MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2018

Introduction

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three and nine months ended June 30, 2018.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Orvana for the three and nine months ended June 30, 2018 and related notes thereto (the "Q3 Financials"). The Q3 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In this MD&A, all currency amounts (except per unit amounts) unless otherwise stated, are in United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". The information presented in this MD&A is as of Aug 8, 2018, unless otherwise stated.

A cautionary note regarding forward-looking statements follows this MD&A.

Company Overview

Orvana is a multi-mine gold and copper producer with organic growth opportunities. Orvana's operating properties consist of (i) the El Valle Mine and Carlés Mine (collectively, "El Valle"), two underground gold-copper-silver mines with process facilities that produce copper concentrates and gold doré, located in the northern part of Spain; and (ii) the Don Mario Mine Complex ("Don Mario"), a set of gold-copper concessions that include the Cerro Felix satellite gold deposit, the Las Tojas property and the previously mined Lower Mineralized Zone ("LMZ") and Upper Mineralized Zone ("UMZ"), with process facilities that currently produce gold doré and previously produced copper concentrates, located in the south-eastern part of Bolivia. Orvana's strategic focus is on initiatives and opportunities to deliver long-term shareholder value. To achieve this, Orvana is currently working to optimize its operations, reduce its unitary operating costs and realize growth in its future production base through exploration within and in proximity to its existing operations. Orvana is an Ontario registered company and its common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol TSX:ORV.

Third Quarter of Fiscal 2018 Consolidated Operating Highlights and Financial Results

At El Valle, oxides productivity enhancements allowed for delivery of higher-grade ore volume to the mill, resulting in higher gold ounces produced and reduced unitary costs. At Don Mario, the Company continues production from Cerro Felix as the first phase of its mine life extension. On-going work continues to focus on exploring its gold deposits and concessions to extend its mine life.

The Company reports the following developments in the third quarter of fiscal 2018 as follows:

- **El Valle – Delivers higher gold production due to 13% ore milled increase:** productivity enhancements at both, oxides and skarn production, allowed for delivery of higher ore volume to the mill. Gold production improved by 11% compared to the second quarter of fiscal 2018, achieving the highest level of quarterly gold production since 2014.
- **Don Mario – Production from Cerro Felix:** During the second quarter of fiscal 2018, mining activities transitioned from the depleted LMZ to the open-pit Cerro Felix gold satellite deposit. Gold production in the third quarter was 9,916 ounces, an increase of 3% compared to 9,649 ounces in

the previous quarter. Ore production was impacted by lower grades in the upper level of Cerro Felix. Higher grades are expected as the lower pit areas are mined in the next quarter.

- **Revised Guidance:** Based on results from the first nine months of fiscal 2018, the Company guidance for gold and copper production are being slightly reduced and increased, respectively. Quarterly consolidated cash operating costs ("COC") and all-in sustaining costs ("AISC") per ounce of gold sold were $1,027 and $1,291, respectively. The Company expects to achieve its COC guidance for fiscal 2018 but will slightly exceed AISC guidance due to reduced gold production guidance (refer to Outlook section of this MD&A, below).

	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Operating Performance					
Gold					
Grade (g/t)	**2.62**	2.54	2.49	**2.57**	2.33
Recovery (%)	**92.0**	92.2	90.6	**91.4**	82.5
Production (oz)	**26,761**	24,788	26,414	**74,721**	62,626
Sales (oz)	**26,490**	25,489	24,287	**73,974**	58,997
Average realized price / oz	**$1,298**	$1,304	$1,262	**$1,299**	$1,253
Copper					
Grade (%)	**0.51**	0.57	0.65	**0.58**	0.72
Recovery (%)	**81.6**	63.0	73.7	**66.5**	64.0
Production ('000 lbs)	**1,575**	2,609	3,837	**6,943**	10,292
Sales ('000 lbs)	**2,225**	2,531	4,244	**7,456**	10,836
Average realized price / lb	**$3.11**	$2.80	$2.45	**$3.11**	$2.42
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$38,438**	$36,930	$36,671	**$109,538**	$91,843
Mining costs	**$31,729**	$30,525	$31,180	**$90,314**	$81,808
Gross margin	**$73**	($394)	($1,909)	**$137**	($8,754)
Net loss	**($2,982)**	($3,505)	($3,446)	**($9,866)**	($13,833)
Net loss per share (basic/diluted)	**($0.02)**	($0.03)	($0.03)	**($0.07)**	($0.10)
EBITDA (1)	**$3,930**	$4,473	$4,782	**$12,585**	$6,222
Operating cash flows before non-cash working capital changes	**$4,282**	$2,447	$2,930	**$8,815**	$3,317
Operating cash flows	**$4,010**	($5,486)	$7,769	**$671**	$8,396
Ending cash and cash equivalents	**$13,484**	$12,482	$18,504	**$13,484**	$18,504
Capital expenditures (2)	**$5,618**	$5,462	$3,294	**$17,287**	$15,512
Cash operating costs (by-product) ($/oz) gold (1)	**$1,027**	$1,055	$1,032	**$1,028**	$1,071
All-in sustaining costs (by-product) ($/oz) gold (1)(2)	**$1,291**	$1,309	$1,199	**$1,286**	$1,330

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

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

Operational Results

- Production of 26,761 ounces of gold and 1.6 million pounds (714 tonnes) of copper during the third quarter of fiscal 2018, an increase in gold production of 1% and a decrease in copper production of 59% compared with the third quarter of fiscal 2017.
- Production of 31,325 gold equivalent ounces during the third quarter of fiscal 2018, compared with 35,292 gold equivalent ounces during the third quarter of fiscal 2017. (1)

(1) Gold equivalent ounces include copper pounds and silver ounces produced and are converted to a gold equivalent based on a ratio of the average market price for the commodities for the period discussed.

- Sales of 26,490 ounces of gold and 2.2 million pounds (1,009 tonnes) of copper during the third quarter of fiscal 2018, an increase in gold sales of 9% and a decrease in copper sales of 48% compared with the third quarter of fiscal 2017.
- Gold and copper production of 74,721 ounces and 6.9 million pounds (3,149 tonnes), respectively, during the first nine months of fiscal 2018, an increase of 19% to gold production and a decrease to copper production of 33%, compared with the first nine months of fiscal 2017.
- Production of 93,887 gold equivalent ounces during the first nine months of fiscal 2018, compared with 87,384 gold equivalent ounces during the first nine months of fiscal 2017. (1)
- Sales of 73,974 ounces of gold and 7.5 million pounds (3,382 tonnes) of copper during the first nine months of fiscal 2018, an increase of 25% in gold sales and a decrease of 31% in copper sales, compared with the first nine months of fiscal 2017. The latter as a result of the programmed change to copper-less Cerro Felix in EMIPA.

El Valle

- Gold and copper production increased by 11% and 15%, respectively, compared with the second quarter of fiscal 2018, driven by higher gold and copper grades, as well as a 13% improvement in tonnes milled.
- Historically, the ratio of mined oxide to skarn ore had been approximately 20% until the end of fiscal 2017. The ratio of oxides to skarns processed in the mill was at the level of 39% over the third quarter of fiscal 2018, increasing to 66,000 tonnes. The 13% increase in ore milled resulted in a 11% increase to gold production during the third quarter of fiscal 2018, as compared to the second quarter of fiscal 2018.
- The Company is targeting to continue increasing the ratio of oxides processed as part of the initiatives to improve ore grade in fiscal 2018.
- Mechanical advance rates in oxide areas continued to improve, increasing by 20% to 1,919 meters during the third quarter of fiscal 2018, as compared to the second quarter of fiscal 2018.
- Maintenance investment in progress continues to support the reliability on mine equipment.

Don Mario

- Mining of LMZ deposit was completed and production began to ramp up from the Cerro Felix satellite deposit along the second quarter of fiscal 2018. As a result of the transition process, lower than expected gold grades were experienced. Higher grades are expected as the lower pit areas are mined next quarter. Gold production in the third quarter was 9,916 ounces, an increase of 3% compared to 9,649 ounces in the previous quarter.
- Copper production fell by 34% compared to the second quarter of fiscal 2018, primarily as a result of planned depletion of by-product copper mined from the LMZ. This was the final quarter of planned copper concentrate production at Don Mario in fiscal 2018.

Financial Results

- Net revenue of $38.4 million for the third quarter of fiscal 2018, or 5% higher, compared with $36.7 million for the third quarter of fiscal 2017, primarily due to higher gold sales volumes and realized prices, partially offset by lower copper sales volumes.
- Mining costs of $31.7 million for the third quarter of fiscal 2018, or 2% higher, compared with $31.2 million for the third quarter of fiscal 2017 primarily due to exchange movements in the Euro to USD rate at El Valle, as well as higher underlying mining costs at Don Mario as a result of increased reagents, supplies and labour required by the re-commissioned CIL circuit.
- Net loss for the third quarter of fiscal 2018 of $3.0 million compared with $3.4 million for the third quarter of fiscal 2017.

