s favour to reduce a portion of the amount of VAT challenged, in addition to the associated penalties and interest. The remaining associated liability related to the VAT audit has been recorded as accrued liabilities on the statement of financial position.

Reclamation bonds

At September 30, 2017, cash backed reclamation bonds held in a Spanish financial institution were $8,893 (September 30, 2016 – $8,408) and are expected to be released after all reclamation work at El Valle has been completed. Prior to its acquisition by OroValle, El Valle had been shut down by the owner thereof and remediation measures required were completed. On OroValle’s acquisition of El Valle a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by OroValle relating to its tailings facility.

Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $5,903) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is challenging the requirement to fund the additional reclamation bond through an administrative appeal process with the Spanish regulator. The Company recently withdrew its action from the Spanish Court system. 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.

13. Inventory

As at September 30,		2017		2016
Ore in stockpiles	$	314	$	222
Ore in-process		1,531		1,311
Gold doré		1,727		357
Copper concentrates		4,001		7,523
Materials and supplies		11,342		8,534
	$	18,915	$	17,947

The Company recognized $129,742 of inventory in cost of sales for the year ended September 30, 2017 (September 30, 2016 - $90,501).

(in thousands of United States dollars unless otherwise noted)

14. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2016	$1,600	$50,230	$247	$53,779	$105,856
Additions	39	16,220	319	5,376	21,954
Disposals	-	(223)	(4)	-	(227)
Change in decommissioning assets (note 18)	-	(1,125)	-	-	(1,125)
Depreciation (1)	-	(14,620)	(145)	(11,639)	(26,404)
Net book value, September 30, 2017	$1,639	$50,482	$417	$47,516	$100,054
Total cost	$1,639	$139,319	$2,579	$121,442	$264,979
Total accumulated depreciation	-	(88,837)	(2,162)	(73,926)	(164,925)
Net book value, September 30, 2017	$1,639	$50,482	$417	$47,516	$100,054

(1) Depreciation includes amounts recorded in inventory.

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2015	$1,600	$46,376	$378	$59,273	$107,627
Additions	-	12,100	65	4,047	16,212
Disposals	-	(407)	-	-	(407)
Change in decommissioning assets (note 18)	-	505	-	-	505
Depreciation (1)	-	(8,344)	(196)	(9,541)	(18,081)
Net book value, September 30, 2016	$1,600	$50,230	$247	$53,779	$105,856
Total cost	$1,600	$125,080	$2,265	$124,147	$253,092
Total accumulated depreciation	-	(74,850)	(2,018)	(70,368)	(147,236)
Net book value, September 30, 2016	$1,600	$50,230	$247	$53,779	$105,856

(1) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the year ended September 30, 2017, capital expenditures exclude approximately $3,318 of capital expenditures incurred but unpaid in fiscal 2017 and include $2,696 of capital expenditures incurred in fiscal 2016 but paid in fiscal 2017 (September 30, 2016 – $2,696 and $1,461 respectively).

(in thousands of United States dollars unless otherwise noted)

15. Accounts payable and accrued liabilities

As at September 30,		2017		2016
Accounts payable	$	25,981	$	18,943
Accrued liabilities		6,827		7,992
Total accounts payable and accrued liabilities	$	32,808	$	26,935

16. Debt

		September 30, 2017		September 30, 2016
Revolving facilities	$	2,000	$	517
BISA CIL Loan		-		4,928
BISA TSF Loan		3,352		-
Prepayment Facility		11,502		6,825
		16,854		12,270
Less: current portion		(12,391)		(5,889)
	$	4,463	$	6,381

Revolving facilities

In June 2017, as part of the closing of the BISA TSF Loan (hereinafter defined), EMIPA entered into a revolving working capital facility with Banco BISA S.A. (“BISA”) of up to Bs.20,580,000 (approximately $2,956). The proceeds can be drawn down in the form of cash of up to Bs.13,720,000 (approximately $1,971), bank guarantees of Bs.20,580,000 (approximately $2,956) or a combination of the two up to the limit of Bs.20,580,000. The revolving working capital facility is renewable every six months until November 2020 and interest will be determined at the date of drawdown and is dependent on the form of the drawdown. As at September 30, 2017, no amounts were drawn down from this facility.

In May 2017, OroValle entered into a €800,000 facility with Bankinter S.A. (“Bankinter”) for a three month renewable term and bearing no interest. An administration fee is charged for each renewal. Under the terms of the agreement, all or part of the financing received must be used for the remittance of payroll tax, VAT and corporate taxes to the Spanish tax agency with payment being processed through the Bankinter account. No security is required to be posted for this facility. As at September 30, 2017, the full amount of the facility was drawn (approximately $944).

