ORVANA MINERALS CORP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THIRD QUARTER OF FISCAL 2020

THREE AND NINE MONTHS ENDED JUNE 30, 2020 AND 2019

UNAUDITED

(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.

Condensed Interim Consolidated Statements of Net Income (loss) and Comprehensive Income (loss)
Unaudited
(in thousands of United States dollars)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Revenue (note 4)	$ 17,617	$ 30,831	$ 67,295	$ 103,162
Cost of sales				
Mining costs (note 5)	15,187	28,304	59,848	86,411
Depreciation and amortization (note 13)	3,923	5,088	13,109	14,517
Impairment charge (note 3)	-	-	1,854	-
	19,110	33,392	74,811	100,928
Gross margin	(1,493)	(2,561)	(7,516)	2,234
Expenses				
General and administrative (note 6)	1,496	1,120	2,990	2,574
Exploration	355	766	1,030	2,115
Community relations	86	116	262	357
Other (income) expense (note 7)	110	(190)	(1,357)	(1,883)
Finance costs (note 8)	413	293	960	1,373
Derivative instruments unrealized loss (note 9)	1,297	175	2,233	334
	3,757	2,280	6,118	4,870
Loss before income taxes	(5,250)	(4,841)	(13,634)	(2,636)
Provision for (recovery of) income taxes				
Current income tax (note 18.a)	-	-	-	423
Deferred income tax (recovery) (note 18.a)	(539)	(927)	(3,402)	(1,419)
	(539)	(927)	(3,402)	(996)
Net loss and comprehensive income (loss)	$ (4,711)	$ (3,914)	$ (10,232)	$ (1,640)
Net loss per share (note 10)				
Basic and diluted	$ (0.03)	$ (0.03)	$ (0.07)	$ (0.01)

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

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

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Operating activities				
Net loss	$ (4,711)	$ (3,914)	$ (10,232)	$ (1,640)
Adjustments for:				
Depreciation and amortization	3,925	5,091	13,114	14,528
Extinguishment of debt	-	-	-	100
Impairment (note 3)	-	-	1,854	
Gain on disposal of assets	-	-	(736)	
Accretion	110	135	325	610
Amortization of deferred financing fees	15	9	57	13
Stock-based compensation (note 19)	8	22	24	66
Long-term compensation	609	548	727	1,320
Deferred income tax (recovery) (note 18)	(539)	(927)	(3,402)	(1,402)
Provision for statutory labour obligations	-	131	-	200
Foreign exchange (gain) loss	(49)	94	193	88
Derivative instruments unrealized loss (note 9)	1,795	179	2,731	338
	1,163	1,368	4,655	14,221
Changes in non-cash working capital				
Concentrate and doré sales receivables	(520)	(482)	(144)	(346)
Value added taxes and other receivables and prepaid expenses	41	265	(485)	(3,927)
Inventory	(2,968)	359	199	(596)
Accounts payable and accrued liabilities	1,434	3,405	(3,006)	(206)
Provision for statutory labour obligations	35	-	(3,167)	
Income taxes payable	(7)	(49)	(9)	324
	(1,985)	3,498	(6,612)	(4,751)
Cash provided by (used in) operating activities	(822)	4,866	(1,957)	9,470
Investing activities				
Capital expenditures	(337)	(4,890)	(4,979)	(8,181)
Restricted cash	(38)	(368)	(565)	(1,184)
Proceeds from sale of property, plant and equipment	-	1,000	1,326	1,000
Cash used in investing activities	(375)	(4,258)	(4,218)	(8,365)
Financing activities				
Repayment of BISA TSF Loan (note 15)	-	(709)	(1,418)	(2,127)
Repayment of BISA Equip. Loan (note 15)	(68)	(204)	(475)	(614)
Proceeds from BISA Restructuring Loan (note 15)	-	-	3,000	-
Repayment of Banco de Crédito Loan – EMIPA – (note 15)	-	-	(493)	-
Repayment of Prepayment Facility (note 15)	-	-	-	(9,117)
Proceeds from (repayment of) of Spanish Banking Facility (note 15)	169	2,230	(864)	8,971
Financing fees	-	(241)	-	(430)
Repayment of Orovalle Revolving Facilities (note 15)	(973)	-	(958)	-
Repayment of Orovalle Bankinter Loan (note 15)	(103)	-	(309)	-
Proceeds from Orovalle New financing COVID-19 related (note 15)	4,256	-	4,256	-
Proceeds from other bank debt (note 15)	8	747	8	2,544
Repayment of lease liabilities (note 16)	(225)	(47)	(783)	(308)
Cash provided by financing activities	3,064	1,776	1,964	(1,081)
Change in cash and cash equivalents	1,867	2,384	(4,211)	24
Cash, beginning of the period	6,256	9,316	12,351	11,634
Effect of exchange rate change on cash	(77)	(18)	(94)	24
Cash, end of period	$ 8,046	$ 11,682	$ 8,046	$ 11,682

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

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

		As at June 30, 2020		As at September 30, 2019
Assets				
Current assets				-
Cash and cash equivalents	$	8,046	$	12,351
Restricted cash (note 11)		103		131
Concentrate and doré sales receivables		1,187		1,043
Value added taxes (note 18.b)		11,025		3,339
Other receivables and prepaid expenses		845		889
Inventory (note 12)		13,394		19,638
Income tax receivable		1,126		1,117
		35,726		38,508
Assets held for sale		2,516		-
Total current assets		38,242		38,508
Non-current assets				
Value-added taxes and other receivables (note 18.b)		8,928		16,085
Restricted cash (note 11)		1,771		1,178
Reclamation bonds (note 11)		8,499		8,265
Deferred income tax asset		6,117		2,714
Inventory (note 12)		5,543		1,993
Property, plant and equipment (note 13)		76,257		84,086
	$	145,357	$	152,829
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 14)	$	31,921	$	33,511
Provision for statutory labour obligations (note 3)		1,049		-
Debt (note 15)		14,266		11,253
Deferred revenue		-		180
Lease liabilities (note 16)		749		528
Derivative instruments (note 9)		2,731		-
		50,716		45,472
Non-current liabilities				
Decommissioning liabilities (note 17)		21,425		20,727
Debt (note 15)		7,067		7,256
Lease liabilities (note 16)		1,391		347
Provision for statutory labour obligations		-		4,216
Other liabilities (note 18.b)		868		1,440
Long-term compensation (note 20 (b))		1,565		838
		83,032		80,296
Shareholders' equity				
Share capital (note 19)		116,206		116,206
Contributed surplus		3,864		3,840
Accumulated deficit		(57,745)		(47,513)
		62,325		72,533
	$	145,357	$	152,829

