ORVANA

MINERALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER OF FISCAL 2014

THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013

UNAUDITED

(EXPRESSED IN UNITED STATES DOLLARS)

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

	Three months ended March 31, 2014	Three months ended March 31, 2013	Six months ended March 31, 2014	Six months ended March 31, 2013
Revenue	$ 29,125	$ 45,576	$ 64,345	$ 81,227
Cost of sales				
Mining costs (note 5)	24,151	27,438	47,927	47,684
Depreciation and amortization	7,147	6,441	14,083	10,460
	31,298	33,879	62,010	58,144
Gross margin	(2,173)	11,697	2,335	23,083
Expenses				
General and administrative (note 6)	2,055	3,254	3,684	6,385
Exploration	213	38	320	45
Community relations	100	226	347	345
Other expenses	126	168	287	2
Finance costs (note 7)	1,436	2,033	2,747	3,246
Expenses before derivative instruments loss (gain)	3,930	5,719	7,385	10,023
Derivative instruments loss (gain) (note 18)	2,343	(6,545)	(6,141)	(18,293)
(Loss) income before income taxes	(8,446)	12,523	1,091	31,353
Provision for income taxes				
Current income taxes (note 20)	74	1,366	1,504	3,092
Deferred income taxes (recovery) (note 20)	(2,552)	4,602	(469)	8,055
	(2,478)	5,968	1,035	11,147
(Loss) income from continuing operations	(5,968)	6,555	56	20,206
Loss from discontinued operations (note 4)	(985)	(72)	(1,001)	(72)
Net (loss) income and comprehensive (loss) income	$ (6,953)	$ 6,483	$ (945)	$ 20,134
Net (loss) earnings per share (note 8)				
(Loss) income from continuing operations				
Basic and diluted	$ (0.04)	$ 0.05	$ 0.00	$ 0.15
Loss from discontinued operations				
Basic and diluted	$ (0.01)	$ 0.00	$ (0.01)	$ 0.00
Net (loss) income				
Basic and diluted	$ (0.05)	$ 0.05	$ (0.01)	$ 0.15

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 Flow
Unaudited
(in thousands of United States dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Six months ended March 31, 2014	Six months ended March 31, 2013
Operating activities				
Net (loss) income	$ (5,968)	$ 6,555	$ 56	$ 20,206
Adjustments for:				
Depreciation and amortization	7,178	6,500	14,142	10,577
Loss on disposal of assets	328	192	289	204
Accretion	137	87	273	172
Amortization of deferred financing fees	195	196	395	366
Stock-based compensation	54	133	85	229
Warrants	15	30	56	21
Long-term compensation	305	112	609	382
Deferred income taxes (recovery)	(2,552)	4,602	(469)	8,055
Provision for statutory labour obligations	20	33	(388)	(4)
Foreign exchange loss (gain)	119	112	156	(73)
Derivative instruments unrealized loss (gain) (note 18)	3,756	(7,948)	(3,099)	(21,247)
	3,587	10,604	12,105	18,888
Changes in non-cash working capital				
Concentrate and doré sales receivables	909	2,775	586	3,592
Value added taxes and other receivables and prepaid expenses	(1,745)	2,778	(1,708)	533
Inventory	(419)	1,484	(3,929)	(2,681)
Accounts payable and accrued liabilities	3,678	581	2,630	(3,554)
Income taxes payable	(2,124)	(4,142)	(1,913)	(2,443)
	299	3,476	(4,334)	(4,553)
Cash provided by operating activities from continuing operations	3,886	14,080	7,771	14,335
Cash used in operating activities from discontinued operations	(310)	(66)	(441)	(270)
Cash provided by operating activities	3,576	14,014	7,330	14,065
Financing activities				
(Decrease) increase in bank debt	(985)	-	(985)	2,275
Proceeds from short-term debt (note 15)	2,000	-	2,000	2,000
Repayment of long-term debt (note 15)	(4,110)	(4,763)	(6,983)	(8,029)
Repayment of finance leases	(198)	(375)	(472)	(893)
Exercise of stock options	-	36	-	36
Cash used in financing activities	(3,293)	(5,102)	(6,440)	(4,611)
Investing activities				
Capital expenditures	(4,509)	(7,538)	(7,502)	(10,697)
Restricted cash	1,015	2,225	(66)	4,670
Cash used in investing activities from continuing operations	(3,494)	(5,313)	(7,568)	(6,027)
Cash used in investing activities from discontinued operations	(248)	(1,215)	(375)	(2,285)
Cash used in investing activities	(3,742)	(6,528)	(7,943)	(8,312)
Change in cash	(3,459)	2,384	(7,053)	1,142
Cash, beginning of the period	9,368	11,988	13,039	13,200
Effect of exchange rate changes on cash	5	(26)	(72)	4
Cash, end of period	$ 5,914	$ 14,346	$ $5,914	$ 14,346

