CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER OF FISCAL 2021

THREE MONTHS ENDED DECEMBER 31, 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 December 31,			
		2020		**2019**
Revenue (note 4)	$	27,815	$	29,020
Cost of sales				
Mining costs (note 5)		17,657		26,004
Depreciation and amortization		3,895		5,629
		21,552		31,633
Gross margin		6,263		(2,613)
Expenses				
General and administrative (note 6)		2,445		734
Exploration		409		439
Community relations		86		90
Other expense (income) (note 7)		(64)		(144)
Finance costs (note 8)		340		275
Derivative instruments unrealized loss (note 9)		-		382
		3,216		1,776
Income (loss) before income taxes		3,047		(4,389)
Provision for income taxes				
Current income tax expense (note 18.a)		1,146		-
Deferred tax recovery (note 18.a)		(18)		(1,644)
		1,128		(1,644)
Net income (loss) and comprehensive income (loss)	$	1,919	$	(2,745)
Earnings (loss) per share (note 10)				
Basic and diluted	$	0.01	$	(0.02)

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 December 31, 2020	2019
Operating activities		
Net income (loss)	$ 1,919	$ (2,745)
Adjustments for:		
Depreciation and amortization	3,897	5,630
Loss on disposal of assets and PPE write-offs	177	4
Accretion	109	106
Amortization of deferred financing fees	13	23
Stock-based compensation	-	8
Long-term compensation	1,210	53
Deferred income tax expense (recovery)	(18)	(1,644)
Provision for statutory labour obligations	-	84
Foreign exchange loss	187	207
Derivative instruments loss (note 9)	-	382
	7,494	2,108
Changes in non-cash working capital		
Concentrate and doré sales receivables	(965)	(175)
Value added taxes and other receivables and prepaid expenses	913	693
Inventory	(2,384)	2,771
Accounts payable and accrued liabilities	(1,154)	(3,211)
Provision for statutory labour obligations	50	-
Income taxes payable (receivable)	1,133	(10)
	(2,407)	68
Cash provided by operating activities	5,087	2,176
Investing activities		
Capital expenditures	(2,407)	(1,780)
Restricted cash	(75)	(2,284)
Proceeds from sale of assets in EMIPA (note 3.b)	114	-
Cash used in investing activities	(2,368)	(4,064)
Financing activities		
EMIPA (note 15)		
Repayment of TSF Loan	-	(709)
Repayment of Heavy Equipment Loan	-	(204)
Orovalle (note 15)		
Repayment of Revolving lines	(600)	(874)
Proceeds from Spanish Banking Facility	281	-
Repayment of New financing COVID-19 related	(1,443)	-
Repayment of Bankinter Loan	-	(94)
Repayments of lease liabilities (note 16)	(497)	(338)
Cash used in financing activities	(2,259)	(2,219)
Change in cash and cash equivalents	460	(4,107)
Cash and cash equivalents, beginning of the period	15,572	12,351
Effect of exchange rate changes on cash	(470)	(109)
Cash and cash equivalents, end of the period	$ 15,562	$ 8,135

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

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

	As at December 31, 2020	As at September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 15,562	$ 15,572
Restricted cash (note 11)	103	103
Concentrate and doré sales receivables	2,158	1,193
Value added taxes (note 18.b)	2,782	4,219
Other receivables and prepaid expenses	1,166	742
Inventory (note 12)	14,788	12,108
Income tax receivable	677	1,047
	37,236	34,984
Assets held for sale (note 3.b)	1,756	1,924
Total current assets	38,992	36,908
Non-current assets		
Value-added taxes (note 18.b)	9,621	9,526
Other assets	123	118
Restricted cash (note 11)	1,634	1,559
Reclamation bonds (note 11)	9,330	8,886
Deferred income tax asset (note 18.a)	14,939	14,922
Inventory (note 12)	5,661	5,661
Property, plant and equipment (note 13)	72,239	73,365
	$ 152,539	$ 150,945
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	$ 31,501	$ 32,496
Provision for statutory labour obligations (note 3)	1,133	1,083
Income tax payable	763	-
Debt (note 15)	10,988	13,495
Lease liabilities (note 16)	1,369	1,037
	45,754	48,111
Non-current liabilities		
Decommissioning liabilities (note 17)	22,624	21,819
Debt (note 15)	6,433	5,670
Lease liabilities (note 16)	1,478	1,820
Other liabilities (note 18.b)	666	845
Long-term compensation (note 20 (b))	2,693	1,708
	79,648	79,973
Shareholders' equity		
Share capital (note 19)	116,206	116,206
Contributed surplus	3,871	3,871
Accumulated deficit	(47,186)	(49,105)
	72,891	70,972
	$ 152,539	$ 150,945