Commitments and contingent liabilities (note 22)

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

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

		Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2019	$	116,206	3,840	(47,513)	72,533
Stock-based compensation		-	24	-	24
Net loss		-	-	(10,232)	(10,232)
Balance, June 30, 2020	$	116,206	3,864	(57,745)	62,325

		Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2018	$	116,206	3,752	(42,247)	77,711
Stock-based compensation		-	66	-	66
Net loss		-		(1,640)	(1,640)
Balance, June 30, 2019	$	116,206	3,818	(43,887)	76,137

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

1. Nature of operations and corporate information

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company involved in the evaluation, development and mining of precious and base metal deposits. The Company owns and operates the underground gold, copper and silver El Valle Mine (“El Valle Mine") and Carlés Mine in the Rio Narcea Gold Belt in northern Spain (collectively “El Valle”), which is held indirectly through its wholly-owned subsidiary, OroValle Minerals S.L., ("OroValle"). The Company also owns and operates the open pit copper, gold and silver Don Mario Mine (“Don Mario Mine”) in south eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). During the first quarter of fiscal 2020 the Company suspended mining and milling operations at Don Mario.

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

The Company’s head and registered office is 70 York Street, Suite 1710, Toronto, Ontario, Canada. The Company is incorporated under the laws of Ontario, Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol TSX:ORV.

COVID-19 Estimation Uncertainty

In March 2020 the World Health Organization declared the COVID-19 outbreak to be a global pandemic. The situation is dynamic with countries around the world responding in different ways to address the outbreak. The COVID-19 pandemic is causing significant financial market declines and social dislocation, globally.

The extent of the effect of the COVID-19 pandemic on the Company’s business activities is undetermined, given the uncertainties with respect to future developments, including without limitation: (i) duration, severity and scope of the COVID-19 pandemic; (ii) the effect of the COVID-19 situation on the future availability of mining supply and services that support operations; (iii) the effect of the COVID-19 situation could have on the Company's future operations and financial condition; and (iv) the necessary government responses to limiting the spread of COVID-19 spread.

The Company has made efforts to safeguard the health of our employees, while continuing to operate safely and responsibly maintain employment and economic activity. The Company continues to implement comprehensive and proactive measures to respond to the COVID-19 pandemic; and continues to work closely with local governments and authorities to ensure proper protocols are followed during the ongoing COVID-19 crisis.

Spain’s Government initially declared a lockdown on March 14, 2020, to contain the COVID-19 pandemic in Spain (the "Initial Lockdown"). The Initial Lockdown did not have a material impact on the Company's operations or logistics at its mining operations at OroValle. On March 29, 2020, Spain's Government passed new legislation extending and broadening the reach of the national lockdown (“Extended Lockdown Order”), including an order for all non-essential workers to stay at home until April 9, 2020. The Extended Lockdown Order halted all "non-essential" activities (which initially appeared to include extractive industries including mining) starting Monday, March 30, 2020. In compliance with the Extended Lockdown Order, the Company temporarily reduced its normal mining operations at OroValle to the minimum essential activities allowed under the Extended Lockdown Order. On April 1, 2020, the Company was able to gradually re-start production activities at OroValle, after the Government passed clarifying rules allowing export industries to resume production where such production was subject to international contractual commitments. The Extended Lockdown Order expired on April 9, 2020 and the Initial Lockdown ended on June 21. OroValle has not experienced any significant disruption to product shipments since the onset of the COVID-19 pandemic. Some technical services that had been stopped during the Extended Lockdown Period, have been restarted.

In Bolivia, the Government declared a lockdown on March 21st, 2020. The Government announced on April 28th an extension of the lockdown until May 31th 2020, however some economic sectors, including the mining sector, recommenced. Currently it has been declared a National quarantine that will be in place until August 31st. Measures will be contingent on a weekly risk assessment performed until August 31st by each city. The mining activity, among others, was categorized as a priority economic activity and went back to regular operation since May 4th.

(in thousands of United States dollars unless otherwise noted)

The lockdown did not have a material impact on the Company's Bolivian operations, as EMIPA continues its care and maintenance phase with a small team of essential employees at Don Mario. During the second quarter of fiscal 2020, the Company completed an analysis on the recoverability of the existing materials and supplies inventory and property, plant and equipment associated with the suspended mining operations and recorded an impairment of $1,854.

The development and engineering of the oxides stockpile that has accumulated from past mining activities at Don Mario (the "Oxides Stockpile Project") was temporarily stopped in mid March due to the lockdown orders in Bolivia and Perú, where the Company was completing laboratory tests for the project. Metallurgical testing and optimization restarted in June, once the suspensions were lifted, but at a much slower pace due to the global pandemic.