In July 2017, OroValle renewed a revolving credit facility with Banco Santander S.A. for an increased amount of €1,500,000 for a one year term bearing an annual rate of Euribor plus 2.25%. The credit facility is secured by OroValle’s VAT receivable from the Spanish government. As at September 30, 2017, the balance drawn on the credit facility was €893,622 (approximately $1,055).

For the year ended September 30, 2017, the Company paid $64 in interest on the short-term credit facilities (September 30, 2016 – $83).

BISA CIL Loan

In May 2016, EMIPA entered into a Bs.54,880,000 (approximately $7,885) debt financing with BISA in Bolivia (“BISA CIL Loan”), the proceeds of which were primarily used for the recommissioning of the carbon-in-leach circuit (“CIL Project”). Under the terms of the BISA CIL Loan, five disbursements of specified amounts were drawn down by EMIPA as expenditures were incurred on the CIL Project. The BISA CIL Loan bore an interest rate of 6% per annum, with ten monthly principal repayments that began in December 2016 and ended in September 2017. Security included the CIL circuit as well as certain other assets at Don Mario for the term of the BISA CIL Loan.

During fiscal 2017, EMIPA repaid the full amount of the BISA CIL Loan in the amount of Bs.54,880,000 (approximately $7,885). For the year ended September 30, 2017, the Company paid $316 in interest on the BISA CIL Loan (September 30, 2016 – $nil).

BISA TSF Loan

In June 2017, EMIPA entered into a Bs.58,017,483 (approximately $8,336) term facility with BISA in Bolivia, the proceeds of which are being used to fund a major tailings storage facility expansion project that will add sufficient capacity to support future operations ("BISA TSF Loan"). The BISA TSF Loan bears an interest rate of 5.3% per annum, with seven disbursements of specified amounts to be drawn down as expenditures are incurred on the tailings storage facility expansion. The BISA TSF Loan matures in January 2021 and will be repaid in twelve equal repayments beginning in April 2018. Security for the BISA TSF Loan and the revolving working capital facility described above, includes certain assets at Don Mario.

The BISA TSF Loan contains covenants that, among other things, restrict EMIPA's ability to make cash disbursements to Orvana in certain circumstances.

For the year ended September 30, 2017, EMIPA had received three disbursements in the amount of $3,352.

For the year ended September 30, 2017, the Company has not paid any amount of interest on the BISA TSF Loan (September 30, 2016 – $nil).

Prepayment Facility

In August 2016, the Company entered into a $12,500 copper concentrates and gold doré Prepayment Facility with Samsung C&T U.K. Limited ("Samsung C&T"), the proceeds of which were used at El Valle for mine development activities and infrastructure upgrades.

Under the terms of the Prepayment Facility, Orvana is selling gold doré from its El Valle and Carlés Mines in Spain and copper concentrate from its Don Mario Mine in Bolivia to Samsung C&T, on an exclusive basis for a period of thirty months. In exchange, Orvana received $12,500 in prepayment financing from Samsung C&T. The first instalment of $8,000 was drawn on closing and repayments began in September 2017. The second instalment of $4,500 was drawn down in February 2017 and will be repaid beginning in December 2017 in nine equal monthly payments. The Prepayment Facility bears interest at USD 3M LIBOR plus 4.5% per annum. Interest payments and principal repayments under the terms of the Prepayment Facility are deducted from Orvana's on-going shipments of copper concentrates and/or gold doré. For the year ended September 30, 2017, principal repayments of $444 were made, such that the principal outstanding was $12,056 (September 30, 2016 - $8,000). Samsung C&T has agreed to pay for copper concentrates and gold doré at a price based on the prevailing metal prices for the gold, silver and copper content around time of shipment, less customary treatment, refining and shipping charges, and pursuant to the terms of the Prepayment Facility.

Based on estimates of the expected gold recoveries and future profitability, Don Mario began to stockpile the higher gold grade LMZ mined ore during the second half of calendar 2016. As a result of this stockpiling activity and the requirements of the Prepayment Facility, the Company entered into a concentrate purchase agreement in October 2016, purchasing third-party copper concentrates for delivery under the Prepayment Facility. The Company recorded a loss of $1,069 based on the final pricing terms on these transactions, representing the difference between the purchase terms and the sales terms under the Prepayment Facility.