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 Shareholder's Equity
Unaudited
(in thousands of United States dollars)

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2020	$	116,206	$	3,871	$	(49,105)	$	70,972
Net income and comprehensive income		-		-		1,919		1,919
Balance, December 31, 2020	$	116,206	$	3,871	$	(47,186)	$	72,891

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2019	$	116,206	$	3,840	$	(47,513)	$	72,533
Stock-based compensation		-		8		-		8
Net loss and comprehensive loss		-		-		(2,745)		(2,745)
Balance, December 31, 2019	$	116,206	$	3,848	$	(50,258)	$	69,796

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 Operations (“Don Mario”) 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.

On May 14, 2019, the Company entered into a purchase agreement with Compañía Minera Taguas S.A. (the “Vendor”) pursuant to which Orvana agreed to acquire the Taguas property (“Taguas”) located in the Province of San Juan, Argentina. In consideration for 100% of Taguas, Orvana will grant the Vendor an indivisible net smelter royalty equal to 2.5% on all future metals production mined from Taguas. Taguas consists of 15 mining concessions over an area of 3,273.87 ha. It is located in the Province of San Juan, Argentina, on the eastern flank of the Andes, between 3,500 m to 4,300 m above sea level. The Property is approximately 25km north of Barrick’s Veladero operations. Orvana Argentina S.A. was incorporated on December 9, 2020 as a subsidiary of the Company to complete the acquisition of the Taguas property, and the transfer of the mineral rights is expected to be completed in fiscal 2021.

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.

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 and Bolivia’s Governments declared different rules since March 2020 to try to minimize the pandemic impact. Orovalle has not experienced any significant disruption to product shipments since the onset of the COVID-19 pandemic. In Bolivia, the lockdown rules 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.

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. On August 26, 2020 the Bolivian Government issued Law 1319, clarifying that the extension of the automatic deferral of repayments (principals and interests) will continue until December 31,

2020. EMIPA, based on these rules, deferred several installments of the TSF and Heavy Equipment Loans due between April and December 2020, maintaining the remaining installments according to the existing terms of the loan agreements. This resulted in $0.9 million deferred from fiscal 2020 to fiscal 2021. Interests will apply for the deferred periods at the originally agreed interest rate of 5.3% and 5.5%. The Supreme Decret number 4409 issued by the Bolivian Government on December 2, 2020 established that finished the period defined by the law 1319, Bolivian banks should agree with their clients a new repayment calendar for the debt affected by laws 1294 and 1319, taking into consideration the financial situation of each Company. EMIPA is in the process to define the new repayment calendar for the bank debt.

Market fluctuations resulting from COVID-19 have affected the Company's financial results, mainly because of copper and gold prices volatility and euro exposure in Spain.

At December 31, 2020, the Company had $15.6 million of unrestricted cash, as well as expected proceeds from 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, 2020.

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, 2020.

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, 2020. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These consolidated financial statements were approved by the Board of Directors of the Company on February 10, 2021.