As part of the Spanish national program to mitigate economic impacts caused by the COVID-19 pandemic, the Spanish Government offered guarantee lines to the Spanish banking sector through the Official Credit Institute "ICO", to facilitate companies to access funding. In the third quarter OroValle obtained four secured loans under this program:

Bank	Principal (€ 000)	Term (months)	Principal Grace Period (months)	Interest Rate	Opening fee	Official Credit Institute Guarantee (% of principal)
Bankinter	1,000	12	12	1.5%	0.5%	70%
Bankinter	500	36	12	1.6%	0.5%	70%
Banco Sabadell	1,500	36	12	1.5%	0.1%	70%
BBVA	800	24	-	1.5%	0.5%	70%

On April 1, 2020, the Bolivian Government issued Law 1294 Exceptional law of deferral of debt payments and temporary reduction of the payment of basic services allowing entities incorporated under the laws of Bolivia to reschedule debt repayments of principal and interests with a due date between April, 1 2020 and the end of quarantine of COVID-19. In the case of EMIPA, this resulted in deferring the BISA TSF Loan monthly installment due in April 2020 to April 2021 and the BISA Heavy Equipment Loan monthly installments due in April and May 2020 to May and June 2021, maintaining the remaining monthly installments according to the existing terms of the loan agreements. Interests will apply for the deferred periods at the originally agreed interest rate of 5.3% and 5.5% respectively.

Commodity market fluctuations resulting from COVID-19 have affected our financial results. Copper price has declined in U.S. dollar terms, offset by gold price increase in U.S. dollar terms. Our operations in Spain have benefited from the weakening of the euro relative to the U.S. dollar.

The Company continues to work on revisions to the production forecasts and development plans in light of the current conditions as at June 30, 2020. The Company is actively managing operating costs while focusing on productivity and cost efficiency and is preparing for an extended period of health protocols and travel restrictions. Capital expenditures and greenfield exploration programs are being reviewed companywide.

At June 30, 2020, the Company had $8 million of unrestricted cash, as well as expected proceeds from VAT reimbursements, assets held for sale and cash generation from operating activities in order to meet current obligations.

2. Basis of preparation

The Company prepares its condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") which do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2019.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2019, except as otherwise noted below.

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in note 4 of the Company's consolidated financial statements for the year ended September 30, 2019. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on August 12, 2020.

IFRS 16, Leases

On January 13, 2016, the IASB issued a new standard, IFRS 16 Leases ("IFRS 16"). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The Company adopted IFRS 16 following the modified retrospective approach from October 1, 2019 and has not restated comparatives for the 2019 reporting period.

For comparative periods prior to fiscal 2020, the Company applied leases policies in accordance with IAS 17, Leases (IAS 17) and IFRIC 4, Determining Whether an Arrangement Contains a Lease (IFRIC 4).

At the beginning of a contract, the Company assesses if that contract is, or contains, a lease. A contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. As a lessee, we recognize a right-of-use asset, and a lease liability at the commencement date of a lease.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

• fixed payments, including in-substance fixed payments, less any lease incentives receivable;

• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

• amounts expected to be payable under a residual value guarantee;

• exercise prices of purchase options if we are reasonably certain to exercise that option; and

• payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the consolidated statements of net loss and comprehensive loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value leases. The lease payments associated with these leases are charged directly to the consolidated statements of net loss and comprehensive loss on a straight-line basis over the lease contract duration.

For this purpose, no material operating leases or embedded leases in services contracts were noted and only leases previously classified as finance leases are now included as right-of-use assets and lease liabilities in accordance with IFRS 16. As such, the transition to IFRS 16 did not result in any material impact or adjustments on adoption as at October 1, 2019, and thus, no reconciliation is required.

3. Restructuring in EMIPA

During first quarter of fiscal 2020, the Company suspended mining and milling operations at EMIPA, as a result of a higher than expected ore-grade operational mining dilution in Las Tojas area, with more narrow, erratic and discontinued mineralized structures, which resulted in uneconomic unitary cost per ounce. As a consequence, the Company started a restructuring process which included a collective layoff of 182 full-time employees and recorded a charge of $24 and $2,544 for the three and nine month periods ended June 30, 2020, respectively (Refer to note 5 – Mining costs).

As at June 30, 2020, the Company had a Provision for statutory labour obligations of $1,049 and other related labour obligations in Accounts payables and accrued liabilities of $1,378 (September 30, 2019 - $ nil and $ nil, respectively). The Company expects to complete the restructuring program in the first quarter of fiscal 2021.

During the second quarter of fiscal 2020, the Company completed the analysis on the recoverability of the existing Inventory and Property, Plant and Equipment associated with the suspended mining operations. As a result, the Company has a plan to sell mining equipment, vehicles and related spare parts and has classified them as held for sale and carried at the lower of the carrying amount and the fair value less cost to sell. Accordingly, the Company recorded in the second quarter of fiscal 2020 an impairment of $102 in Property, Plant and Equipment reducing the carrying amount of $1,675 to $1,573 and a write-down of $1,752 in Inventory reducing the carrying amount of $2,695 to $943. Security for the BISA Heavy Equipment Loan is tied to some of the assets held for sale (Refer to note 15 - Debt).

(in thousands of United States dollars unless otherwise noted)

4. Revenue

		For the three months ended	June 30,	For the nine months ended	June 30,
		2020	2019	2020	2019
Gold-copper concentrate	$	8,724	10,817	37,092	39,618
Doré		9,790	19,804	31,687	63,555
Subtotal	$	18,514	30,621	68,779	103,173
Provisional invoicing adjustments		628	569	628	409
Realized loss on cash settlements of derivative instruments (note 9)		(1,525)	(359)	(2,112)	(420)
Total revenue	$	17,617	30,831	67,295	103,162

5. Mining costs

Mining costs include mine production costs, transport costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the three and nine months ended June 30, 2020 and 2019 relate to El Valle and Don Mario.

		For the three months ended		June 30,		For the nine months ended		June 30,
		2020		2019		2020		2019
Direct mining costs(1)	$	14,521	$	26,628	$	57,160	$	80,520
Royalties and mining rights (2)		666		1,002		2,401		3,358
Mining royalty taxes (3)		-		674		287		2,533
Total mining costs	$	15,187	$	28,304	$	59,848	$	86,411

(1) Restructuring costs in EMIPA for the amount of $ 2,544, for the nine months ended June 30, 2020, are included in direct mining costs (see note 3).
(2) Royalties and mining rights refer to royalties payable to third parties in respect of El Valle and Don Mario.
(3) Mining royalty taxes refers to amounts payable to government authorities in respect of Don Mario Mine.