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 March 31, 2014	As at September 30, 2013
Assets		
Current assets		
Cash and cash equivalents (note 9)	$ 5,914	$ 13,039
Restricted cash (note 10)	16,116	16,095
Concentrate and doré sales receivables	4,584	5,170
Value added taxes and other receivables and prepaid expenses	16,060	11,427
Inventory (note 11)	21,719	17,672
Derivative instruments (note 18)	7,283	4,519
Assets classified as held for sale (Copperwood) (note 4)	21,545	-
	93,221	67,922
Non-current assets		
Value-added taxes and other receivables	5,953	8,878
Restricted cash (note 10)	1,789	1,744
Reclamation bonds (note 10)	10,373	10,160
Inventory (note 11)	2,866	1,678
Property, plant and equipment (note 12)	163,254	190,823
Derivative instruments (note 18)	6,150	7,134
	$ 283,606	$ 288,839
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	$ 31,065	$ 26,205
Income taxes payable (note 20)	737	2,650
Bank debt (note 14)	8,871	9,856
Short-term debt (note 15)	4,731	2,731
Long-term debt (note 15)	16,520	14,844
Obligations under finance leases (note 16)	155	627
Derivative instruments (note 18)	222	672
Liabilities classified as held for sale (Copperwood) (note 4)	167	-
	62,468	57,585
Non-current liabilities		
Long-term debt (note 15)	22,949	31,211
Decommissioning liabilities (note 17)	15,912	15,639
Derivative instruments (note 18)	146	1,015
Provision for statutory labour obligations (note 19)	1,988	2,376
Deferred income tax liability (note 20)	20,402	20,620
Other liabilities	876	831
Long-term compensation (note 22 (b))	736	135
Warrants (note 21)	221	159
	125,698	129,571
Shareholders' equity		
Share capital (note 21)	116,206	116,206
Contributed surplus	3,311	3,226
Retained earnings	38,391	39,336
	157,908	158,768
	$ 283,606	$ 288,339

Commitments and contingencies (note 24)

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, 2013	$	116,206	$	3,226	$	39,336	$	158,768
Stock-based compensation		-		85		-		85
Net loss		-		-		(945)		(945)
Balance, March 31, 2014	$	116,206	$	3,311	$	38,391	$	157,908

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2012	$	116,148	$	2,953	$	6,713	$	125,814
Exercise of stock options		58		(22)		-		36
Stock-based compensation		-		229		-		229
Net loss		-		-		20,134		20,134
Balance, March 31, 2013	$	116,206	$	3,160	$	26,847	$	146,213

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 El Valle-Boinás Mine and the Carlés Mine (the "EVBC Mines") in Spain, which are held indirectly through its wholly-owned subsidiary Kinbauri España S.L.U. ("Kinbauri") and the Don Mario Upper Mineralized Zone Mine (the "Don Mario Mine") in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). In addition, the Company holds mineral leases in the state of Michigan, USA, referred to as the Copperwood Project ("Copperwood") which is held through the Company's wholly-owned subsidiary, Orvana Resources US Corp. ("Orvana Resources"). During the second quarter of fiscal 2014, the Company entered into an agreement to sell Copperwood to a third party (note 4 – Divestiture of Copperwood).

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 the Oslo Trust, which controls Fabulosa.

The Company's principal place of business is 181 University Avenue, Suite 1901, Toronto, Ontario, Canada. The Company is incorporated under the laws of Ontario, Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol TSX:ORV.

2. Basis of preparation

The Company prepares its 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, 2013.

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, 2013, except as highlighted in note 3, Accounting policies, 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 audited consolidated financial statements for the year ended September 30, 2013. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements for the period ended March 31, 2014 were approved by the Board of Directors of the Company on May 14, 2014.

3. Accounting policies

(a) IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13"). IFRS 13, which is to be applied prospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. The Company has evaluated the impact of IFRS 13 and applied the new disclosure requirements.

(b) IAS 19 Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits ("IAS 19"), effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. The amendments to IAS 19 eliminate the corridor rule and calculate finance costs on a net funding basis. The Company has assessed the application of IAS 19 and concluded that the adoption of IAS 19 does not have an impact on its financial statements.

(c) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when the following two benefits accrue to the entity from the stripping activity: (i) useable ore that can be used to produce inventory, and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting with the Company's interim financial statements for the quarter ended December 31, 2013. The Company has assessed the impact of adopting IFRIC 20 on its consolidated financial statements and has concluded that the adoption of IFRIC 20 does not have a significant impact on its financial statements.