- EBITDA for the third quarter of fiscal 2018 of $3.9 million compared with $4.8 million for the third quarter of fiscal 2017. (2)
- Cash flows used in operating activities of $4.0 million for the third quarter of fiscal 2018, compared with cash flows provided by operating activities of $7.8 million for the third quarter of fiscal 2017 and cash flows provided by operating activities before changes in non-cash working capital of $4.3 million in the third quarter of fiscal 2018, compared with $2.9 million for the third quarter of fiscal 2017. (2)
- Capital expenditures of $5.6 million for the third quarter of fiscal 2018 compared with $3.3 million for the third quarter of fiscal 2017.
- COC and AISC on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold for the third quarter of fiscal 2018 of $1,027 and $1,291, respectively, compared with COC and AISC (by-product) of $1,032 and $1,199, respectively, for the third quarter of fiscal 2017. Increased mining costs at Don Mario and lower by-product revenue negatively impacted both COC and AISC. (2)
- Net revenue of $109.5 million for the first nine months of fiscal 2018, or 19% higher, compared with $91.8 million for the first nine months of fiscal 2017, primarily due to higher gold sales volumes and realized prices, partially offset by lower copper sales.
- Mining costs of $90.3 million for the first nine months of fiscal 2018, or 10% higher, compared with $81.8 million for the first nine months of fiscal 2017 primarily due to exchange movements in the Euro to USD rate at El Valle, as well as higher costs at Don Mario for reagents and labour required for the CIL plant.
- Net loss for the first nine months of fiscal 2018 of $9.9 million compared with $13.8 million for the first nine months of fiscal 2017.
- EBITDA for the first nine months of fiscal 2018 of $12.6 million compared with $6.2 million for the first nine months of fiscal 2017. (2)
- At June 30, 2018, consolidated cash and cash equivalents were $13.5 million, a decrease of $10.3 million from September 30, 2017.
- Cash flows used in operating activities of $0.7 million in the first nine months of fiscal 2018, compared with cash flows provided by operating activities of $8.4 million for the first nine months of fiscal 2017 and cash flows provided by operating activities before changes in non-cash working capital of $8.8 million in the first nine months of fiscal 2018, compared with $3.3 million in the first nine months of fiscal 2017. (2)
- Capital expenditures of $17.3 million for the first nine months of fiscal 2018 compared with $15.5 million in the first nine months of fiscal 2017.
- COC and AISC on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold in the third quarter of fiscal 2018 of $1,028 and $1,286, respectively, compared with COC and AISC (by-product) of $1,071 and $1,330, respectively. Higher gold volumes sold resulted in lower COC and AISC but were partially offset by higher mining costs at Don Mario and lower by-product costs. (2)

Growth Initiatives Highlights

El Valle

- A number of important productivity improvements and initiatives are in progress during fiscal 2018, including the following:

(2) EBITDA, cash flows provided by operating activities before non-cash working capital, COC and AISC are non-IFRS performance measures. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance including the Company's ability to generate cash flows from its mining operations. Accordingly, it is intended to provide additional information and should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. For further information and detailed reconciliations, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

- Addressing grade variability risk through additional geological review steps in the short-term mine planning phase, in addition to introducing conservatism in high grade zone planning where ore bodies have been known to be non-homogenous or non-contiguous.
- Making further investments for the existing fleet and enhancing preventive maintenance.
- Reorganizing labour and available equipment to allow cut and fill crews in oxide zones to address the variability of rock hardness being encountered.
- The Company is restarting the Carlés Mine as a short-term project during the remainder of fiscal 2018, and first quarter of fiscal 2019, to take advantage of near surface underground mineralized tonnage. Preliminary works are in progress, and production is planned to commence in the fourth quarter, once all the mining and environmental permits for the project have been obtained.
- Carlés is expected to continue to provide skarn material in the future.

Don Mario

- Targeted development and infill drilling at Las Tojas deposit was completed during the third quarter of fiscal 2018. The Company previously identified Las Tojas deposit as a potential, near-term opportunity to extend the life of mine of Don Mario site. Work efforts are now focused on analysis of the drilling results, estimation of potential mineral resources, open pit mine design work and completion of economic analysis for Las Tojas.
- The Company has recently been re-evaluating the economic potential of its existing mineral stockpiles at Don Mario. Initial testing results have yielded mixed indications, and the Company expects to complete further tests in the coming months. The Company has also commenced an evaluation of re-processing tailings to determine the viability of recovering gold from material deposited in the tailings impoundment since the commencement of production at Don Mario.

Outlook

The Company continues to pursue its objectives of optimizing production, lowering unitary cash costs, maximizing free cash flow, extending the life-of-mine of its operations while increasing its output.

At El Valle, the primary objective in fiscal 2018 is to continue increasing higher-grade oxides mining, therefore targeting more gold output than the one realized in fiscal 2017. The guidance put forward for fiscal 2018 production assumed an operational transformation at our Boinás mine. This undertaking has unfolded with the right trend, although at a slower pace, along these last three quarters. To keep working on the maximization of high-grade oxides in the mill feed, we are conducting additional geological and geotechnical work, in order to increase mining reliability (due to the challenging grade variability and ground stability issues). Infrastructure and fleet maintenance investments to improve productivity and efficiency will continue to be made through last quarter of fiscal 2018, as planned.

At Don Mario, the Company continues to produce consistent results from its re-commissioned CIL circuit, with a recovery rate averaging above 92% during the third quarter of fiscal 2018. Don Mario continues to pursue realization of a number of known opportunities for mine life extension, including potential mining of the Company's Las Tojas deposit, processing existing mineral stockpiles, and reprocessing gold bearing tailings. With regards to exploration activities on Las Tojas, the Company expects to release full results by the end of fiscal 2018.

The following table sets out Orvana's results for the third quarter of fiscal 2018 as well as its fiscal 2018 production and cost guidance. Based on actual results in the first half of fiscal 2018 and revisions to the Company's forecasts for the remainder of fiscal 2018, the Company is making the following adjustments to its guidance:

- Reduced El Valle gold production guidance range from 65,000 - 72,000 ounces to 55,000 - 62,000 ounces.
- Increased El Valle copper production guidance range from 4.1 - 4.5 million pounds to 4.9 – 5.3 million pounds.
- Increased Don Mario copper production guidance to 3.1 million pounds from 2.0 million - 2.3 million pounds. No further copper production is expected from Don Mario during the remainder of fiscal 2018.
- Reduced capital expenditure guidance range from $24.0 million - $27.0 million to $21.0 million - $24.0 million.
- Narrowed the consolidated COC range for fiscal 2018 to be $1,000 - $1,050 per ounce.
- Increased the consolidated AISC range to $1,250 - $1,300 per ounce, from $1,150 - $1,250, primarily due to lower gold output volumes.

	YTD 2018 Actual	FY 2018 Guidance	FY 2018 Revised Guidance
El Valle Production			
Gold (oz)	**42,768**	65,000 – 72,000	55,000 – 62,000
Copper (million lbs)	**3.8**	4.1 – 4.5	4.9 – 5.3
Don Mario Production			
Gold (oz)	**31,953**	45,000 – 48,000	45,000- 48,000
Copper (million lbs)	**3.1**	2.0 – 2.3	3.1
Total Production			
Gold (oz)	**74,721**	110,000 – 120,000	100,000 – 110,000
Copper (million lbs)	**6,9**	6.1 – 6.8	8.0 – 8.4
Total capital expenditures	**$17,287**	$24,000 – $27,000	$21,000 - $24,000
Cash operating costs (by-product) ($/oz) gold (1)	**$1,028**	$950 – $1,050	$1,000 – $1,050
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,286**	$1,150 – $1,250	$1,250 – $1,300

(1) FY 2018 guidance assumptions for COC and AISC include by-product commodity prices of $2.75 per pound of copper and an average Euro to US Dollar exchange of 1.18 in the fourth quarter of fiscal 2018.

Overall Performance

The key factors affecting Orvana's operating and financial performance are tonnages mined and treated, metal grade and recoveries, quantities of metals produced and sold, realized metals prices, costs (including labour, energy and other supplies and material), mine development and other capital expenditures, foreign exchange rates and tax rates.