6. General and administrative expenses

		For the three months ended		June 30,		For the nine months ended		June 30,
		2020		2019		2020		2019
Salaries, directors' fees and office administration	$	593	$	605	$	1,963	$	2,099
Depreciation		2		3		5		11
Stock-based compensation expense		8		22		24		66
Long-term compensation		609		548		727		1,320
Foreign exchange		284		(58)		271		(922)
Total general and administrative expenses	$	1,496	$	1,120	$	2,990	$	2,574

7. Other (income) expense

		For the three months ended		June 30,		For the nine months ended		June 30,
		2020		2019		2020		2019
Provision for uncollectible VAT – EMIPA	$	(148)	$	(150)	$	(725)	$	(1,792)
Gain from sale of property and equipment at EMIPA		-		-		(740)		-
Write-off hardware Corporate office		-		-		4		-
Loss from sale of obsolete inventories at EMIPA		155		-		366		-
Miscellaneous other (income) expense		103		(40)		(262)		(91)
Total other (income) expense	$	110	$	(190)	$	(1,357)	$	(1,883)

(in thousands of United States dollars unless otherwise noted)

8. Finance costs

	For the three months ended	June 30,	For the nine months ended	June 30,
	2020	2019	2020	2019
Interest on credit facilities and debt	$ 8	$ 212	$ 16	$ 529
Effective interest on facilities	190	-	496	511
Other interest (income) expense	95	(37)	83	(111)
Financing fees	18	4	60	14
Amortization of financing fees	-	9	-	13
Accretion expense on decommissioning obligations	102	105	305	317
Debt extinguishment	-	-	-	100
Total finance costs	$ 413	$ 293	$ 960	$ 1,373

9. Derivative instruments

The Company had the following outstanding derivative instruments at June 30, 2020:

	Contract Prices	Cash Settlement	Contract Amounts
Gold			
Gold forwards (July-September 2020)	€1,347 - €1,339 and $1,510-$1640 / troy oz	Monthly	9,000 troy oz

The outstanding balance at June 30, 2020, for $2,731 corresponds to the unrealized portion of these contracts.

For the nine months ended June 30, 2020, the Company paid net cash of $2,112 (nine months ended June 30, 2019 – paid net cash of $423), in settlement of the derivative instruments that matured in the period. For the three months ended June 30, 2020, the Company paid net cash of $1,525 (three months ended June 30, 2019 – paid net cash of $362).

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 Company recorded fair value adjustments on its derivative instruments for the three and nine months ended June 30, 2020 as follows:

	For the three months ended	June 30,	For the nine months ended	June 30,
	2020	2019	2020	2019
Change in unrealized fair value	$ (1,297)	$ (175)	$ (2,233)	$ (334)
Realized loss on cash settlements of derivative instruments (1)	(1,525)	(359)	(2,112)	(420)
Derivative instruments loss	$ (2,822)	$ (534)	$ (4,345)	$ (754)

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

(in thousands of United States dollars unless otherwise noted)

10. Net loss per share

		For the three months ended		June 30,		For the nine months ended		June 30,
		2020		2019		2020		2019
Net loss	$	(4,711)	$	(3,914)	$	(10,232)	$	(1,640)
Weighted average number of common shares outstanding – basic and diluted		136,623,171		136,623,171		136,623,171		136,623,171
Net loss per share – basic and diluted	$	(0.03)	$	(0.03)	$	(0.07)	$	(0.01)

11. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at June 30, 2020 was $103 (September 30, 2019 – $131), consisting in warranties in front of the government required for appealing in labour courts.

Long-term restricted cash as at June 30, 2020 was $1,771 (September 30, 2019 – $1,178). In September 2019 and in June 30, 2020 this restricted cash consisted mainly of cash required by local Spanish banks for the Spanish banking facility.

Reclamation bonds

At June 30, 2020, cash backed reclamation bonds held in a Spanish financial institution were $8,499 (September 30, 2019 – $8,265) and are expected to be released after all reclamation work at El Valle has been completed. Prior to its acquisition by OroValle, El Valle had been shut down by the owner thereof and remediation measures required were completed. On OroValle's acquisition of El Valle a reclamation bond of €0.9 million was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,5 million, and €5 million, respectively were deposited by OroValle relating to its tailings facility.

Spanish regulatory authorities have requested an additional reclamation bond totaling €5 million (approximately $5,599) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has filed an appeal with Spanish regulatory authorities. Through the administrative appeal process, the Company is working with Spanish regulatory authorities to seek alternatives, which includes, without limitation, relief from posting the additional reclamation bond.

12. Inventory

		June 30, 2020		September 30, 2019
Ore in stockpiles	$	192	$	764
Ore in-process		793		808
Gold doré		1,041		1,053
Copper concentrates		6,136		5,260
Materials and supplies		5,232		11,753
Current Assets – Inventory	$	13,394	$	19,638
Long term materials and supplies		2,935		-
Long-term ore in stockpiles	$	2,608	$	1,993
Total Inventory	$	18,937	$	21,631

The Company recognized $18,293 and $69,730 of inventory in cost of sales for the three and nine months ended June 30, 2020, respectively (three and nine months ended June 30, 2019 - $31,484 and $94,345, respectively).

(in thousands of United States dollars unless otherwise noted)

13. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, September 30, 2019	$2,657	$43,884	$553	$36,992	$84,086
Additions	6	4,627	42	3,216	7,891
Disposals	(652)	(142)	(9)	-	(803)
Change in decommissioning assets	-	393	-	-	393
Transfers - Assets held for sale (1)	-	(1,675)	-	-	(1,675)
Depreciation (2)	-	(6,149)	(204)	(7,282)	(13,635)
Net book value, June 30, 2020	2,011	40,938	382	32,926	76,257
Total cost	2,011	152,823	2,974	134,198	292,006
Total accumulated depreciation	-	(111,885)	(2,592)	(101,272)	(215,749)
Net book value, June 30, 2020	2,011	40,938	382	32,926	76,257

(1) For transfers to held for sale, see note 3.
(2) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the nine months ended June 30, 2020, capital expenditures exclude approximately $5,147 of capital expenditures incurred but unpaid as at June 30, 2020 (June 30, 2019 - $1,474) and include $2,769 of capital expenditures incurred in fiscal 2019 but unpaid as at September 30, 2019 (September 30, 2018 - $2,115).