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

On initial recognition in its consolidated financial statements, the Company determined that the Prepayment Facility should be recognized as a hybrid financial instrument with value ascribed to a debt component and a deferred revenue or prepayment component. Each of these components were fair valued and, based on the results of these calculations, the initial $8,000 received was divided into a long-term debt of $7,226 and deferred revenues of $774. Amortization of deferred revenue, for the year ended September 30, 2017 totalled $356 (September 30, 2016 - $18) and was recorded as part of revenues. Inputs to determine the fair value of the debt component included interest rates from recent independent market financing transactions, and inputs to determine the fair value of the deferred revenue component included the Company's expected production and commodity price estimates.

(in thousands of United States dollars unless otherwise noted)

Deferred financing fees of $501 were recognized on the closure of the Prepayment Facility. For the year ended September 30, 2017, the Company amortized financing fees of $205 (September 30, 2016 - $34).

For the year ended September 30, 2017, the Company paid $677 in interest on the Prepayment Facility (September 30, 2016 – $nil).

17. Obligations under finance leases

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

At September 30, 2017, the total lease obligation outstanding was $1,359 (September 30, 2016 - $1,783) and the Company made lease payments during the year of $963 (September 30, 2016 - $196). The following is a schedule of future minimum payments under the finance leases:

As at September 30,			2017		2016
Fiscal	2017	$	-	$	911
	2018		1,020		773
	2019		332		126
	2020		28		10
			1,380		1,820
Amount representing interest at 1.87%			(21)		(37)
			1,359		1,783
Less: current portion of lease obligation			(1,003)		(885)
Total long-term obligations under finance leases		$	356	$	898

18. Decommissioning liabilities

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

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

As at September 30,		2017		2016
Balance, beginning of period	$	20,713	$	19,904
Revision in estimated cash flows, timing of payments and discount rates				
– El Valle Mine		(752)		(517)
– Don Mario Mine		(373)		1,022
		19,588		20,409
Accretion expense		356		338
Reclamation payments		(5)		(34)
Total decommissioning liabilities	$	19,939	$	20,713

For El Valle Mine, the revision in estimated cash flows at September 30, 2017 includes the impact of the change in discount rate and the impact of the foreign exchange rate of Euros versus the US dollar.

For Don Mario Mine, the revision in estimated cash flows at September 30, 2017 relates to the impact of a longer estimated mine life.

(in thousands of United States dollars unless otherwise noted)

The decommissioning liability balance consists of:

As at September 30,		2017		2016
El Valle Mine	$	13,300	$	13,914
Don Mario Mine		6,639		6,799
Total decommissioning liabilities	$	19,939	$	20,713

As at September 30, 2017, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine (1)	$	15,546	1.54%	$	13,300
Don Mario Mine		8,013	3.20%		6,639
Total	$	23,559		$	19,939

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred beginning in 2018 and 2019 in respect of Don Mario Mine and El Valle Mine, respectively. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $8,893 at September 30, 2017 (September 30, 2016 – $8,408) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 12 – Restricted cash and reclamation bonds.

19. Income tax

Taxation on income comprises current and deferred income tax. Current income tax is generally the expected tax payable on the taxable income for the year calculated using rates enacted or substantively enacted at the statements of financial position date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statements carrying amounts of assets and liabilities and their respective income tax bases.

The Company operates in a specialized industry and in several tax jurisdictions. As a result, its income is subject to various rates of taxation. The breadth of its operations and the global complexity of tax regulations require assessments of uncertainties and judgements in estimating the taxes the Company will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and liabilities.

The Company estimates deferred income taxes based upon temporary differences between the assets and liabilities that it reports in its consolidated financial statements and the tax bases of its assets and liabilities as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences can be utilized. Therefore, the amount of the deferred income tax asset recognized and considered unrealizable could be reduced if projected income is not achieved.

(in thousands of United States dollars unless otherwise noted)

Income tax rates in Bolivia and Spain remain unchanged from the prior year at 37.5% and 25%, respectively.