<u>Third quarter Ended June 30, 2018 Compared with Third quarter Ended June 30, 2017</u>

The Company recorded a net loss of $3.0 million or $0.02 per share for the third quarter of fiscal 2018 compared with $3.4 million or $0.03 per share for the third quarter of fiscal 2017. The Company's net loss is explained by the following factors:

- Revenue for the third quarter of fiscal 2018 increased by $1.8 million or 5% to $38.4 million from sales of 26,490 ounces of gold and 2.2 million pounds of copper from El Valle and Don Mario compared with revenue of $36.7 million from sales of 24,287 ounces of gold and 4.2 million pounds of copper in the third quarter of fiscal 2017. The increase in revenue was primarily due to higher gold sales volume and realized prices, partially offset by lower copper sales volumes.
- Mining costs were $31.7 million or $0.5 million higher for the third quarter of fiscal 2018 compared with $31.2 million for the third quarter of fiscal 2017, primarily due to exchange movements in the Euro to USD rate at El Valle, as well as higher mining costs at Don Mario as a result of increased reagent, supplies and labour costs required by the re-commissioned CIL circuit.
- Depreciation decreased by $0.8 million to $6.6 million for the third quarter of fiscal 2018 compared with $7.4 million for the third quarter of fiscal 2017, primarily due to depletion at Don Mario.
- Gross margin increased by $2.0 million to $0.7 million for the third quarter of fiscal 2018, compared with negative $1.9 million for the third quarter of fiscal 2017.

Total consolidated COC (by-product) of $1,027 per ounce of gold sold in the third quarter of fiscal 2018 were $5 or 1% lower than the third quarter of fiscal 2017. Total AISC (by-product) of $1,291 per ounce of gold sold in the third quarter of fiscal 2018 were $92 or 8% higher than in the third quarter of fiscal 2017. Increased mining costs at Don Mario and lower by-product revenue negatively impacted both COC and AISC.

<u>First Nine Months Ended June 30, 2018 Compared with First Nine Months ended June 30, 2017</u>

The Company recorded a net loss of $9.9 million or $0.07 per share for the first nine months of fiscal 2018 compared with $13.8 million or $0.10 per share for the first nine months of fiscal 2017. The Company's net loss was impacted significantly by the following factors:

- Revenue for the first nine months of fiscal 2018 increased by $17.7 million or 19% to $109.5 million on sales of 73,974 ounces of gold and 7.5 million pounds of copper from El Valle and Don Mario compared with revenue of $91.8 million on sales of 58,997 ounces of gold and 10.8 million pounds of copper.
- Mining costs were $90.3 million or $8.5 million higher for the first nine months of fiscal 2018 compared with $81.8 million for the first nine months of fiscal 2017, primarily due to exchange movements in the Euro to USD rate at El Valle, as well as higher labour and reagent costs associated with the CIL plant at Don Mario.
- Depreciation increased by $0.3 million to $19.1 million for the first nine months of fiscal 2018 compared with $18.8 million for the first nine months of fiscal 2017.
- Gross margin increased by $8.9 million to $0.1 million for the first nine months of fiscal 2018 compared with negative $8.8 million for the first nine months of fiscal 2017.

Total consolidated COC (by-product) of $1,028 per ounce of gold sold in the first nine months of fiscal 2018 were $43 or 4% lower than the first nine months of fiscal 2017. Total AISC (by-product) of $1,286 per ounce of gold sold in the first nine months of fiscal 2018 were $44 or 3% lower than the first nine months of fiscal 2017. Higher gold volumes sold resulted in lower COC and AISC, partially offset by higher mining costs at Don Mario and lower by-product costs.

Third quarter Ended June 30, 2018 Compared with Second quarter Ended March 31, 2018

The Company recorded a net loss of $3.0 million or $0.02 per share for the third quarter of fiscal 2018 compared with $3.5 million or $0.03 per share for the second quarter of fiscal 2018. The Company's net loss was impacted significantly by the following factors:

- Revenue for the third quarter of fiscal 2018 increased by $1.5 million or 4% to $38.4 million from sales of 26,490 ounces of gold and 2.2 million pounds of copper from El Valle and Don Mario compared with revenue of $36.9 million from sales of 25,489 ounces of gold and 2.5 million pounds of copper in the second quarter of fiscal 2018. The increase in revenue was primarily due to higher gold sales volume and realized prices, partially offset by lower copper sales volumes.
- Mining costs were $31.7 million or $1.2 million higher for the third quarter of fiscal 2018 compared with $30.5 million for the second quarter of fiscal 2018, primarily due to exchange movements in the Euro to USD rate at El Valle.
- Depreciation decreased by $0.2 million to $6.6 million for the third quarter of fiscal 2018 compared with $6.8 million for the second quarter of fiscal 2018, primarily due to depletion at Don Mario.
- Gross margin increased by $0.5 million to $0.1 million for the third quarter of fiscal 2018, compared with negative $0.4 million for the second quarter of fiscal 2018.

Total consolidated COC (by-product) of $1,027 per ounce of gold sold in the third quarter of fiscal 2018 were $28 or 3% lower than the second quarter of fiscal 2018. Total AISC (by-product) of $1,291 per ounce of gold sold in the third quarter of fiscal 2018 were $18 or 1% lower than in the second quarter of fiscal 2018. Higher gold volumes sold resulted in lower COC and AISC, partially offset by higher mining costs at Don Mario and lower by-product costs.

El Valle

Through its wholly-owned subsidiary, OroValle Minerals S.L. (“OroValle”), the Company owns and operates the El Valle and Carlés mines located in the Rio Narcea Gold Belt in northern Spain, where the Company mines skarns and oxides underground.

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

	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Operating Performance					
Ore mined (tonnes) (wmt)	**177,972**	156,120	201,987	**473,001**	549,583
Ore milled (tonnes) (dmt)	**169,958**	150,966	197,469	**452,210**	517,211
Daily average throughput (dmt)	**1,966**	1,766	2,284	**1,788**	1,994
Gold					
Grade (g/t)	**3.36**	3.36	2.35	**3.16**	2.39
Recovery (%)	**91.8**	92.9	91.9	**93.1**	91.6
Production (oz)	**16,845**	15,139	13,705	**42,768**	36,345
Sales (oz)	**16,947**	13,805	11,929	**40,950**	32,975
Copper					
Grade (%)	**0.51**	0.51	0.53	**0.47**	0.49
Recovery (%)	**81.6**	80.4	80.2	**81.0**	74.9
Production (‘000 lbs)	**1,575**	1,372	1,857	**3,833**	4,207
Sales (‘000 lbs)	**1,573**	1,234	1,657	**3,670**	3,889
Financial Performance *(in 000’s, except per share amounts)*					
Revenue	**$24,740**	$19,915	$17,491	**$59,402**	$46,904
Mining costs	**$20,007**	$17,780	$17,935	**$54,084**	$50,984
Income (loss) before tax	**$342**	($834)	($5,810)	**($5,196)**	($17,142)
Capital expenditures	**$1,012**	$1,900	$1,994	**$5,613**	$7,672
Cash operating costs (by-product) ($/oz) gold (1)	**$991**	$1,150	$1,288	**$1,153**	$1,355
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,181**	$1.356	$1,546	**$1,389**	$1,682
All-in costs (by-product) ($/oz) gold (1)	**$1,181**	$1.356	$1,546	**$1,389**	$1,682

(1) For further information and a detailed reconciliation of COC, AISC and AIC, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

El Valle Operating Performance

During the third quarter of fiscal 2018, El Valle produced 16,845 ounces of gold and 1.6 million pounds of copper compared with 13,705 ounces of gold and 1.9 million pounds of copper during the third quarter of fiscal 2017. Gold production increased by 23%, primarily due to higher grades and recoveries, while copper production decreased by 15% primarily due to lower tonnes milled and lower grades.

Consistent with the first quarter of fiscal 2018, the Company mined higher gold grade oxide tonnes and blended them with a ratio of 39% together with skarn ore, allowing for gold production to increase with higher tonnes milled. Historically, the ratio of mined oxide to skarn ore has been approximately 20%. The Company is targeting to continue increasing oxide ore production as part of the initiatives to improve ore grade in fiscal 2018.

Mechanical advance rates in oxide areas continued to improve, increasing by 20% to 1,919 meters during the third quarter of fiscal 2018, as compared to the second quarter of fiscal 2018.

At El Valle, a number of infrastructure projects and improvements are underway.

Plant improvements to improve recoveries are planned during fiscal 2018 in order to allow for the processing of a higher ratio of oxide ore. Studies are progressing to improve copper recoveries in a higher oxide blend, targeting 68% to 72%. Metallurgical studies are also being conducted to reduce the buildup of in-process gold from the increase in oxide ore processed in the plant.

El Valle expects to further increase mine production flexibility and grade control by significantly reducing the proportion of inferred ore material in its mine planning through planned infill drilling campaigns, as well as addressing grade variability risk through additional geological review steps in the mine planning phase, in addition to introducing conservatism in high grade zone planning where ore bodies have been known to be non-homogenous or non-contiguous.