14. Accounts payable and accrued liabilities

	June 30, 2020	September 30, 2019
Accounts payable	$ 26,975	$ 28,809
Accrued liabilities	4,946	4,702
Total accounts payable and accrued liabilities	$ 31,921	$ 33,511

15. Debt

	June 30, 2020	September 30, 2019
Revolving facilities (EMIPA)	$ 1,972	$ 1,972
BISA TSF Loan (EMIPA)	2,832	4,250
BISA Heavy Equipment (EMIPA)	823	1,298
BISA Restructuring Loan (EMIPA)	3,000	-
Banco de Crédito Loan (EMIPA)	-	493
Revolving facilities (OroValle)	1,803	2,761
Spanish banking facility	6,568	7,355
Bankinter Loan (OroValle)	71	380
New financing COVID-19 related	4,256	-
Other debt Bankia (OroValle)	8	-
	21,333	18,509
Less: current portion	(14,266)	(11,253)
	$ 7,067	$ 7,256

Revolving facilities EMIPA

In June 2017, as part of the closing of the BISA TSF Loan (hereinafter defined), EMIPA entered into a revolving working capital facility with Banco BISA S.A. ("BISA") of up to Bs.20,580,000 (approximately $2,956). The proceeds can be drawn down in the form of cash of up to Bs.13,720,000 (approximately $1,971), bank guarantees of Bs.20,580,000 (approximately $2,956) or a combination of the two up to the limit of Bs.20,580,000. The revolving working capital facility is renewable every six months until February 2022 and interest will be determined at the date of drawdown and is dependent on the form of the drawdown. As at June 30, 2020, a total of $1,972 of proceeds have been received from this facility (September 30, 2019 - $1,972). Currently, the interest rate is 6% per annum and the covenants for this facility are similar to TSF Loan mentioned below

For the three and nine months ended June 30, 2020, the Company paid $nil and $56, respectively, in interest on the BISA revolving short term facilities (June 30, 2019 – $nil in both periods).

BISA TSF Loan

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

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

As at June 30, 2020, EMIPA had received the full amount for $8,336 (September 30, 2019 – $8,336) and principal repayments of $5,504 were made against the BISA TSF Loan, such that the principal outstanding at June 30, 2020 was $2,832 (September 30, 2019 - $4,250).

For the three and nine months ended June 30, 2020, the Company paid $46 and $104, respectively, in interest on the BISA TSF Loan (June 30, 2019 – $68 and $250, respectively).

BISA Heavy Equipment Loan

In May 2018, EMIPA entered into a Bs.16,514,688 (approximately $2,373) term facility with BISA in Bolivia, the proceeds of which were used to purchase heavy equipment (“BISA Heavy Equipment Loan”). The BISA Heavy Equipment Loan bears an interest rate of 5.5% per annum and matures in April 2021 with repayments beginning in June 2018. Security for the BISA Heavy Equipment Loan is tied to the equipment purchased.

The BISA Heavy Equipment Loan contains covenants that restrict EMIPA’s ability to make cash disbursements to Orvana’s subsidiaries in certain circumstances.

As at June 30, 2020, the full amount of the loan was drawn down and principal repayments of $1,550 were made against the BISA Heavy Equipment Loan, such that the principal outstanding was $823 (September 30, 2019 - $1,298).

For the three and nine months ended June 30, 2020, the Company paid $144 and $304, respectively, in interest on the BISA Heavy Equipment Loan (June 30, 2019 – $23 and $77, respectively).

BISA Restructuring Loan

In February 2020, EMIPA entered into a Bs.20,880,000 ($3,000) short term financing facility with BISA in Bolivia, the proceeds of which were used for the labor restructuring process (refer to Note 3). The facility bears an interest rate of 6% per annum and matures in February 2021 with repayment of the full amount and the accrued interests on the due date. Security for the BISA Restructuring Facility is tied to certain specific equipment that is currently under care and maintenance.

As at June 30, 2020, the full amount of the loan was drawn down and no repayments were made.

Banco de Crédito Loan

In May 2019, EMIPA entered into a Bs.3,430,000 (approximately $493) term facility with Banco de Crédito in Bolivia. This loan bears an interest rate of 6% per annum and its initial maturity was August 2019. EMIPA renegotiated a renewal extending the repayment date to January 2020 for both principal and interests. As at June 30, 2020 EMIPA has fully repaid the principal for $493.(September 30, 2019 – outstanding principal was $493).

For the three and nine months ended June 30, 2020, the Company paid $10 and $10, respectively in interest on the Banco de Credito Loan (June 30, 2019 –$nil for both periods).

BISA Oxides Project Facility

In February 2020, BISA approved a Bs.54,288,000 ($7,800) facility to partially finance the Oxides Project. As at March 31, 2020, the administrative process to close the transaction is finished, and the funds will be gradually available according to the terms agreed in the financing contract.

Revolving facilities OroValle

In July 2019, OroValle renewed a revolving credit facility with Banco Santander S.A. for an amount of €1,5 Million for a one-year term bearing an annual rate of Euribor plus 2.27%. The credit facility is secured by OroValle's VAT receivable from the Spanish Government. As at June 30, 2020, the amount of €780 was outstanding (approximately $874), (September 30, 2019 $1,672).

In October 2018, OroValle renewed a revolving credit facility with Bankinter S.A. ("Bankinter") for an increased amount of €1 Million for a three month renewable term and bearing no interest. Last renewal was in January 2020 with expiry date April 2020. An administration fee was charged for each renewal. Under the terms of the agreement, all or part of the financing received must be used for the remittance of payroll tax, VAT and corporate taxes to the Spanish tax agency with payment being processed through the Bankinter account. No security is required to be posted for this facility. As at June 30, 2020, this revolving facility has been cancelled.