For the year ended September 30,		2017		2016
Current income taxes:				
Current tax on income for the year	$	4,993	$	172
Total current income taxes		4,993		172
Deferred income tax:				
Origination and reversal of temporary differences in OroValle and EMIPA		(1,639)		(4,930)
Total deferred tax recoveries		(1,639)		(4,930)
Total income taxes (recoveries)	$	3,354	$	(4,758)

The tax on the Company's income before tax differs from the amount that would arise using the Canadian statutory income tax rate applicable to income of the consolidated entities as follows:

For the year ended September 30,		2017		2016
Loss before income taxes	$	(12,201)	$	(13,213)
Statutory income tax rates		26.5%		26.5%
Income tax provision calculated using the combined Canadian federal and provincial statutory income tax rates		(3,233)		(3,501)
Tax effects of:				
Higher foreign tax rates		2,096		271
Non-deductible expenses		1,565		454
Tax deductions (recognized) not recognized		2,926		(1,982)
Income tax expense (recovery)	$	3,354	$	(4,758)

As at September 30, 2017, the Company recognized $1,370 of deferred tax assets in EMIPA, as projections of various sources of income support the conclusion that the realization of these deferred tax assets is probable. (September 30, 2016 - $1,541).

The sources of deferred income tax assets and liabilities were as follows:

As at September 30,		2017		2016
Deferred tax assets:				
Tax loss carry forwards in EMIPA	$	-	$	310
Other		1,370		1,231
Deferred tax assets	$	1,370	$	1,541
Deferred tax liabilities:				
Property, plant and equipment	$	(6,684)	$	(10,305)
Tax loss carry forwards in OroValle		6,852		8,471
Other		(168)		24
Deferred tax liabilities		-		(1,810)
Deferred tax assets (net)	$	1,370	$	(269)

As at September 30, 2017, the Company had non-capital losses of $18,760 (September 30, 2016 – $20,245) in Canada that expire over the periods of 2029 to 2033 and other deductible temporary differences of $5,361 (September 30, 2016 – $4,264). EMIPA had deductible temporary differences of $23,760 (September 30, 2016 – $17,778). OroValle had non-capital losses of $22,300 (September 30, 2016 - $nil) with an indefinite carry-forward. The Company has not recognized the benefit of these items in the consolidated financial statements.

All deferred tax assets and liabilities are expected to settle after September 30, 2017.

The movement of the deferred income tax account is as follows:

For the year ended September 30,		2017		2016
At October 1	$	269	$	5,199
Charge to the statement of income		(1,639)		(4,930)
Exchange differences		-		-
At September 30	$	(1,370)	$	269

Cash taxes paid by EMIPA during the year ended September 30, 2017 totaled $21 (September 30, 2016 – $300).

20. Share capital and warrants

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

Warrants

A summary of the warrant transactions are as follows:

	Number of warrants		Stated Value
Balance, September 30, 2015	1,470,000	$	17
Non-exercisable warrants (1)	(420,000)		(13)
Fair value adjustment	-		45
Balance, September 30, 2016	1,050,000	$	49
Expiry	(450,000)		(4)
Fair value adjustment	-		(35)
Balance, September 30, 2017	600,000	$	10

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

As at September 30, 2017, outstanding and exercisable warrants were as follows:

Grant date		Fair value US$000's	Number of vested warrants	Exercise price C$	Expiry date
August 22, 2013		6	500,000	0.49	August 22, 2018
July 11, 2014		4	100,000	0.54	July 11, 2019
	$	10	600,000		

21. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, October 1, 2015	2,253,334	$1.29
Expired	(503,333)	3.04
Forfeited	(33,334)	0.41
Balance, September 30, 2016	1,716,667	$0.79
Granted	944,444	0.23
Expired	(1,091,667)	0.85
Balance, September 30, 2017	1,569,444	$0.41

The fair value of the options granted during the year ended September 30, 2017 were estimated using the Black-Scholes option-pricing model with the following assumptions:

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

As at September 30, 2017, outstanding and exercisable options were as follows:

Grant date		Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
March 7, 2013		141	-	0.44	250,000	1.02	March 7, 2018
March 29, 2013		27	-	0.50	50,000	1.05	March 29, 2018
December 16, 2013		28	-	0.08	100,000	0.43	October 31, 2017
December 18, 2014		21	-	2.22	125,000	0.30	December 18, 2019
May 14, 2015		17	-	2.62	100,000	0.37	May 14, 2020
December 22, 2016		97	944,444	4.23	-	0.23	December 22, 2021
	$	331	944,444	2.98	625,000		
Total vested and unvested options					1,569,444		

The Company uses the fair value method of accounting for options and, during the year ended September 30, 2017, recognized stock-based compensation expense of $54 (September 30, 2016 – $18).

The compensation expense associated with the options for the year ended September 30, 2017 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (September 30, 2016 – 10%).