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.

a) Labour obligations

As a consequence of suspending the mining and milling operations at EMIPA, during the first quarter of fiscal 2020 the Company started a restructuring process which included a collective layoff of 182 full-time employees. During fiscal 2020 the Company recorded a charge of $2,572, and a charge of $55 for the quarter ended December 31, 2020 ($2,151 for the quarter ended December 31, 2019) (Refer to note 7 – Mining costs).

As at December 31, 2020, the Company had a provision for statutory labour obligations of $1,133 and other related labour obligations in accounts payables and accrued liabilities of $1,426 (September 30, 2020 - $ 1,083 and $ 1,323, respectively). Certain former employees of EMIPA affected by the restructuring process during the second quarter of fiscal 2020 decided not to accept the dismissal terms provided. See further information about this process in note 22.e. The Company expects to complete the restructuring program in fiscal 2021.

(in thousands of United States dollars unless otherwise noted)

b) Assets held for sale

The Company is actively working to sell certain mining equipment and related spare parts. During fiscal 2020 these assets were classified as held for sale.

During the first quarter of fiscal 2021, the Company sold certain mining equipment and spare parts. As at December 31, 2020, mining equipment held for sale amounted to $1,368 and spare parts to $388 (September 30, 2020 - $1,403 and $521 respectively). The company received cash for $114 from assets sold.

Security for the BISA Heavy Equipment Loan is tied to some of the assets held for sale (Refer to note 15 - Debt).

4. Revenue

For the three months ended December 31,		2020	2019
Gold-copper concentrate	$	19,772	14,364
Doré		7,118	14,352
Subtotal	$	26,890	28,716
Provisional invoicing adjustments		925	304
Total revenue	$	27,815	29,020

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, incurred at El Valle, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the three months ended December 31, 2020 and 2019 relate to El Valle and Don Mario are the following:

For the three months ended December 31,		2020		2019
Direct mining costs(1)	$	16,767	$	24,769
Royalties and mining rights (2)		890		950
Mining royalty taxes (3)		-		285
Total mining costs	$	17,657	$	26,004

(1) Restructuring costs in EMIPA in fiscal 2021 amounting to $55 are included in direct mining costs (fiscal 2020 - $2,151) (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 in fiscal 2020 refers to amounts payable to government authorities in respect of Don Mario.

6. General and administrative expenses

For the three months ended December 31,		2020		2019
Salaries, directors fees and office administration	$	706	$	685
Depreciation		2		2
Stock-based compensation expense		-		8
Long-term compensation		1,210		53
Foreign exchange (gain) loss		527		(14)
Total general and administrative expenses	$	2,445	$	734

(in thousands of United States dollars unless otherwise noted)

7. Other (income) expense

For the three months ended December 31,		2020		2019
Reversal of provision for uncollectible VAT – EMIPA	$	(143)	$	(84)
EMIPA – Loss from fixed assets sales		54		-
Miscellaneous other expense (income)		25		(60)
Total other (income) expense	$	(64)	$	(144)

8. Finance costs

For the three months ended December 31,		2020		2019
Interest on credit facilities and debt	$	154	$	163
Accretion lease liability		9		2
Accretion expense on decommissioning obligations		103		102
Other interest (income) expense		56		(12)
Finance fees		18		20
Total finance costs	$	340	$	275

9. Derivative instruments

The Company has no outstanding derivative instruments at December 31, 2020 (September 30, 2020 - $nil). The Company recorded fair value adjustments on its outstanding derivative instruments as follows:

For the three months ended December 31,		2020		2019
Change in unrealized fair value	$	-	$	(382)
Derivative instruments loss	$	-	$	(382)

10. Earning (loss) per share

For the three months ended December 31,		2020		2019
Net income (loss)	$	1,919	$	(2,745)
Weighted average number of common shares outstanding – basic and diluted		136,623,171		136,623,171
Earnings (loss) per share – basic and diluted	$	0.01	$	(0.02)

11. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at December 31, 2020 was $103 and consists of warranties provided to the government, required for appealing in labour courts (September 30, 2020, $103).