In May 2020, OroValle obtained a new revolving credit facility with Bankinter S.A ("Bankinter") for an amount of €1.5 Million for a yearly renewable term, and bearing an annual interest of 1.95 %.As of June, 30, 2020 this account has a balance of $929 that regards to VAT pending to be reimbursed from the Spanish tax agency.

For the three and nine months ended June 30, 2020, the Company paid $9 and $37 in interests, respectively, on the revolving short-term credit facilities (June 30, 2019 – $58 and $76, respectively).

Spanish Banking Facility

In January 2019 OroValle closed a syndicated credit facility for a total amount of €6 million (in USD, $ 6,741). These funds were used to repay the Samsung Prepayment Facility.

This Spanish banking facility is subject to a 2% bank commission fee, bears a fixed annual interest rate of 2.55%, semi-annual principal repayments and semi-annual interest payments over a term of four years.

Amongst the obligations, OroValle is required to comply with net finance debt to EBITDA proforma financial covenant calculated based on individual financial information. This resulting rate must be lower than 3.5 at each year-end period.

The Company's obligations to the lenders are secured by: (i) the pledge of all of Orvana's shares of OroValle; (ii) the pledge of OroValle's doré sale proceeds; and (iii) 12,5% restricted cash.

In May 2019, OroValle increased the Spanish banking facility by €2 million, achieving a total aggregated amount of €8 million (approximately $ 9 million), with the same terms and conditions of the Spanish banking facility.

In July 2019, OroValle repaid €996 (approximately $1,119) of principal and €88 (approximately $99) of interests of the Spanish banking facility. In January 2020, OroValle repaid €997 (approximately $1,045) of principal and €91 (approximately $100) of interests of the Spanish banking facility.

During the nine months ended June 30, 2020 the value of this liability increased by $77 due to: amortized cost adjustments ($20) and deferred finance fees accrued ($57).

As of June, 30 2020 the restricted cash is $1,6 million, 25% of the remaining principal (increased from 12.5% after a waiver signed with the bank entities to increase the intercompany transfers limit included as a covenant of the financing).

Bankinter Loan (OroValle)

On August 23, 2019, OroValle entered into a new short-term Loan with Bankinter. The principal amounted to $420 and it bears a fixed annual interest rate of 1.5%. This loan matures on September 2020.

During fiscal 2020 the company repaid $309 of principal of this Loan.

For the three and nine months ended June 30, 2020, the Company paid $0.6 and $1.6, respectively, in interest, on the Bankinter Loan (June 30, 2019 – $nil in principal and $nil in interests).

New Financing COVID-19 related

As disclosed in note 1, OroValle entered into several credit facilities with the guarantee of the Spanish government. The detail of proceeds and repayments of each one is described below:

Bank	Principal (€ 000)	Proceeds up until June, 30 2020 (€ 000)	Repayments up until June, 30 2020 (€ 000)	Outstanding balance, June 30 2020 ($ 000)
Bankinter	€ 1,000	€ 1,000	-	$ 1,120
Bankinter	500	500	-	560
Sabadell	1,500	1,500	-	1,680
BBVA	800	800	-	896
Totals	€ 3,800	€ 3,800	-	$ 4,256

16. Lease liabilities

As of October 1, 2019, the Company had five finance leases. These leases are payable in monthly installments at annual interest rates of 1.38% to 2.54% and each contract has a purchase option. Upon transition to IFRS 16, the finance leases are now defined as lease liabilities and there were no differences to their measurement.

At June 30, 2020, the total lease liabilities amount to $2,140 (September 30, 2019 - $875). During the three and nine months ended June 30, 2020, the Company made lease payments of $225 and $783, respectively (three and nine months ended June 30, 2019 - $47 and $308, respectively). In addition, during the nine months ending June 30, 2020, two lease contracts were terminated, and four new leases were signed for a total amount of $1,728. The Company considers the purchase option of this new leases to be not reasonably certain to exercise.

(in thousands of United States dollars unless otherwise noted)

The following is a schedule of future payments of the lease liabilities:

			June 30, 2020		September 30, 2019
Fiscal	2020	$	314		543
	2021		1,074		254
	2022		778		99
	2023		22		-
			2,188		896
Amount representing interest (at 2.09% Q3 Fiscal 2020 / at 1.95% Fiscal 2019)			(48)		(21)
			2,140		875
Less: current portion of lease liability			(749)		(528)
Total long-term obligations lease liability		$	1,391	$	347

17. Decommissioning liabilities

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

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

		Nine-months ended June 30, 2020		Year ended September 30, 2019
Balance, beginning of period	$	20,727	$	21,236
El Valle Mine				
- Foreign exchange		393		(869)
- Timing of payments and discount rates		-		(20)
Don Mario				
- Foreign exchange		-		-
- Timing of payments and discount rates		-		(14)
		21,120		20,333
Accretion expense in El Valle		140		209
Accretion expense in Don Mario		165		185
Total decommissioning liabilities	$	21,425	$	20,727

The decommissioning liability balance consists of:

		June 30. 2020		September 30, 2019
El Valle Mine	$	14,400	$	13,867
Don Mario Mine		7,025		6,860
Total decommissioning liabilities	$	21,425	$	20,727

(in thousands of United States dollars unless otherwise noted)

As at June 30, 2020, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
El Valle Mine (1)	$	15,875	1.31%	$	14,400
Don Mario Mine (1)		8,316	3.20%	$	7,025
Total	$	24,191		$	21,425

(1) The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $8,499 at June 30, 2020 (September 30, 2019 – $8,265) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 11 – Restricted cash and reclamation bonds.