El Valle is restarting a sector of the Carlés Mine as a short-term project during the fourth quarter of fiscal 2018 and first quarter of fiscal 2019. The Carlés Mine is expected to continue to deliver skarn material to El Valle.

<u>El Valle Financial Performance</u>

Revenue from El Valle for the third quarter of fiscal 2018 increased by 41% to $24.7 million on sales of 16,947 ounces of gold and 1.6 million pounds of copper from $17.5 million for the third quarter of fiscal 2017 on sales of 11,929 ounces of gold and 1.7 million pounds of copper.

Mining costs increased by 12% from $17.9 million for the third quarter of fiscal 2017 to $20.0 million for the third quarter of fiscal 2018, primarily due to the impact of higher sales volumes.

Income before tax for the third quarter of fiscal 2018 was $0.3 million compared with a loss of $5.8 million for the third quarter of fiscal 2017.

Total capital expenditures at El Valle during the third quarter of fiscal 2018 were $1.0 million compared with $2.0 million for the third quarter of fiscal 2017. Capital expenditures in fiscal 2018 consisted substantially of primary development, mining infrastructure upgrades and a tailings dam lift.

Total COC (by-product) of $991 per ounce of gold sold in the third quarter of fiscal 2018 were $297 or 23% lower than in the third quarter of fiscal 2017. Total AISC (by-product) of $1,181 per ounce of gold sold in the third quarter of fiscal 2018 were $365 or 24% lower than in the third quarter of fiscal 2017. COC and AISC were positively impacted by higher gold ounces sold.

El Valle Growth Exploration

Over 4,900 meters of drilling was completed in the third quarter of fiscal 2018 in the El Valle Mine. Infill drilling production was focused on oxides areas to convert inferred resources into measured and indicated ones. Also, new inferred resources were added with a brownfield drilling program. Both programs were completed in three oxides areas: Area 107, Villar Zone and Oxides Black Skarn, with positive results.

Brownfield exploration drilling in Oxides Black Skarn is being successful. The oxide mineralization is proving to continue, as shown in the last drill holes completed in the same section, which shows an oxide structure with around 10 mts of width. As an example, DDH 18V1628 intersected 9.9 mts with 6.1 g/tAu, 37.9 g/t Ag and 0.8% Cu; DDH 18V1632 intersected 15.7 mts with 7.1 g/t Au, 57.8 g/t Ag and 1.3% Cu. Orovalle continues working in this area to confirm the lateral extension of this mineralization.

Exploration drilling in Area107 and Villar zone is proving continuity, i.e., drill holes intersected A107 first and Villar zone after. DDH 18AR340-12 intersected A107 in 10.5 mts with 6.4 g/t Au extending the mineralization to the South. Same drill hole intersected Villar zone deeper: 5 mts with 85 g/t Au and 3.6 mts with 7.3 g/t Au; the mineralization is open to the South part. DDH 18AR340-15 intersected A107 (infill) and Villar zone: 15.5 mts with 4.9 g/t Au.

Greenfield exploration has advanced in the last month with the approved local authorization for drilling at Quintana (located close to El Valle Mine's southern tip), Orovalle is planning to start this drilling program in August. Regarding Lidia prospect (located in Navelgas gold belt), meetings with local Authorities are being scheduled to obtain required authorizations.

Don Mario

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"), the Company owns and operates Don Mario under a number of concessions in the Don Mario district located in south-eastern Bolivia. Fiscal 2009 marked the last year of six years of production from the Company's LMZ underground gold mine at Don Mario with some gold production from lower-grade open pit satellite deposits and lower grade stockpiles continuing into fiscal 2010 and 2011. From 2012 to the end of 2016, EMIPA mined the UMZ as an open-pit mine. From 2016 to 2018, EMIPA mined new material at the upper extension of the LMZ as an open-pit mine. EMIPA is currently focused on mining at its Cerro Felix property within the Don Mario area.

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

	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Operating Performance					
Ore mined (tonnes) (dmt)	**1,381,962**	769,071	184,355	**2,371,408**	557,980
Ore milled (tonnes) (dmt)	**175,446**	178,698	166,370	**535,234**	495,081
Daily average throughput (dmt)	**2,226**	2,191	2,033	**2,186**	2,082
Gold					
Grade (g/t)	**1.90**	1.84	2.66	**2.08**	2.28
Recovery (%)	**92.4**	91.3	89.3	**89.80**	69.7
Production (oz)	**9,916**	9,649	12,709	**31,953**	26,281
Sales (oz)	**9,543**	11,684	12,358	**33,024**	26,022
Copper					
Grade (%)	**-**	0.62	0.79	**0.72**	0.97
Recovery (%)	**-**	50.3	68.3	**53.7**	58.7
Production ('000 lbs)	**-**	1,237	1,980	**3,110**	6,085
Sales ('000 lbs)	**652**	1,297	2,587	**3,786**	6,947
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$13,698**	$17,015	$19,180	**$50,136**	$44,939
Mining costs	**$11,722**	$12,745	$13,245	**$36,230**	$30,824
Income (loss) before tax	**($1,436)**	($314)	$3,286	**$2,794**	$5,480
Capital expenditures	**$4,508**	$3,176	$371	**$10,902**	$6,598
Cash operating costs (by-product) ($/oz) gold (1)	**$1,091**	$942	$784	**$873**	$712
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,479**	$1,179	$844	**$1,113**	$881
All-in costs (by-product) ($/oz) gold (1)	**$1,701**	$1,350	$866	**$1,332**	$1,035

(1) For further information and a detailed reconciliation of COC, AISC and AIC, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Don Mario Operating Performance

During the third quarter of fiscal 2018, 9,916 ounces of gold were produced at Don Mario compared with 12,709 ounces of gold in the third quarter of fiscal 2017.

Gold production decreased by 22% compared with the third quarter of fiscal 2017. Higher gold recoveries from the CIL process resulted in the improvement of gold production but were offset by the reduction in gold grade during the transition to the Cerro Felix area impacted by ore dilution caused by stripping activities. Lower by-product grades and recoveries negatively impacted the production of copper. This was the final quarter of planned copper concentrate production in fiscal 2018.

Don Mario Financial Performance

Revenue from Don Mario decreased by 29% from $19.2 million in the third quarter of fiscal 2017 to $13.7 million on sales of 9,543 ounces of gold in the third quarter of fiscal 2018 compared with sales of 12,358 ounces of gold in the third quarter of fiscal 2017.

Mining costs of $11.7 million for the third quarter of fiscal 2018 decreased by $1.5 million or 11% compared with $13.2 million for the third quarter of fiscal 2017 primarily due to decrease in labour and reagent costs in connection with the re-commissioned CIL plant.

Loss before tax for the third quarter of fiscal 2018 was $1.4 million compared with income before tax of $3.3 million for the third quarter of fiscal 2017.

Total capital expenditures at Don Mario in the third quarter of fiscal 2018 were $4.5 million compared with $0.4 million in the third quarter of fiscal 2017. Capital expenditures in the third quarter of fiscal 2018 related primarily to tailings facility expansion projects and purchases of mining equipment.

For the third quarter of fiscal 2018, COC (by-product) were $1,091 per ounce of gold or 39% higher compared to the third quarter of fiscal 2017. Total AISC (by-product) were $1,479 per ounce of gold or 75% higher compared to the third quarter of fiscal 2017. The increase in COC and AISC were driven by higher mining costs and lower by-product revenues.

Don Mario Exploration and Mine Life Extension

As described above, the Company began mining the upper extension of the LMZ in the second quarter of fiscal 2016, and the LMZ continued to be Don Mario's primary source of ore up to mid-fiscal 2018. Historically, ore previously mined from the LMZ was processed through a CIL circuit, realizing gold recoveries of over 80%. The re-commissioned CIL circuit completed during fiscal 2017, together with the existing flotation circuit, exceeded these historical recoveries, and it is expected that Don Mario now has the required infrastructure to maximize the Company's ability to realize on its known opportunities for mine life extension.

A mine plan for the Company's Cerro Felix deposit, located 500 meters from the current operations at Don Mario, was completed during the fourth quarter of fiscal 2017. The Company initiated stripping activities at Cerro Felix during the second quarter of fiscal 2018, and the transition of production from the LMZ to Cerro Felix was substantially completed in the quarter. Mined ore from Cerro Felix is expected to benefit from the re-commissioning of the CIL circuit due to its higher estimated gold grades with lower deleterious elements and demonstrated amenability to CIL processing.

The second phase of a drilling campaign was completed at Don Mario's Las Tojas deposit during the first quarter of fiscal 2018, with the objective of providing sufficient information to define a mineral reserve estimate for this deposit by the end of fiscal 2018. The Company plans to spend approximately $2.1 million on greenfield exploration, including Las Tojas, at Don Mario during fiscal 2018.