(d) Other accounting pronouncements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, and amended IAS 27 Separate Financial Statements and IAS 28 Associates and Joint Ventures. These standards were subsequently amended throughout 2011 and 2012, portions of which are effective for the Company's interim financial statements for the quarter ended December 31, 2013. The Company has assessed the impact of adopting the amendments to these standards and has concluded that the adoption of the amendments to these standards did not have a significant impact on its financial statements.

4. Divestiture of Copperwood

On February 11, 2014, the Company announced that it had entered into a definitive agreement to sell Copperwood for total cash consideration of up to $25,000 in aggregate, of which $20,000 will be paid in cash upon closing of the sale of Copperwood (the "Closing"). The remaining $5,000 will be paid in cash or shares of the acquirer, Highland Copper Company Inc. ("Highland"), at Orvana's option, upon occurrence of the events described below:

- $1,250 upon the earliest of (i) commencement of commercial production of Copperwood and (ii) the date that is 36 months after Closing; and an additional $1,250 on the first anniversary of this payment; and
- $1,250 if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb; and an additional $1,250 if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb.

The Closing is conditional upon the completion of a financing by Highland to fund the purchase of Copperwood and receipt of all required regulatory approvals including the approval of the TSX Venture Exchange. Closing is estimated to occur on or about May 30, 2014.

The Company has classified the assets and liabilities of Copperwood as held for sale, consisting primarily of mineral properties (see note 12 – Property, plant and equipment). Accordingly, its results from operations have been presented separately as *loss from discontinued operations* on the statement of income. Based on the expected consideration from the Copperwood sale, the assets and liabilities of Copperwood were written down to their fair value less costs to sell as at March 31, 2014, resulting in a loss of $563.

(in thousands of United States dollars unless otherwise noted)

The condensed statements of loss for Copperwood for the three and six months ended March 31, 2014 and 2013 are as follows:

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
General and administrative	$ (439)	$ (72)	$ (546)	$ (72)
Other income	17	-	108	-
Loss on impairment	(563)	-	(563)	-
Loss from discontinued operations	$ (985)	$ (72)	$ (1,001)	$ (72)

5. **Mining costs**

Mining costs include mine production costs, transportation costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, incurred at the EVBC Mines, which are capitalized and depreciated over the specific useful life or reserves related to that development. The mining costs for the three and six months ended March 31, 2014 and 2013 relate to the EVBC and Don Mario Mines.

The Company reclassified certain transportation and treatment costs previously deducted from revenue in respect of fiscal 2013 into direct mining costs. For the three and six months ended March 31, 2013, a deduction of $1,275 and $2,898 were reclassified from revenue into direct mining costs respectively.

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
Direct mining costs	$ 22,574	$ 24,869	$ 44,107	$ 42,391
Royalties and mining rights (1)	889	1,363	1,934	2,446
Mining royalty taxes (1)	688	1,206	1,886	2,847
Total mining costs	$ 24,151	$ 27,438	$ 47,927	$ 47,684

(1) Royalties and mining rights refers to royalties payable to third parties in respect of the EVBC Mines and the Don Mario Mine. Mining royalty taxes refers to amounts payable to government authorities in respect of the Don Mario Mine.

6. **General and administrative expenses**

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
Salaries, directors fees and office administration	$ 1,581	$ 2,437	$ 2,716	$ 5,122
Depreciation	30	59	59	117
Stock-based compensation expense	54	133	85	229
Warrants	27	30	63	21
Long-term compensation	317	112	608	382
Foreign exchange	46	483	153	514
Total general and administrative expenses	$ 2,055	$ 3,254	$ 3,684	$ 6,385

7. **Finance costs**

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
Interest on credit facilities	$ 830	$ 949	$ 1,569	$ 1,883
Other interest expense	274	803	510	824
Amortization of financing fees	195	196	395	367
Accretion	137	85	273	172
Total finance costs	$ 1,436	$ 2,033	$ 2,747	$ 3,246

(in thousands of United States dollars unless otherwise noted)

8. Net (loss) earnings per share

	For the three months ended	March 31,	For the six months ended	March 31,
	2014	2013	2014	2013
(Loss) income from continuing operations	$ (5,968)	$ 6,555	$ 56	$ 20,206
Loss from discontinued operations	(985)	(72)	(1,001)	(72)
Net (loss) income	$ (6,953)	$ 6,483	$ (945)	$ 20,134
Weighted average number of common shares outstanding – basic	136,623,171	136,598,171	136,623,171	136,585,534
Dilutive effect of stock options	36,105	231,960	21,806	149,364
Dilutive effect of warrants	136,020	112,090	54,566	14,177
Weighted average number of common shares outstanding – diluted	136,795,296	136,942,221	136,699,543	136,749,075
Net (loss) earnings per share from continuing operations – basic and diluted	$ (0.04)	$ 0.05	$ 0.00	$ 0.15
Net loss per share from discontinued operations – basic and diluted	(0.01)	0.00	(0.01)	0.00
Net (loss) earnings per share – basic and diluted	$ (0.05)	$ 0.05	$ (0.01)	$ 0.15