Long-term restricted cash as at December 31, 2020 was $1,634 (September 30, 2020 – $1,559). At December 31, 2020 and 2019 this restricted cash consisted mainly of cash required by local Spanish banks in connection with the Spanish banking facility.

Reclamation bonds

At December 31, 2020, cash backed reclamation bonds held in a Spanish financial institution were $9,330 (September 30, 2020 – $8,886) and are expected to be released after all reclamation work at Orovalle 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 €895 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,524 and €5,000, respectively were deposited by Orovalle relating to its tailings facility.

Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000 (approximately $6,136) 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.

(in thousands of United States dollars unless otherwise noted)

12. Inventory

		December 31, 2020		September 30, 2020
Ore in stockpiles	$	573	$	899
Ore in-process		1,097		941
Doré		986		160
Gold-Copper concentrates		5,913		4,415
Materials and supplies		6,219		5,693
	$	14,788	$	12,108
Long-term materials and supplies	$	3,369	$	3,369
Long-term ore in stockpiles		2,292		2,292
	$	20,449	$	17,769

The Company recognized $20,423 of inventory in cost of sales for the three months ended December 31, 2020 (three months ended December 31, 2019 - $30,201).

13. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, September 30, 2020	$2,011	$41,859	$338	$29,157	$73,365
Additions	-	1,855	60	492	2,407
Write-offs		(103)	(20)		(123)
Change in decommissioning assets				701	701
Depreciation (1)		(1,833)	(54)	(2,224)	(4,111)
Net book value, December 31, 2020	$2,011	$41,778	$324	$28,126	$72,239
Total cost	2,011	154,819	3,027	135,911	295,768
Total accumulated depreciation	-	(113,041)	(2,703)	(107,785)	(223,529)
Net book value, December 31, 2020	$2,011	$41,778	$324	$28,126	$72,239

(1) Depreciation includes amounts recorded in inventory.

Equipment include Right Of Use ("ROU") assets under lease contracts which amounted to $3,081 at September 30, 2020. During the quarter ended December 31, 2020, there were no ROU asset additions and depreciation was $95.

On the consolidated statement of cash flow for the quarter ended December 31, 2020, capital expenditures exclude approximately $3,691 of capital expenditures incurred but unpaid in fiscal 2021 (December 31, 2019 $2,555) and include $4,896 of capital expenditures incurred in fiscal 2020 but paid in fiscal 2021 (December 31, 2019 –$2,769).

14. Accounts payable and accrued liabilities

		December 31, 2020		September 30, 2020
Accounts payable	$	26,073	$	26,979
Accrued liabilities		5,428		5,517
Total accounts payable and accrued liabilities	$	31,501	$	32,496

(in thousands of United States dollars unless otherwise noted)

15. Debt

		December 31, 2020		September 30, 2020
TSF Loan –EMIPA		2,124		2,124
Heavy Equipment - EMIPA		683		683
Restructuring Loan – EMIPA		3,000		3,000
Revolving facilities - Orovalle		609		1,209
Spanish banking facility - Orovalle		6,025		5,726
New financing COVID-19 related - Orovalle		4,980		6,423
		17,421		19,165
Less: current portion		(10,988)		(13,495)
	$	6,433	$	5,670

TSF Loan - EMIPA

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 to add sufficient capacity to support future operations (“TSF Loan”). The 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 TSF Loan is being repaid in twelve equal repayments beginning in April 2018 (refer to note 1 with regard to term extension). Security for the TSF Loan includes certain assets at Don Mario. The TSF Loan contains covenants that, among other things, restrict EMIPA’s ability to make cash disbursements to Orvana in certain circumstances.

As at December 30, 2020, EMIPA had received the full amount for $8,336 (September 30, 2020 – $8,336) and principal repayments of $6,212 were made against the TSF Loan, such that the principal outstanding at December 31, 2020 was $2,124 (September 30, 2020 - $2,124).

For the three-month ending December 31, 2020, the Company paid $nil, in interest on the TSF Loan (for the year ending September 30, 2020 – $149).