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

As at September 30, 2017, the fair value associated with unvested options is $97 (September 30, 2016 – $13).

(b) Long-term compensation

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

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

(in thousands of United States dollars unless otherwise noted)

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

	Number of DSUs		Fair value
Balance, October 1, 2015	365,446	$	49
Issued	2,206,331		249
Redeemed	(660,255)		(77)
Mark-to-market adjustment	-		196
Changes in current portion	(136,378)		(30)
Balance, September 30, 2016	1,775,144	$	387
Issued	471,700		74
Redeemed	(649,959)		(144)
Forfeited	(99,206)		(22)
Mark-to-market adjustment	-		5
Balance, September 30, 2017	1,497,679	$	300

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

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

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

	Number of RSUs		Fair Value
Balance October 1, 2015	862,508	$	116
Issued	3,059,923		281
Redeemed	(1,401,298)		(172)
Forfeited	(2,650,916)		(261)
Mark-to-market adjustment	-		102
Changes in current portion	1,095,647		147
Balance, September 30, 2016	965,864		213
Issued	796,296		128
Mark-to-market adjustment	-		32
Changes in current portion	(965,864)		(213)
Balance, September 30, 2017	796,296		160

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

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

(in thousands of United States dollars unless otherwise noted)

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

	Number of SARs		Fair value
October 1, 2015	1,558,630	$	33
Issued	4,972,666		-
Forfeited	(4,759,214)		-
Mark-to-market adjustment	-		96
Balance, September 30, 2016	1,772,082		129
Forfeited	(1,046,532)		(78)
Mark-to-market adjustment	-		14
Changes in current position	(123,188)		-
Balance, September 30, 2017	602,362		65

22. Compensation of key management

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

For the years ended September 30,		2017		2016
Salaries and short term employee benefits	$	1,359	$	1,329
Share-based payments (1)		(227)		660
Termination benefits		-		490
Other		-		4
Total compensation of key management	$	1,132	$	2,483

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

The Company announced the appointment of Jim Gilbert as Chairman and Chief Executive Officer of the Company effective August 4, 2016. Compensation for Mr. Gilbert is payable through Fabulosa Mines Limited, with which the Company has signed a management fee agreement for Mr. Gilbert's services. The management fee agreement is based on an annual salary of $323 plus benefits and performance related compensation. As at September 30, 2017, the Company has accrued for $208 which is payable to Fabulosa Mines Limited.

23. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle which may not be in compliance with certain of OroValle's permits. In recent years, OroValle has received approximately €955,000 (approximately $1,127) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Asturias is conducting an investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge may dismiss the matter and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged and has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $5,903) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000,000 (approximately $5,903) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $5,903) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is challenging the requirement to fund the additional reclamation bond through an administrative appeal process with the Spanish regulator. The Company recently withdrew its action from the Spanish Court system. 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.

(in thousands of United States dollars unless otherwise noted)

(c) Production from El Valle Mines is subject to a 3% net smelter return royalty ("NSR"), referred to herein as El Valle Royalty, payable monthly. El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $2,058 for the year ended September 30, 2017 (September 30, 2016 - $1,749).

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled $2,164 for the year ended September 30, 2017 (September, 2016 – $1,225). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $4,854 for the year ended September 30, 2017 (September 30, 2016 – $2,877).

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

24. Segmented information

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

As at September 30, 2017:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$ 5,654	$ 83,402	$ 8,929	$ 15,037	$ 113,022
EMIPA	13,083	16,628	2,962	18,394	51,067
Corporate	5,074	24	-	2,176	7,274
	$ 23,811	$ 100,054	$ 11,891	$ 35,607	$ 171,363

As at September 30, 2016:

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

(in thousands of United States dollars unless otherwise noted)

For the year ended September 30, 2017:

		Revenue		Mining costs [1]		Depreciation/ Amortization[2]		Other costs		Income (loss) before taxes
OroValle	$	71,556	$	73,268	$	17,915	$	1,317	$	(20,944)
EMIPA		66,443		43,102		9,194		2,258		11,889
Corporate		-		-		38		3,108		(3,146)
	$	137,999	$	116,370	$	27,147	$	6,683	$	(12,201)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 6 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

For the year ended September 30, 2016:

		Revenue		Mining costs [1]		Depreciation/ Amortization[2]		Other costs		Income (loss) before taxes
OroValle	$	59,517	$	57,400	$	12,365	$	(411)	$	(9,837)
EMIPA		34,333		27,144		4,824		885		1,480
Corporate		-		-		109		4,747		(4,856)
	$	93,850	$	84,544	$	17,298	$	5,221	$	(13,213)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 6 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