The Company also continues to re-evaluate the economic potential of processing existing mineral stockpiles, including the oxide material previously treated through the leach-precipitation-flotation process. Initial testing results have yielded mixed indications, and the Company expects to conclude further tests in the coming months. As at September 30, 2017, EMIPA had oxide stockpile mineral resources of approximately 2.2 million tonnes with an average gold grade of 1.84 g/t. The Company has also commenced an evaluation of reprocessing of tailings, to determine the viability of recovering gold from the material deposited in the tailings impoundment since the commencement of production at Don Mario.

In support of the mine life extension projects described above, the Company determined that the construction of a major tailings storage facility expansion would be required to add sufficient capacity of up to three years of operations beyond the third quarter of fiscal 2018. The Company engaged Amec Foster Wheeler ("AMEC") to evaluate alternatives, provide design parameters and engineer this project. As a result, AMEC developed a capital cost estimate of $9.7 million within 10% accuracy, including owner's costs and 10% contingency. Execution of the construction project commenced in the fourth quarter of fiscal 2017, in order to take advantage of the favorable dry season in Bolivia, and the tailings project was completed by the end of the second quarter of fiscal 2018. Construction was financed by the $8.3 million BISA TSF facility closed in the third quarter of fiscal 2017.

Market Review and Trends

Metal Prices

The market prices of gold and copper are primary drivers of Orvana's earnings and ability to generate free cash flows. During the third quarter of fiscal 2018, gold traded in a range from $1,250 to $1,351 per ounce and averaged $1,306 per ounce compared with $1,257 per ounce in the third quarter of fiscal 2017. Orvana's average gold realized price in the third quarter of fiscal 2018 was $1,298 per ounce, as compared to $1,262 per ounce in the third quarter of fiscal 2017. The Company derived approximately 85% of its revenue from sales of gold in the first nine months of fiscal 2018.

Copper prices during the third quarter of fiscal 2018 traded in a range of $3.00 to $3.29 per pound and averaged $3.12 per pound compared with $2.57 per pound in the third quarter of fiscal 2017. Orvana's average copper realized price in the third quarter of fiscal 2018 was $3.11 per pound. The Company derived approximately 21% of its revenue from sales of copper in the first nine months of fiscal 2018.

Currency Exchange Rates

The results of Orvana's operations are affected by US dollar exchange rates. Orvana's largest exposure is to the Euro/US Dollar exchange rate. The Company incurs operating and administration costs at El Valle in Euros, while revenue is denominated in US dollars. Orvana's Euro costs increased year over year, with the Euro to US Dollar exchange rate moving from an average of 1.10 in the third quarter of fiscal 2017 to 1.19 in the third quarter of fiscal 2018. As a result of foreign exchange movements, mining costs at El Valle were higher by approximately $2.1 million in the third quarter of fiscal 2018 compared with the third quarter of fiscal 2017.

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

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at June 30, 2018 and September 30, 2017.

(in 000's)	**June 30, 2018**	**September 30, 2017**
Cash and cash equivalents	$13,484	$23,811
Restricted cash (short term)	$55	$1,027
Non-cash working capital (1)	($3,287)	($9,732)
Total assets	$160,451	$171,363
Total liabilities	$81,559	$82,753
Shareholders' equity	$78,892	$88,610

(1) Working capital represents current assets of $42.5 million less cash and cash equivalents and short-term restricted cash totaling $13.5 million and less $32.3 million in current liabilities composed of accounts payable and accrued liabilities, income taxes payable and derivative instruments (not including current debt).

Total assets decreased by $10.9 million from $171.4 million to $160.5 million primarily as a result of the decrease in (i) cash and cash equivalents of $10.3 million (ii) plant, property and equipment of $3.0 million, (iii) restricted cash of $2.6 million, (iv) Gold and Concentrate receivable of $1.7 million offset by increases in (v) VAT receivables of $4.0 million, (iv) inventory of $2.4 million and (v) deferred tax asset of $0.3 million.

Total liabilities decreased by $1.2 million or 1% to $81.6 million at June 30, 2018 from $82.8 million at September 30, 2017 primarily as a result of a decrease in (i) income taxes payable at Don Mario of $3.0 million, (ii) accounts payable & accrued liabilities of $1.8 million, (iii) current portion of lease obligations by $0.3 million offset by (iii) an increase to current & long-term debt by $3.3 million, (iv) an increase to the credit line at OroValle of $0.6 million.

BISA TSF Loan, Heavy equipment Loan and Revolving Facility

In June 2017, EMIPA closed a Bolivian loan denominated approximately $11.3 million with BISA bank, comprised of an $8.3 million term facility (the "BISA TSF Loan") and a $3.0 million revolving working capital facility.

The proceeds of the BISA TSF Loan were used to fund a major tailings storage facility expansion project that will add sufficient capacity to support future operations. Under the terms of the BISA TSF Loan, seven disbursements of specified amounts will be drawn down as expenditures are incurred for the tailings storage facility expansion, with the first draw down occurring on June 30, 2017. The BISA TSF Loan matures in January 2021 and has an interest rate of 5.3% per annum, with twelve quarterly repayments beginning in April 2018. As at June 30, 2018, $7.7 million were drawn down this facility and $0.5 million of principal were repaid.

The revolving working capital facility of up to $3.0 million can be drawn down in the form of cash of up to $2.0 million, bank guarantees of $3.0 million or a combination of the two up to the limit of $3.0 million. 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 June 30, 2018, no amounts were drawn down from this facility.

Security for both the BISA TSF Loan and the revolving working capital facility include the CIL asset and other equipment at Don Mario.

In May 2018, EMIPA obtained a new Bolivian loan with BISA of $2.4 million for heavy equipment purchases. This loan matures in April 2021, it has monthly repayments and interest rate of 5.5% per annum. Security for the loan includes heavy equipment purchased. At June 30, 2018, the total amount was drawn from this loan and $55 thousand of principal were paid.

Samsung C&T Prepayment Facility

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

Under the terms of the Prepayment Facility, Orvana is selling gold doré from its El Valle Mine in Spain and copper concentrate from its Don Mario Mine in Bolivia to Samsung C&T, on an exclusive basis for a period of thirty months. In exchange, Orvana received $12.5 million in prepayment financing from Samsung C&T in two instalments. The first instalment of $8.0 million was drawn on closing and the second instalment of $4.5 million was drawn down in February 2017. Interest payments and principal repayments under the terms of the Prepayment Facility are made against Orvana's on-going shipments of copper concentrates and/or gold doré. Samsung C&T has agreed to pay for copper concentrates and gold doré at a price based on the prevailing metal prices for the gold, silver and copper content around time of shipment, less customary treatment, refining and shipping charges, and pursuant to the terms of the Prepayment Facility.

The Prepayment Facility was amended in March 2018 such that the payments on the remaining principal outstanding at March 2018 was reschedule and extended by two months, in exchange for a higher interest rate and an extension of gold doré deliveries to April 2020, amongst other terms.

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

Shareholders' Equity

Shareholders' equity at June 30, 2018 decreased by 11% to $78.9 million compared with $88.6 million at September 30, 2017. The table below sets out the number of each class of securities of the Company outstanding at June 30, 2018 and as at the date hereof.

	At June 30, 2018
Common Shares	136,623,171
Warrants (1)	600,000
Options (2)	1,185,823

(1) All of the outstanding warrants are held by Fabulosa Mines Limited, the Company's majority shareholder. Warrants were issued in connection with amendments to the Fabulosa Loan in 2013 and 2014 as follows: i) warrants to purchase 500,000 Common Shares were issued on August 22, 2013 with an exercise price of C$0.49 until August 22, 2018, and ii) warrants to purchase 100,000 Common Shares were issued on July 11, 2014 at an exercise price of C$0.54 until July 11, 2019.

(2) The options have a weighted average exercise price of $0.23 and expiry dates ranging from 2019 to 2022.

Derivative Instruments

The Company had the following derivative instruments outstanding as at June 30, 2018:

	Contract Prices	Cash Settlement	Contract Amounts
Gold			
Gold forwards (July 2018 – Oct 2018)	€1,100/troy oz	Monthly	8,000 troy oz

The Company paid net cash proceeds of $0.2 and $2.4 million during the third quarter and the first nine months of fiscal 2018, respectively, in settlement of the derivative instruments that matured in the period.