Heavy Equipment Loan - EMIPA

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 (“Heavy Equipment Loan”). The Heavy Equipment Loan bears an interest rate of 5.5% per annum. This Loan will be repaid in 36 equal repayments beginning in June 2018 (refer to note 1 with regard to term extension).

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

As at December 31, 2020, the full amount of the loan was drawn down and principal repayments of $1,690 were made against the Heavy Equipment Loan, such that the principal outstanding was $683 (September 30, 2020 - $683).

For the three-month ended December 31, 2020, the Company paid $nil, in interest on the Heavy Equipment Loan (for the year ended September 30, 2020 – $44).

Restructuring Loan - EMIPA

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 initially matured in February 2021 with repayment of the full amount and the accrued interests on the due date. Refer to note 1 with regard to term extension. Security for the Restructuring Facility is tied to certain specific equipment that is currently under care and maintenance.

As at December 31, 2020, the full amount of the loan was drawn down and no repayments were made.

Oxides Project Facility - EMIPA

In February 2020, BISA approved a Bs.54,288,000 ($7,800) facility to partially finance the Oxides Project. The administrative process to close the transaction was finished, and the funds could be gradually available according to the terms agreed in the financing contract. As at December 31, 2020, no amounts had been drawn on this facility.

Revolving facilities - Orovalle

In May 2020, Orovalle obtained a 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 December, 31, 2020 this account had a balance of $609. Interests paid for this revolving during the quarter were $1.

In June 2020, Orovalle renewed a revolving credit facility with Bankia S.A. ("Bankia") for an amount of €1.5 million. This facility has not been used during the three-month ending December 31, 2020, and no funds have been drawn down since the renewing.

Spanish Banking Facility – Orovalle

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

This facility is subject to a 2% bank opening 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. 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.

Amongst the obligations, Orovalle is required to comply with net finance debt to EBITDA proforma financial covenant calculated based on the stand-alone financial information of the subsidiary. This resulting rate must be lower than 3.5 for fiscal 2020, and lower than 3 and 2 for fiscal 2021 and 2022, respectively. At September 30, 2020, Orovalle was in compliance with the Spanish Banking Facility covenants.

During fiscal 2019 Orovalle made principal repayments of €1 million (approximately $1.3 million), and during fiscal 2020 made principal repayments of €2 million (approximately $2.3 million). The interests paid during fiscal 2020 were $197 (during fiscal 2019 $99). During the year ended September 30, 2020 the value of this liability increased by $93 due to: amortized cost adjustments ($23) and deferred finance fees accrued ($70).

During the three-month ended December 31, 2020 there were no repayments of principal nor interests, and the increase in the value is attributable to foreign exchange movements. Additionally, during the three-month ended December 31, 2020 the value of this liability increased by $18 due to the amortized cost adjustments ($5) and deferred finance fees ($13).

As of December, 31 2020 the restricted cash linked to this financing is $1.6 million, representing approximately 25% of the remaining principal.

New Financing COVID-19 related – Orovalle

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. During 2020 Orovalle obtained several financing facilities with this guarantee from the Spanish Credit Institute. The detail of proceeds and repayments of each one is described below:

Facility	**Bank**	Principal (€ 000)	Proceeds up until December, 31 2020 (€ 000)	Repayments up until December, 31 2020 (€ 000)	Outstanding balance, December 31 2020 (€ 000)
Loan	Bankinter	€ 1,000	€ 1,000	€ -	€ 1,000
	Bankinter	500	500	-	500
	Sabadell	1,500	1,500	-	1,500
	BBVA	800	800	165	635
Revolving line	BSCH	1,800	1,784	1,361	423
Totals (€ 000s)		€ 5,600	€5,584	€1,526	€4,058
Totals ($ 000s)		$6,872	$6,852	$1,872	$4,980

Terms and conditions summary:

Facility	**Bank**	Interest rate	Repayment period	Interest expensed current year	Interest paid current year	ICO security (% of the principal)	Covenants
Loan	Bankinter	1.50%	1 year	€ 4	€ -	70%	No
	Bankinter	1.60%	3 years	2	2	70%	No
	Sabadell	1.50%	3 years	6	6	70%	No
	BBVA	1.50%	2 years	3	3	70%	No
Revolving line	BSCH	2.70%	3 years			70%	No
Totals (€ 000s)				€15	€11		
Totals ($ 000s)				$18	$13		

Bankinter Loan - Orovalle

On August 23, 2019, Orovalle entered into a short-term loan with Bankinter. The principal amounted to $420 at a fixed annual interest rate of 1.5%. This loan matured in August 2020 and was repaid in full. For the quarter ended December 31, 2019, the Company paid $94 in principal and $1 in interest.

16. Lease liabilities

As of December 31, 2020, the Company has six leases for machinery and one for light vehicles.

As at December 31, 2020, the total lease liabilities amount to $2,847 (September 30, 2020 - $2,857). During the three-month ended December 31, 2020, the Company made lease payments of $497 (three-month ended December 31, 2019 - $338). These leases are payable in monthly installments at annual interest rates ranging from 1.38% to 2.60%. Accretion expense on lease liabilities amounted $11 during the three-month ended December 31, 2020.

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

		December 31, 2020	September 30, 2020
Fiscal	2021	1,532	1,600
	2022	1,325	1,283
	2023	24	23
		2,881	2,906
Amount representing interest (at 2.02% Fiscal 2021 / at 2.04% Fiscal 2020)		(34)	(49)
		2,847	2,857
Less: current portion of lease liability		(1,369)	(1,037)
Total long-term obligations lease liability		$ 1,478	$ 1,820

(in thousands of United States dollars unless otherwise noted)

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:

		Three-month ended December 31, 2020		Year ended September 30, 2020
Balance, beginning of period	$	21,819	$	20,727
El Valle				
- Foreign exchange		702		1,053
- Timing of payments and discount rates		-		44
Don Mario				
- Foreign exchange		-		-
- Timing of payments and discount rates		-		(412)
		22,521		21,412
Accretion expense in El Valle		42		187
Accretion expense in Don Mario		61		220
Total decommissioning liabilities	$	22,624	$	21,819

The decommissioning liability balance consists of:

		December 31. 2020		September 30, 2020
El Valle	$	15,895	$	15,151
Don Mario		6,729		6,668
Total decommissioning liabilities	$	22,624	$	21,819

As at December 31, 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 (1)	$	17,397	1.11%	$	15,895
Don Mario (1)		8,324	3.70%	$	6,729
Total	$	25,721		$	22,624

(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 $9,330 at December 31, 2020 (September 30, 2020 – $8,886) and is expected to be released after all reclamation work has been completed in respect of El Valle. Refer to note 11 – Restricted cash and reclamation bonds.

(in thousands of United States dollars unless otherwise noted)

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 December 31,		2020		2019
Current income taxes:				
Current tax on income for the period in Orovalle	$	1,146	$	-
Total current income taxes		1,146		-
Deferred income tax:				
Reversal of temporary differences in Orovalle	$	804		-
Origination of temporary differences in EMIPA		(822)	$	(1,644)
Total deferred taxes		(18)		(1,644)
Total income taxes	$	1,128	$	(1,644)

Cash taxes paid by EMIPA during the three months ended December 31, 2020 totaled $167 (December 31, 2019 - $301).

(b) Value added taxes

The following table summarizes the changes in VAT assets:

		Three month ended December 31, 2020		Year ended September 30, 2020	Three month ended December 31, 2019
At beginning of period	$	13,745	$	19,424	19,424
Additions (1)		2,984		10,880	2,378
Recoveries (2)		(4,326)		(16,882)	(3,057)
Provision for uncollectible VAT (3)		-		323	(4)
At end of period	$	12,403	$	13,745	18,741
Current	$	2,782	$	4,219	2,271
Long term	$	9,621	$	9,526	16,470

(1) In the additions for the three-month ended December 31, 2020 $14 are from corporate ($ 18 for the three-month ended December 31, 2019), $95 from EMIPA ($389 for the three-month ended December 31, 2019) and $2,875 from OroValle ($1,971 for the three-month ended December 31, 2019).