18. Taxes

(a) Income taxes

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

		For the three months ended		June 30,		For the nine months ended		June 30,
		2020		2019		2020		2019
Current income taxes:								
Current tax on income for the periods	$	-	$	-	$	-	$	423
Total current income taxes		-		-		-		423
Deferred income tax:								
Origination and reversal of temporary differences in OroValle (and others)		-		-		-		(17)
Origination and reversal of temporary differences in EMIPA		(539)		(927)		(3,402)		(1,402)
Total deferred tax expense (recovery)		(539)		(927)		(3,402)		(1,419)
Total income tax expense (recovery)	$	(539)	$	(927)	$	(3,402)	$	(996)

Cash taxes paid by EMIPA during the three and nine months ended June 30, 2020 totaled $0 and $220, respectively (three and nine months ended June 30, 2019 - nil and $423, respectively).

(b) Value added taxes

The following table summarizes the changes in VAT assets:

		Nine months ended June 30, 2020		Year ended September 30, 2019	Nine months ended June 30, 2019
At October 1	$	19,424	$	14,009	14,009
Additions (1)		7,496		14,455	10,317
Recoveries (2)		(7,026)		(9,758)	(7,572)
Provision for uncollectible VAT (3)		59		718	747
At March 31	$	19,953	$	19,424	17,501
Current	$	11,025	$	3,339	2,541
Long term	$	8,928	$	16,085	14,960

(1) In the additions for fiscal 2020 $84 are from corporate($ 79 in June 30, 2019), $538 from EMIPA ($2,945 in June 30, 2019) and $6,874 from Orovalle ($7,293 in June 30, 2019).

(2) In the recoveries for fiscal 2020, $62 are from corporate($110 in June 30, 2019), $nil from EMIPA ($89 in June 30, 2019) and $6,964 from Orovalle ($7,373 in June 30, 2019).

(3) All the provision for uncollectible VAT are allocated in EMIPA.

The following table summarizes the changes in VAT provisions:

		Nine months ended June 30, 2020		Year ended September 30, 2019	Nine months ended June 30, 2019
At October 1	$	1,440	$	2,755	2,755
Provision for uncollectible VAT		(572)		(1,315)	(1,310)
At March 31 [(1)]	$	868	$	1,440	1,445
Current	$	-	$	-	-
Long term	$	868	$	1,440	1,445

(1) All the VAT liabilities are from EMIPA. The provision refers only to those tax filings that have a certification of tax reimbursement in progress (CEDEIMS in Bolivian regulation).

19. Share capital and warrants

Issued share capital as at June 30, 2020 was $116,206 (September 30, 2019 – $116,206). The Company's authorized share capital contains an unlimited number of common shares. As at June 30, 2020, the Company had 136,623,171 common shares (September 30, 2019 – 136,623,171) issued and outstanding.

Warrants

As at June 30, 2020, there are not any exercisable warrants.

20. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, September 30, 2019	771,008	$0.22
Expired	(125,000)	$0.30
Balance, June 30, 2020	646,008	$0.21

As at June 30, 2020, outstanding and exercisable options were as follows:

Grant date		Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exer-cise price C$	Expiry date
December 21, 2017		136	-	2.48	646,008	0.21	December 21, 2022
	$	136	-		646,008		
Total vested and unvested options					646,008		

The Company uses the fair value method of accounting for options and, during the three and nine months ended June 30, 2020, recognized stock-based compensation expense of $8 and $24, respectively (three and nine months ended June 30, 2019 – $22 and $66, respectively).

The compensation expense associated with the options for the three and nine months ended June 30, 2020 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (June 30, 2019 – 10%).

The weighted-average grant date fair value of the options are expensed over the vesting periods of the options being 36 months from the grant dates.
As at June 30, 2020, the fair value associated with unvested options is $nil (September 30, 2019 – $nil).

(in thousands of United States dollars unless otherwise noted)

(b) Long-term compensation

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

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

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

	Number of DSUs		Fair value
Balance, September 30, 2019	4,760,738	$	719
Issued	2,730,768		355
Mark-to-market adjustment	-		80
Balance, June 30, 2020	7,491,506	$	1,154

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

The Company established a RSU plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the consolidated statements of net loss and comprehensive loss, as described in accounting policy per Note 2 (o) of the September 30, 2019 annual consolidated Financial Statements. The fair value of the RSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are recorded under general and administrative expenses. Payouts are settled in cash after a specified period of vesting, based on the market price of the common shares at vesting.

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

	Number of RSUs		Fair Value
Balance, September 30, 2019	2,877,858	$	119
Issued	6,173,511		610
Mark-to-market adjustment	-		(318)
Balance, June 30, 2020	9,051,369	$	411

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

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

As at June 30, 2020, there are not any exercisable SARs.

(in thousands of United States dollars unless otherwise noted)

21. Compensation of key management

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

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the nine months ended June 30, 2020	For the nine months ended June 30, 2019
Salaries and short term employee benefits	$ 95	$ 271	$ 437	$ 571
Share-based payments (1)	617	571	760	1,386
Director Fees	65	88	215	263
Total compensation of key management	$ 777	$ 930	$ 1,412	$ 2,220

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

22. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. Spanish Water Authority has taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle which may not be in compliance with certain of OroValle's permits (the "SE Discharge Matter"). In recent years, OroValle has received approximately €955 (approximately $1,069) 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 (€629, $704) and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Grado (a municipality in the region of Asturias) has conducted an investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to the SE Discharge Matter. After six years of investigation, during the third quarter of fiscal 2020, the Grado's Court issued the order to commence an oral trial to address the SE Discharge Matter in a criminal court of Oviedo (the capital of Asturias). A date for the commencement of the oral trial has not been set as of the date hereof. In connection with the pending oral trial, the Court set a requirement on OroValle to provide a bond in the amount of €7m as warranty for contingent liabilities, subject to the outcome of the oral trial. Orovalle has appealed the bond taking the position that past and prevailing levels of selenium in waterways impacted by OroValle did not cause any damage to the environment. The appeal is in progress as of date hereof. With respect to the oral trial, OroValle has filed its preliminary statement of defence asking for the release on the basis that, among other things, there is absence of a committed criminal offence. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. OroValle will defend itself vigorously in this matter.