As at June 30, 2018, the Company's outstanding derivative instruments were valued on the balance sheet as follows:

	Spot Price	Contract Price	Avg. Forward Price	Fair Value
Derivative instrument liabilities				
Gold forwards	$1,250 /oz	€1,100/troy oz	$1,257 / troy oz	$130
Total fair value of derivative instrument liabilities				$130

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 unrealized 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 for the three and nine months ended June 30, 2018 as follows:

(in 000's)	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Change in unrealized fair value	**$168**	$1,174	$844	**1,052**	$335
Realized gain (loss) on cash settlements of derivative instruments	**(202)**	(1,478)	(320)	**(2,440)**	(201)
Derivative instruments gain (loss)	**($34)**	($304)	$524	**($1,388)**	$134

Capital Resources

At June 30, 2018, the Company had cash and cash equivalents of $13.5 million and restricted cash of $0.4 million. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings) and total debt net of cash and cash equivalents as follows:

(in 000's)	June 30, 2018	September 30, 2017
Shareholders' equity	**$78,892**	$88,610
Revolving facilities	**2,579**	2,000
Capital leases	**958**	1,359
BISA Heavy Equipment Loan	**2,318**	-
BISA TSF Loan	**7,146**	3,352
Prepayment Facility	**8,747**	11,502
	$100,640	$106,823
Less: Cash and cash equivalents	(13,484)	(23,811)
Capital employed	**$87,156**	$83,012

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. 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. In fiscal 2016, the Company closed 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. In fiscal 2017, the company closed the $ 2.4 million BISA Heavy Equipment loan.

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 for the business and industry in general. The Company's alternatives to fund future capital needs include cash flows from operating activities, debt or equity financing or adjustments to capital spending. The capital structure and these alternatives are reviewed by management and the board of directors of the Company on a regular basis to ensure the best mix of capital resources to meet the Company's needs.

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of El Valle and Don Mario. Information is regularly provided to the board of directors of the Company.

The Company's strategy during fiscal 2018 is to manage its existing capital resources and liquidity in a prudent fashion to sustain ongoing capital projects and exploration programs at EMIPA and OroValle, and to meet all of its existing debt repayment obligations. In connection with this, the Company is currently evaluating financing alternatives with the objective of re-financing the Prepayment Facility and securing access to additional liquidity for advancement of the Company's strategic objectives.

Cash Flows, Commitments, Liquidity and Contingencies

Cash Flows

Total cash and cash equivalents as at June 30, 2018 was $13.5 million, primarily denominated in US dollars, representing a decrease of $10.3 million from $23.8 million at September 30, 2017. Short-term restricted cash was $0.1 million at June 30, 2018 compared with $1.0 million at September 30, 2017. The Company's total debt was $20.8 million at June 30, 2018. This compares with total debt as at September 30, 2017 of $16.9 million.

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

(in 000's)	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Cash provided by operating activities before changes in non-cash working capital	$4,282	$2,447	$2,930	$8,815	$3,319
Cash provided by (used in) operating activities	4,010	(5,486)	7,769	$671	8,398
Cash used in investing activities (1)	(5,257)	(2,708)	(2,050)	(14,445)	(13,195)
Cash provided by financing activities	2,124	117	(1,019)	3,412	4,503
Change in cash	$877	($8,077)	$4,700	($10,362)	(294)

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period. See "Cash Flows, Commitments and Liquidity - Capital Expenditures".

Orvana's primary source of liquidity continues to be from operating cash flows. Cash flows provided by operating activities before changes in non-cash working capital were $4.3 and $8.8 million for the third quarter of fiscal 2018, respectively, compared with $2.9 and $3.3 million for the third quarter of fiscal 2017, respectively. Cash flows used in operating activities were $4.0 and $0.7 million for the third quarter of fiscal 2018, respectively, compared with cash flows provided by operating activities of $7.8 and $8.4 million for the third quarter of fiscal 2017, respectively.

Significant drivers of the change in operating cash flow are production and realized gold and copper prices on sales. Future changes in the market price of gold and copper, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity. The principal uses of operating cash flows have been working capital and the funding of the Company's planned capital expenditures.

Cash used in investing activities was $5.3 and $14.4 million in the third quarter of fiscal 2018, respectively, compared with $2.1 and $13.2 million in the third quarter of fiscal 2017, respectively. Capital expenditures and movements in the Company's restricted cash and reclamation bond accounts drive the majority of cash flows used in investing activities.

Cash provided by financing activities was $2.1 and $3.4 million in the third quarter of fiscal 2018, respectively, compared with a negative $1.0 and $4.5 million in the third quarter of fiscal 2017, respectively, and is driven primarily by the timing of drawdowns and repayments by the Company's debt facilities.

Capital Expenditures

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

(in 000's)	**Q3 2018**	**Q2 2018**	**Q3 2017**	**YTD 2018**	**YTD 2017**
El Valle	**$1,012**	$1,900	$1,994	**$5,613**	$7,672
Don Mario	**4,508**	3,176	371	**10,902**	6,598
Corporate	**1**	9	-	**21**	2
Sub-total capital expenditures	**$5,521**	$5,087	$2,365	**$16,536**	$14,272
Accounts payable adjustments (1)	**98**	377	929	**751**	1,242
Total capital expenditures (1)	**$5,619**	$5,462	$3,294	**$17,287**	$15,514

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period.

At El Valle, capital expenditures in the third quarter of fiscal 2018 consisted mainly of primary development and updates to its underground mining fleet. Significant capital expenditures at Don Mario included a tailings facility expansion, acquisitions of mining equipment and a warehouse expansion.

The Company expects sustaining capital expenditures for fiscal 2018 to be in the range of $21.0 million to $24.0 million. Refer to the "Outlook" section of the MD&A.

Other Commitments

The Company's current contractual obligations are summarized in the following table:

As at June 30, 2018		**Payment Due by Period**			
(in 000's)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
BISA TSF Loan	**$6,496**	$2,563	$3,933	-	-
BISA Heavy Equipment Loan	**$2,250**	$818	$1,432	-	-
Prepayment Facility	**$8,747**	$8,747	-	-	-
Operating leases	**$3,863**	$1,960	$1,903	-	-
Finance leases	**$1,374**	$687	$687	-	-
Decommissioning liabilities (1)	**$23,559**	$180	$335	$742	$22,302
Reclamation bond (2)	**$5,829**	$5,829	-	-	-
Purchase obligations	**$3,698**	$3,008	$690	-	-
Provision for statutory labour obligations (3)	**$3,667**	-	$3,667	-	-
Long-term compensation	**$371**	-	-	-	$371
Total contractual obligations (4)	**$59,854**	**$23,792**	**$12,647**	**$742**	**$22,673**

(1) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for Euro denominated reclamation bonds amounted to approximately $8.8 million at June 30, 2018 (September 30, 2017 - $8.9 million). Decommissioning liabilities are discussed below under "Other Information - Critical Accounting Estimates - Decommissioning Liabilities".

(2) Spanish regulatory authorities have requested that an additional reclamation bond of €5.0 million be deposited by the Company under Spanish mining regulations in respect of El Valle. The Company is challenging the requirement to fund the additional reclamation bond through an administrative appeal process. The Company is also working with the Spanish regulatory authorities to come to an agreement regarding posting this bond, including the consideration of alternatives to posting this bond.

(3) Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month's wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA.

(4) Production from El Valle and Don Mario is subject to certain royalties for which amounts have not been included in total contractual obligations at June 30, 2018. For a description of such royalties and amounts payable, see "Royalties" below.

Royalties

Production from El Valle is subject to a 3% net smelter return royalty ("NSR"), referred to herein as the El Valle Royalty. The El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. The El Valle Royalty expense totaled $0.8 and $1.9 million for the third quarter and the first nine months of fiscal 2018, respectively, compared with $0.5 and $1.4 million for the third quarter and the first nine months of fiscal 2017, respectively.

Production from Don Mario is subject to a 3% NSR. This expense totaled $0.4 and $1.4 million for the third quarter and the first nine months of fiscal 2018, respectively, compared with $0.5 and $1.7 million for the third quarter and the first nine months of fiscal 2017, respectively. The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario at rates of 5%, 7% and 6%, respectively. These amounts totaled $1.0 and $3.7 million for the third quarter and the first half of fiscal 2018, respectively, compared with $1.5 and $3.4 million for the third quarter and the first nine months of fiscal 2017, respectively.

Liquidity

Orvana's primary sources of liquidity in the third quarter of fiscal 2018 were operating cash flows, generating cash of $8.8 million from operating activities before changes in non-cash working capital. Financing activities generated $3.4 million in the third quarter of fiscal 2018, and together with operating cash flows and cash on hand, supported investing activities totaling $14.4 million in the third quarter of fiscal 2018.

As at June 30, 2018, the Company had cash of $13.5 million, and together with forecasted operating cash flows, expects to cover the Company's commitments due in less than one year of $23.8 million.