(2) In the recoveries for the three-month ended December 31, 2020, $15 are from corporate ($22 for the three-month ended December 31, 2019), $348 from EMIPA ($nil for the three-month ended December 31, 2019) and $3,963 from OroValle ($3,035 for the three-month ended December 31, 2019).

(3) All the provision for uncollectible VAT is related to EMIPA.

The following table summarizes the changes in VAT provisions:

		Three month ended December 31, 2020		Year ended September 30, 2020	Three month ended December 31, 2019
At beginning of period	$	845	$	1,440	1,440
Additions		-		-	-
Reversals		(179)		(595)	(107)
At end of period (1)	$	666	$	845	1,333
Current	$	-	$	-	-
Long term	$	666	$	845	1,333

(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 December 31, 2020 was $116,206 (September 30, 2020 – $116,206). The Company's authorized share capital contains an unlimited number of common shares. As at December 31, 2020, the Company had 136,623,171 common shares (September 30, 2020 – 136,623,171) issued and outstanding.

Warrants

As at December 31, 2020, there are not any exercisable warrants.

20. Share based payments

(a) Stock options

A summary of the stock option balances is as follows:

	Stock options	Weighted average exercise price C$
Balance, December 31, 2020	646,008	$0.21

As at December 31, 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	175	-	1.97	646,008	0.21	December 21, 2022
	$ 175	-		646,008		
Total vested and unvested options				646,008		

During the three-month ended December 31, 2020, the company recognized stock-based compensation expense of $nil (December 31, 2019 – $8).

The compensation expense associated with the options for the three-month ended December 31, 2020 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (December 31, 2020 – 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 December 31, 2020, the fair value associated with unvested options is $nil (December 31, 2019 – $nil).

(b) Long-term compensation

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

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

(in thousands of United States dollars unless otherwise noted)

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

	Number of DSUs		Fair value
Balance, September 30, 2020	7,491,506	$	1,404
Issued	1,188,924		365
Mark-to-market adjustment	-		342
Balance, December 31, 2020	8,680,430	$	2,111

(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). 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, 2020	9,051,369	$	648
Issued	2,079,642		500
Mark-to-market adjustment	-		4
Balance, December 31, 2020	11,131,011	$	1,152

(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 December 31, 2020, there are not any exercisable SARs.

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 December 31,		2020		2019
Salaries and short term employee benefits and separation payments	$	151	$	310
Share-based payments (1)		1,210		61
Directors fees		70		74
Total compensation of key management	$	1,431	$	445

(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. In recent years, Orovalle has received approximately €955,000 (approximately $1,172) 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 (€628,715, $771,496) and the enforcement of certain fines has been suspended pending the related criminal matter. A criminal court of Asturias conducted since fiscal 2015 an investigation into the potential commission by Orovalle of a reckless crime under the Spanish penal code relating to these matters. After the conclusion of the investigation phase, the Court notified in the third quarter of fiscal 2020 the opening of the oral trial. Individuals have been excluded from any charges, and the criminal case relates only to Orovalle at this time. If Orovalle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, Orovalle has not been charged and has cooperated and will continue to cooperate with investigations and is defending itself vigorously. A date for the commencement of the oral trial has been set for March 2021. In connection with the pending oral trial, the Court set a requirement on Orovalle to provide a bond in the amount of €7 million as warranty for contingent liabilities, subject to the outcome of the oral trial. Orovalle has appealed the bond requirement. The appeal is in progress as of date hereof.

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required Orovalle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $6,136) in respect of the tailings impoundment area. To satisfy this requirement, Orovalle deposited €5,000,000 (approximately $6,136) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately $6,136) 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 $772 for the three months ended December 31, 2020 (December 31, 2019 - $724).