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000 (approximately $5,599) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000 (approximately $5,599) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000 (approximately $5,599) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is challenging the requirement to fund the additional reclamation bond through an administrative appeal process with the Spanish regulator. The Company is working with Spanish regulatory authorities to come to an agreement regarding posting this bond, including the consideration of alternatives to posting this bond.

(c) Production from El Valle Mines is subject to a 3% net smelter return royalty ("NSR"), payable monthly. The NSR rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $548 and $1,939 for the three and nine months ended June 30, 2020, respectively (three and nine months ended June 30, 2019 - $620 and $2,009, respectively).

(in thousands of United States dollars unless otherwise noted)

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totalled $118 and $462 for the three and nine months ended June 30, 2020, respectively (three and nine months ended June 30, 2019 - $381 and $1,349, respectively). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $nil and $287 for the three and nine months ended June 30, 2020, respectively (three and nine months ended June 30, 2019 - $673 and $2,533, respectively).

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

(f) Certain former employees of EMIPA affected by the restructuring process during the second quarter of fiscal 2020 (the "Former Employees") decided not to accept the dismissal terms provided for under applicable employment laws in Bolivia. In respect of these Former Employees, the Company proceeded to deposit into a judicial account the compensation benefits to which the aforementioned employees were entitled within the period established by law and according to the terms defined by the local regulation. As a result of filings by the Former Employees to dispute the dismissal process, the Santa Cruz Departmental Labor Authority notified EMIPA in July 2020 by way of "reinstatement resolutions" directing that the 80 Former Employee should be reinstated to their original job positions with the payment of the wages accrued since their dismissal. EMIPA subsequently filed a an appeal to dispute the "reinstatement resolutions" on the basis that the dismissal process conducted by EMIPA during the restructuring process is in compliance with applicable employment laws.

23. Segmented information

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

As at June 30, 2020:

		Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$	7,154	59,722	10,270	18,878	96,024
EMIPA		401	16,530	103	31,685	48,719
Corporate		491	5	-	118	614
	$	8,046	76,257	10,373	50,681	145,357

As at September 30, 2019:

		Cash and cash equivalents		Property, plant and equipment		Reclamation bonds and restricted cash		Other assets		Total assets
OroValle	$	11,207	$	65,285	$	9,443	$	16,237	$	102,172
EMIPA		615		18,788		131		30,277		49,811
Corporate		529		13		-		304		846
	$	12,351	$	84,086	$	9,574	$	46,818	$	152,829

(in thousands of United States dollars unless otherwise noted)

For the three months ended June 30, 2020:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other (recoveries) costs	Income (loss) before taxes
OroValle	$	17,617	13,971	3,838	1,723	(1,915)
EMIPA		-	1,217	86	578	(1,881)
Corporate		-	-	2	1,452	(1,454)
	$	17,617	15,188	3,926	3,753	(5,250)

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

For the three months ended June 30, 2019:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other (recoveries) costs	Income (loss) before taxes
OroValle	$	21,234	17,908	3,524	511	(709)
EMIPA		9,597	10,396	1,561	456	(2,816)
Corporate		-	-	3	1,313	(1,316)
	$	30,831	28,304	5,088	2,280	(4,841)

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

For the nine months ended June 30, 2020:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other (recoveries) costs	Income (loss) before taxes
OroValle	$	63,296	48,581	12,416	3,043	(744)
EMIPA		3,999	11,268	693	1,589	(9,551)
Corporate		-	-	5	3,334	(3,339)
	$	67,295	59,849	13,114	7,966	(13,634)

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

For the nine months ended June 30, 2019:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other (recoveries) costs	Income (loss) before taxes
OroValle	$	66,925	52,990	10,063	684	3,188
EMIPA		36,237	33,421	4,454	(80)	(1,558)
Corporate			-	11	4,255	(4,266)
	$	103,162	86,411	14,528	4,859	(2,636)

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

24. Financial instruments and fair values

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

(in thousands of United States dollars unless otherwise noted)

Fair value hierarchy

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

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

As at June 30, 2020		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)		Aggregate Fair value
Financial assets:								
Concentrate and doré sales receivables		-		1,187		-		1,187
Total	$	-	$	1,187	$	-	$	1,187
Financial liabilities:								
Long-term compensation	$	-	$	1,565	$	-	$	1,565
Derivative instruments	$	-	$	2,731	$	-	$	2,731
Total	$	-	$	4,296	$	-	$	4,296

Valuation techniques for Level 2 financial instruments:

Concentrate and doré sales receivables: The Company’s concentrate and doré sales are subject to provisional pricing with the selling prices adjusted at the end of the quotational period. The Company’s trade receivables are marked-to-market at each reporting period based on quoted forward prices for which there exists an active commodity market. This current assets are classified as level 2.
Long-term compensation: The Company’s SARs are measured at fair value using the Black-Scholes model and are classified as Level 2.
Derivative instruments: The Company’s derivative instruments are measured at fair value using the forward price curves of each commodity and are classified as level 2.

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

At June 30, 2020 and September 30, 2019, the carrying amounts of cash and cash equivalents; restricted cash; value added taxes and other receivables; debt; accounts payable and accrued liabilities; and obligations under finance leases approximate their fair value either due to their short-term maturities or, for borrowings, interest payables are close to the current market rates.

Impairment Sensitivity

Management used a long-term price per ounce of gold of between $1,810 to $1,875 to perform its impairment assessments for OroValle and EMIPA as at June 30, 2020. A 5% decrease in the long-term price per ounce would have resulted in no impairment at OroValle or EMIPA. The 5% decrease in gold price was not modeled with a corresponding depreciation in EUR.

Management used long-term Euro/USD exchange rates between 1/1.11 to 1/1.19 to perform its impairment assessments for OroValle as at June 30, 2020. A 5% depreciation of the annual Euro/USD exchange rates would have resulted in no impairment at OroValle and no impairment at EMIPA. The 5% depreciation in Euro/USD exchange rates was not modeled with a corresponding increase in gold price.