In August 2016, the Company entered into the $12.5 million Prepayment Facility with Samsung C&T, the proceeds of which were invested into El Valle. The acceleration of underground mine development and the execution of water and power infrastructure projects allowed El Valle to improve its ore production to sustain throughput in excess of nameplate capacity of 2,000 tonnes per day during fiscal 2017, improving gold production despite mining through lower gold grade skarn areas. El Valle is currently focused on reducing reliance of inferred material in mine production and increasing the amount of high gold grade oxide ore processed relative to skarn ore, improving average gold head grades. These efforts are expected to continually increase gold production and decrease unitary costs through fiscal 2018. As a result of these efforts taking longer than planned, the Company closed an amendment to the Prepayment Agreement in March 2018, deferring repayment until fiscal 2019.

At Don Mario, the Company concluded the re-commissioning of the CIL circuit in fiscal 2017, with gold recovery results from the CIL circuit exceeding the Company's expectations. Mine life extension projects are currently underway at Don Mario, beginning with the Cerro Felix gold deposit that began production during the second quarter of fiscal 2018. Next efforts target the Las Tojas deposit and the oxides stockpile at Don Mario. Future working capital requirements at Don Mario are expected to be covered by operating cash flows and available credit facilities.

Through the continuing completion and amendment of debt financings, the Company believes, based on its current cash flow forecasts, that it has sufficient financial resources to fully realize its current business plans. As mentioned before, the Company is currently evaluating financing alternatives with the objective of re-financing the Prepayment Facility and securing access to additional liquidity for advancement of the Company's strategic objectives.

The Company's cash flow forecasts are developed using best available information at the time of their preparation and rely on certain material assumptions, such as gold and copper market prices and the ability to achieve planned production of gold and copper. There can be no assurances that the Company's cash flow forecasts will not change materially in the future and that the effect of changes to the Company's forecasts, if negative, could result in future financing requirements for the Company.

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

Contingencies

The Company is currently working through one environmental matter involving selenium discharges into the Cauxa River in Asturias, Spain. The Cauxa River flows past the El Valle Mine operated by the Company's Spanish subsidiary, OroValle, as well as other industrial properties owned by third parties. Selenium is a naturally occurring element that is found in rocks, land and water and thus is also naturally found in certain food supplies. The results of recent scientific studies conducted by the Company have confirmed the Company's belief that past and prevailing levels of selenium in waterways impacted by the OroValle operations do not constitute a health or environmental risk.

Spanish regulatory authorities have taken the position that the levels of selenium in the river flowing past the 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 €1.0 million (approximately $1.1 million) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of 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 decide to dismiss the matter, conduct a further investigation and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged. OroValle has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

OroValle has been working to remediate this matter through various activities including the implementation of a reverse osmosis water treatment plant in September 2014 and the development of a long-term water management plan which is in progress. While it appears that these remediation efforts are addressing these matters, there can be no assurances that OroValle's continuing remediation activities will be judged to successfully comply with local regulations. In addition, OroValle has been seeking amendments to certain of its permits or, alternatively to receive new permits, and extensions of deadlines to comply with local requirements. Orvana is committed to developing and operating its mines and projects in full compliance with local environmental regulations and recognized international environmental standards.

In connection with a workplace accident at OroValle in 2015, the two affected employees filed claims with the Instituto Nacional de la Seguridad Social (INSS) for social security benefit surcharges, to be paid by OroValle. In late June 2018, INSS granted the employees' social security benefits request for an aggregate amount of approximately $0.7 million. OroValle is in the process of filing an appeal to dispute the INSS surcharge.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended June 30, 2018:

	Quarters ended			
(in 000's, except per share amounts)	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**
Revenue	$38,438	$36,930	$34,170	$46,156
Net loss	($2,982)	($3,505)	($3,379)	($1,722)
Loss per share (basic and diluted)	($0.02)	($0.03)	($0.02)	($0.01)
Total assets	$160,451	$163,542	$171,035	$171,363
Total financial liabilities (1)	$21,748	$19,486	$20,751	$19,135
	Quarters ended			
	Q3 2017	**Q2 2017**	**Q1 2017**	**Q4 2016**
Revenue	$36,671	$31,714	$23,458	$24,044
Net loss	($3,446)	($2,233)	($8,154)	($1,528)
Loss per share (basic and diluted)	($0.03)	($0.02)	($0.06)	($0.01)
Total assets	$171,429	$174,767	$171,155	$174,262
Total financial liabilities (1)	$19,019	$20,449	$15,626	$14,113

(1) Financial liabilities include current and long-term portions of debt, obligations under finance leases and derivative liabilities.

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

The Company's activities expose it to a variety of financial market risks (including commodity price risks, currency risk and interest rate risk), credit risks, liquidity risks, financing risks and other risks. Enterprise risk management is carried out by management of the Company under policies approved by the board of directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Board of Directors of the Company reviews management's risk management programs and provides oversight on specific areas. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial and operating performance.

Other Risks

The Company identified a variety of additional risks and uncertainties in the most recent Annual Information Form ("AIF") including, but not limited to, (i) mineral resources and reserves estimates and replacement of depleted reserves, (ii) production estimates, (iii) development, capital projects and operations of mines, (iv) competition, (v) acquisitions and divestitures, (vi) title matters, (vii) water supply, (viii) regulatory and other risk, (ix) permits, (x) environmental, health and safety regulations, (xi) political and related risks, (xii) insurance, (xiii) reliance on key personnel and labor relations, (xiv) community relations and license to operate, (xv) litigation, (xvi) conflicts of interest, (xvii) controlling shareholder, and (xviii) share trading volatility.

In respect of regulatory and other risks and environmental regulations risks, see "Contingencies" above.

For a more detailed discussion of such financial and other business risks, please see the "Risk Factors" in Orvana's most recent AIF at www.sedar.com.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are mineral reserves, accounts receivable, property, plant and equipment, depreciation and amortization, forward metals prices, decommissioning liabilities, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

Net Realizable Amounts of Property, Plant and Equipment

At June 30, 2018, the net carrying value of the property, plant and equipment in respect of El Valle and Don Mario amounted to $78 million and $19 million, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight-line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

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

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

Decommissioning Liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company's estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves. The following table sets out the Company's estimates, prepared by management with the assistance of independent third-party experts, of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of El Valle and Don Mario at June 30, 2018.

As at June 30, 2018	**Undiscounted Cash Flows Estimated to Settle Decommissioning Liabilities**	**Discount Rate**	**Discounted Cash Flows Required to Settle Decommissioning Liabilities**
(in 000's)			
El Valle [(1)]	$15,546	1.54%	$13,454
Don Mario [(1)]	$8,013	3.20%	$6,798
Total	**$23,559**		**$20,252**

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

Stock-based compensation

The Company recorded a stock-based compensation expense of $49.3 thousand and $148 thousand in the third quarter and the first nine months of fiscal 2018, respectively, compared with a gain of $10.9 thousand and an expense of $41.1 thousand in the third quarter and the first nine months of fiscal 2017, respectively. The stock-based compensation expense is based on an estimate of the fair value of stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

The Company established a Deferred Share Unit ("DSU") plan, effectively a phantom stock plan, for directors, effective October 1, 2008. For grants subsequent to December 1, 2015, the fair value of the units issued is expensed over the fiscal year in which they are issued and is included in long-term compensation expense under general and administrative expenses in the statement of income. The fair value of the DSUs are marked to the quoted market price of Common Shares at each reporting date and changes in their fair value are also recorded under general and administrative expenses. Payouts are settled in cash within a specified period following a director's departure, based on the market price of the Common Shares at exercise.

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

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

Impairment

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

Management of the Company has assessed its CGUs to be its minesites (El Valle and Don Mario), which are the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of El Valle and Don Mario using forecasted production and costs per the current life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at June 30, 2018 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company was below the carrying amount of Orvana's net assets at June 30, 2018 of $78.9 million, following the completion of an impairment test in respect of each CGU at the end of the third quarter of fiscal 2018, the Company estimated that the net recoverable amounts are greater than the carrying values of such assets based on the Company's current life-of-mine plans and the assumptions set out above at June 30, 2018. As such, there was no impairment of such carrying values as at June 30, 2018.

In light of a continued volatile metal price environment, and notwithstanding that the Company concluded that there was no impairment of carrying values at the end of the third quarter of fiscal 2018, there can be no assurances that an impairment adjustment may not be taken at either or both CGUs in future periods.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company uses the *Internal Control – Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to design its ICFR. Based on a review of internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at June 30, 2018.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring material corrective actions.

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, have been detected and that all of the objectives of the internal controls over financial reporting have been achieved or will be achieved in the future.