25. Financial instruments and fair values

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

Fair value hierarchy

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

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

As at September 30, 2017		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)		Aggregate Fair value
Financial liabilities:								
Long-term compensation	$	460	$	65	$	-	$	525
Warrants		-		10		-		10
Derivative instruments		-		922		-		922
Total	$	460	$	997	$	-	$	1,457

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial liabilities:				
Long-term compensation	$ 600	$ 129	$ -	$ 729
Warrants	-	49	-	49
Derivative instruments	-	60	-	60
Total	$ 600	$ 238	$ -	$ 838

Valuation techniques for Level 2 financial instruments:

Derivative instruments: The Company's derivative instruments are measured at fair value using the forward price curves of each commodity and are classified as level 2.

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

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

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

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

Financial Risks Factors

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.

(a) Market risk

(i) Currency risk

Orvana's functional currency is the US dollar. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Currency risk arises when future recognized assets or liabilities are denominated in a currency that is not the Company's functional currency and may impact the fair values thereof or future cash flows of the Company's financial instruments. Exchange rate fluctuations may also affect the costs that the Company incurs in its operations.

The net loss of $15,555 for the 2017 fiscal year would be impacted by changes in average USD/EUR exchange rates in respect of mining costs incurred at OroValle. A 10% increase/decrease in average realized USD/EUR exchange rates in respect of mining costs incurred at OroValle would affect the net loss by a decrease/increase of $8,194.

(ii) Price risks

The Company is primarily exposed to gold and copper commodity price risk. The Company is actively managing its commodity price risk through price fixing a limited amount of production revenue from November 2017 to March 2018. Refer to note 10 – Derivative instruments.

Gold prices

The net loss of $15,555 for the 2017 fiscal year would be impacted by changes in average realized gold prices on gold ounces sold. A 10% increase/decrease in average realized gold prices would affect the net loss by an increase/decrease of approximately $11,150.

Copper prices

The net loss of $15,555 for the 2017 fiscal year would be impacted by changes in average realized copper prices. A 10% increase/decrease in average realized copper prices would affect net loss by an increase/decrease of approximately $3,672.

(iii) Interest rate risk

The Company's cash flow interest rate risk arises from short and long-term borrowings. Currently, our interest rate exposure mainly relates to our Prepayment Facility which is based on a USD 3M LIBOR plus 4.5%.

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to gold-copper concentrate, gold doré sales and value-added tax receivables. The Company has a concentration of credit risk with three customers to which gold-copper concentrate and gold doré are sold under agreements and who provide provisional payments to the Company upon each shipment to the customer. These institutions are international and are large with strong credit ratings. Value-added taxes receivables are collectable from the Bolivian and Spanish governments and received regularly. Management believes that the credit risks with respect to financial instruments attributable to concentrate and gold sales receivable and value-added taxes receivable is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the Company and aggregated at the Orvana corporate level to monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing among other factors.

As at September 30, 2017, the Company had (i) cash and cash equivalents of $23,811 and (ii) restricted cash of $2,998 designated to cover a portion of the Company's commitments due in less than one year. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flow from operating activities. In fiscal 2017, the Company generated cash flow from operating activities of $20,726 and cash flow from operating activities before changes in non-cash working capital of $11,914.

If unanticipated events occur that may impact the operations of El Valle Mine and Don Mario Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

(in thousands of United States dollars unless otherwise noted)

Surplus cash held by the operating entities over and above balances required for working capital management are invested in interest bearing short-term deposits.

(d) Financing risk

Financing risk is the risk that if unanticipated events occur that may impact the operations of El Valle Mine and Don Mario Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated.

26. Capital management

At September 30, 2017, the Company had cash and cash equivalents of $23,811 and restricted cash of $2,998; and total debt of $16,854. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

As at September 30,		2017		2016
Shareholders' equity	$	88,610	$	104,111
Debt		16,854		12,270
Obligations under finance leases		1,359		1,783
		106,823		118,164
Less: Cash and cash equivalents		(23,811)		(18,939)
	$	83,012	$	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. During fiscal 2016, the Company closed the $7.9 million BISA CIL Loan and the $12.5 million Prepayment Facility, and during fiscal 2017 the Company closed the $11.3 million BISA TSF Loan and revolving working capital facility.

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 its El Valle and Don Mario Mines. Information is regularly provided to the board of directors of the Company.