(d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totaled $118 for the three months ended December 31, 2020 (December, 2019 – $227). 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 for the three months ended December 31, 2020 (December 31, 2019 – $285).

(e) Certain former employees of EMIPA affected by the restructuring process at Don Mario 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 under the labour administrative resolution process to dispute EMIPA's dismissal process, the Santa Cruz Departmental Labor Authority notified EMIPA in July 2020 by way of "reinstatement resolutions" directing that the 78 Former Employee should be reinstated to their original job positions with the payment of the wages accrued since their dismissal. EMIPA subsequently filed 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. The result of the administrative appeal was positive for EMIPA, therefore Former

(in thousands of United States dollars unless otherwise noted)

Employees filed a final appeal known as the "Hierarchical Recourse" with the Ministry of Labor at La Paz (national administrative level), the last step of the labor administrative resolution process. During December 2020, the Ministry of Labor at La Paz ruled in favour of the Former Employees. As a result, EMIPA has filed an application for the Ministry of Labor to review the latest ruling. The application seeks for a review of the Hierarchical Recourse decision based on the legal merits of EMIPA's position. If the Ministry of Labor accepts the application, the Hierarchical Recourse decision will be reviewed on the basis of each party's legal arguments to determine the outcome of the labor dispute. Concurrent with seeking a review of the latest Hierarchical Recourse decision, EMIPA is considering other judicial or constitutional options to defend its position.

(f) 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.

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. 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 December 31, 2020:

		Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	$	12,471	55,566	10,964	27,153	106,154
EMIPA		661	16,671	103	26,351	43,786
Corporate		2,430	2	-	167	2,599
	$	15,562	72,239	11,067	53,671	152,539

As at September 30, 2020:

		Cash and cash equivalents		Property, plant and equipment		Reclamation bonds and restricted cash		Other assets		Total assets
OroValle	$	11,500	$	56,839	$	10,445	$	25,243	$	104,027
EMIPA		2,175		16,523		103		26,123		44,924
Corporate		1,897		3		-		94		1,994
	$	15,572	$	73,365	$	10,548	$	51,460	$	150,945

For the three months ended December 31, 2020:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other costs	Income (loss) before taxes
OroValle	$	27,815	16,475	3,851	1,597	5,892
EMIPA		-	1,182	44	380	(1,606)
Corporate		-	-	2	1,237	(1,239)
	$	27,815	17,657	3,897	3,214	3,047

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under general and administrative expenses for non-operating companies.

(in thousands of United States dollars unless otherwise noted)

For the three months ended December 31, 2020, 74% of revenue in OroValle corresponds to sales to one client of Gold-copper concentrate and 26% corresponds to one client of Doré (December 31, 2019, 67% and 33% in OroValle respectively, and 100% in EMIPA to one client of Doré).

For the three months ended December 31, 2019:

		Revenue	Mining costs (1)	Depreciation/ Amortization(2)	Other costs	Income (loss) before taxes
OroValle	$	25,021	17,898	5,045	613	1,465
EMIPA		3,999	8,103	584	148	(4,836)
Corporate		-	3	1	1,014	(1,018)
	$	29,020	26,004	5,630	1,775	(4,389)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – 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.

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 December 31, 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		-		2,158		-		2,158
Total	$	-	$	2,158	$	-	$	2,158
Financial liabilities:								
Long-term compensation	$	-	$	2,693	$	-	$	2,693
Total	$	-	$	2,693	$	-	$	2,693

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-tomarket 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, DSUs and RSUs are measured at fair value using the Black-Scholes model and are classified as Level 2.

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

At December 31, 2020 and September 30, 2020, 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 $1,858 to $1,895 to perform its impairment assessments for OroValle and EMIPA as at December 31, 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 1/1.17 to 1/1.21 to perform its impairment assessments for OroValle as at December 31, 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.