Non-IFRS Measures

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

The Company, in conjunction with an initiative undertaken within the gold mining industry, began reporting COC, AISC and AIC non-IFRS performance measures as set out in the guidance note released by the World Gold Council in June 2013. The Company believes that these performance measures more fully define the total costs associated with producing gold, copper and silver, however, these performance measures have no standardized meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

Orvana Consolidated	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [(1)] *(in 000's)*					
Total mining costs (sales based)	**$31,729**	**$30,525**	**$31,181**	**$90,315**	**$81,809**
Deductions, refining, treatment, penalties, freight & other costs	3,553	3,825	5,697	10,924	13,776
Sub-total - other operating costs	**$3,553**	**$3,825**	**$5,697**	**$10,924**	**$13,776**
Copper sales - gross revenue value	(6,856)	(6,500)	(10,599)	(21,792)	(27,554)
Silver sales - gross revenue value	(1,218)	(965)	(1,225)	(3,371)	(4,777)
Other by-product gross revenue value		-	-		(43)
Sub-total by-product revenue	**($8,074)**	**($7,465)**	**($11,824)**	**($25,163)**	**($32,374)**
Cash operating costs	**$27,208**	**$26,885**	**$25,054**	**$76,076**	**$63,211**
Corporate general & administrative costs	859	1,484	965	3,504	2,445
Community costs related to current operations	199	508	90	1,164	409
Reclamation, accretion & amortization	423	424	571	1,245	1,601
Exploration and study costs (sustaining)	(40)	101	360	84	542
Primary development (sustaining)	1,034	896	1,035	2,663	3,268
Other sustaining capital expenditures [(2)] [(3)]	4,521	3,064	1,052	10,382	7,013
All-in sustaining costs	**$34,204**	**$33,362**	**$29,127**	**$95,118**	**$78,489**
Exploration and study costs (non-sustaining)	1,271	886	-	2,871	-
Capital expenditures (non-sustaining) [(3)]	1,444	1,116	280	4,948	3,991
All-in costs	**$36,919**	**$35,364**	**$29,407**	**$102,937**	**$82,480**
Au/oz sold	26,489	25,489	24,287	73,973	58,997
Cash operating costs ($/oz) gold	**$1,027**	**$1,055**	**$1,032**	**$1,028**	**$1,071**
All-in sustaining costs ($/oz) gold	**$1,291**	**$1,309**	**$1,199**	**$1,286**	**$1,330**
All-in costs ($/oz) gold	**$1,394**	**$1,309**	**$1,211**	**$1,392**	**$1,398**

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

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include unpaid capital expenditures incurred in the period.

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

El Valle	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Cash operating costs, all-in sustaining costs and all-in costs (by-product) [(1)] *(in 000's)*					
Total mining costs	**$20,007**	**$17,780**	**$17,935**	**$54,084**	**$50,984**
Deductions, refining, treatment, penalties, freight & other costs	2,624	2,005	2,428	6,176	5,686
Sub-total - other operating costs	**$2,624**	**$2,005**	**$2,428**	**$6,176**	**$5,686**
Copper sales - gross revenue value	(4,875)	(3,294)	(4,198)	(10,648)	(9,923)
Silver sales - gross revenue value	(955)	(612)	(796)	(2,377)	(2,060)
Sub-total by-product revenue	**($5,830)**	**($3,906)**	**($4,994)**	**($13,025)**	**($11,983)**
Cash operating costs	**$16,801**	**$15,879**	**$15,370**	**$47,235**	**$44,688**
Corporate general & administrative costs	625	625	625	1,875	1,875
Reclamation, accretion & amortization	308	281	431	843	1,183
Exploration and study costs (sustaining)	24	37	23	84	54
Primary development (sustaining)	1,034	896	1,035	2,663	3,268
Other sustaining capital expenditures [(2)] [(3)]	1,214	1,004	964	4,186	4,408
All-in sustaining costs	**$20,006**	**$18,722**	**$18,448**	**$56,885**	**$55,476**
All-in costs	**$20,006**	**$18,722**	**$18,448**	**$56,885**	**$55,476**

El Valle	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Au/oz sold	16,947	13,805	11,929	40,950	32,975
Cash operating costs ($/oz) gold	**$991**	**$1,150**	**$1,288**	**$1,153**	**$1,355**
All-in sustaining costs ($/oz) gold	**$1,181**	**$1,356**	**$1,546**	**$1,389**	**$1,682**
All-in costs ($/oz) gold	**$1,181**	**$1,356**	**$1,546**	**$1,389**	**$1,682**

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

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include unpaid capital expenditures incurred in the period.

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

Don Mario Mine	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1) *(in 000's)*					
Total mining costs	**$11,722**	**$12,745**	**$13,245**	**$36,230**	**$30,824**
Deductions, refining, treatment, penalties, freight & other costs	929	1,820	3,269	4,748	8,090
Sub-total - other operating costs	**$929**	**$1,820**	**$3,269**	**$4,748**	**$8,090**
Copper sales – gross revenue value	(1,981)	(3,206)	(6,401)	(11,144)	(17,631)
Silver sales – gross revenue value	(263)	(353)	(429)	(993)	(2,717)
Other by-product gross revenue value	-	-	-	-	(43)
Sub-total by-product revenue	**($2,244)**	**($3,559)**	**($6,830)**	**($12,137)**	**($20,391)**
Cash Operating Costs	**$10,407**	**$11,006**	**$9,684**	**$28,842**	**$18,523**
Corporate general & administrative costs	87	59	86	168	489
Community costs related to current operations	199	508	90	1,164	409
Reclamation, accretion & amortization	115	143	140	402	418
Capital expenditures (sustaining) (2)(3)	3,306	2,060	88	6,196	2,605
Exploration and study costs (sustaining)	-	-	337	-	488
All-in sustaining costs	**$14,114**	**$13,776**	**$10,425**	**$36,772**	**$22,932**
Capital expenditures (non-sustaining)	673	886	280	2,273	3,991
Exploration and study costs (non-sustaining)	1,444	1,116	-	4,947	-
All-in costs	**$16,231**	**$15,778**	**$10,705**	**$43,992**	**$26,923**
Au/oz sold	9,543	11,684	12,358	33,023	26,022
Cash operating costs ($/oz) gold	**1,091**	**$942**	**$784**	**$873**	**$712**
All-in sustaining costs ($/oz) gold	**1,479**	**$1,179**	**$844**	**$1,113**	**$881**
All-in costs ($/oz) gold	**1,701**	**$1,350**	**$866**	**$1,332**	**$1,035**

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

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures includes unpaid capital expenditures incurred in the period.

EBITDA

The Company has included Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") as a non-IFRS performance measure in this MD&A. The Company excludes these items from net loss to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

(in 000's)	**Q3 2018**	**Q2 2018**	**Q3 2017**	**YTD 2018**	**YTD 2017**
Net loss	($2,982)	($3,505)	($3,446)	($9,866)	($13,833)
Less:					
Finance costs	498	495	447	1,387	1,208
Income taxes	(222)	684	381	1,977	58
Depreciation and amortization	6,636	6,799	7,400	19,087	18,789
EBITDA	$3,930	$4,473	$4,782	$12,585	$6,222

Other Information

Other operating and financial information with respect to the Company, including the AIF, is available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

Cautionary Statements – Forward-Looking Information

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects", "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might", "will" or "are projected to" be taken or achieved) are not statements of historical fact, but are forward-looking statements.

The forward-looking statements herein relate to, among other things, Orvana's ability to achieve improvement in free cash flow; the potential to extend the mine life of El Valle and Don Mario beyond their current life-of-mine estimates including specifically, but not limited to in the case of Don Mario, the completion of the major tailings storage facility expansion, the mining of the Cerro Felix deposit, the processing of the mineral stockpiles and the reprocessing of the tailings material; Orvana's ability to optimize its assets to deliver shareholder value; the Company's ability to optimize productivity at Don Mario and El Valle; estimates of future production, operating costs and capital expenditures; mineral resource and reserve estimates; statements and information regarding future feasibility studies and their results; future transactions; future metal prices; the ability to achieve additional growth and geographic diversification; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at El Valle and Don Mario being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward looking statements. Some of these risks, uncertainties and factors include fluctuations in the price of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; the Company's ability to use cyanide in its mining operations; risks generally associated with mineral exploration and development, including the Company's ability to continue to operate the El Valle and/or Don Mario and/or ability to resume long-term operations at the Carlés Mine; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to execute on its strategy; the Company's ability to obtain financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the countries in which the Company operates; general economic conditions worldwide; and the risks identified in the Company's AIF under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's AIF for a description of additional risk factors.

The forward-looking statements made in this MD&A with respect to the anticipated development and exploration of the Company's mineral projects are intended to provide an overview of management's expectations with respect to certain future activities of the Company and may not be appropriate for other purposes.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and, except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

Cautionary Notes to Investors – Reserve and Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed in this MD&A have been prepared as at September 30, 2017 in accordance with NI 43-101, classified in accordance with Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves Definitions and Guidelines" (the "CIM Guidelines").

Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. Accordingly, readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.