9. Cash and cash equivalents

Cash and cash equivalents at March 31, 2014 were $5,914 (September 30, 2013 - $13,039). The terms of a loan agreement in respect of the EVBC Mines (the "EVBC Loan") with a third-party lender (the "EVBC Lender") require the deposit of certain amounts of cash generated from operating activities of Kinbauri into restricted cash accounts and also restricts the distribution of cash outside of Kinbauri in certain circumstances. Refer to note 10 – Restricted cash and reclamation bonds.

10. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at March 31, 2014 was $16,116 (September 30, 2013 - $16,095), and included restricted cash on deposit with the EVBC Lender for approximately $9,145 (September 30, 2013 - $8,225) for a debt service reserve for future principal and interest loan payments; a potential future reclamation bond payment of €5,000,000 or approximately $6,898 (September 30, 2013 - $6,756); a reserve for future royalty payments of $32 (September 30, 2013 - $32); and €30,000 or approximately $41 on deposit with a local bank as a damage deposit on rental equipment at the EVBC Mines (September 30, 2013 - $41).

Long-term restricted cash includes approximately $1,789 (September 30, 2013 - $1,744) on deposit with a local bank in favour of the Bolivian government pending the appeal of a value added taxes ("VAT") audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. As of March 31, 2014, the matter remains unresolved.

Reclamation bonds

At March 31, 2014, cash backing reclamation bonds held in a Spanish financial institution was $10,373 (September 30, 2013 - $10,160) and is expected to be released after all reclamation work at the EVBC Mines has been completed. Prior to its acquisition by Kinbauri, the EVBC Mines had been shut down by the owner thereof and remediation measures required were completed. On Kinbauri's acquisition of the EVBC Mines a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by Kinbauri relating to its tailings facility, with an additional €5,000,000 which may have to be deposited by Kinbauri and which is available for this purpose under restricted cash. Refer to note 24 – Commitments and contingent liabilities.

(in thousands of United States dollars unless otherwise noted)

11. Inventory

		March 31, 2014		September 30, 2013
Ore in stockpiles	$	256	$	759
Ore in-process		341		-
Gold doré		870		1,950
Copper concentrates		9,929		5,276
Materials and supplies		10,323		9,687
	$	21,719	$	17,672
Long-term ore in stockpiles (EMIPA oxides)		2,866	$	1,678
	$	24,585	$	19,350

12. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Equipment under finance lease	Mineral properties in production	Mineral properties in exploration and evaluation	Total
Net book value, October 1, 2013	$3,629	$65,840	$704	$6,169	$94,840	$19,641	$190,823
Additions	-	5,320	18	-	4,589	-	9,927
Transfers	-	3,700	-	(3,700)	-	-	-
Disposals	-	(16)	(2)	(325)	-	-	(343)
Depreciation(1)	-	(4,980)	(158)	(322)	(9,980)	-	(15,440)
Assets held for sale	(2,029)	(31)	(12)	-	-	(19,641)	(21,713)
Net book value, March 31, 2014	1,600	69,833	550	1,822	89,449	-	163,254
Total cost	1,600	121,386	2,052	2,555	126,291	-	253,884
Total accumulated depreciation	-	(51,553)	(1,502)	(733)	(36,842)	-	(90,630)
Net book value, March 31, 2014	1,600	69,833	550	1,822	89,449	-	163,254

(1) Depreciation includes amounts included in inventory.

Mineral properties in production

(a) Don Mario Mine (Bolivia)

Through EMIPA, the Company owns and operates the open pit copper-gold-silver Don Mario Mine. The Don Mario Mine is part of the Don Mario District comprising ten mineral concessions located in south eastern Bolivia.

Certain previously installed mine equipment from the Company's Don Mario underground mine is being utilized for the Don Mario Mine. Commercial production commenced on January 1, 2012.

(in thousands of United States dollars unless otherwise noted)

(b) EVBC Mines (Spain)

Orvana acquired the EVBC Mines in Spain in August 2009. The EVBC gold-copper-silver mines are located in the Rio Narcea Gold Belt in northern Spain. The Company commenced commercial production on August 1, 2011.

The EVBC mineral properties in production were reduced by $6,459 (€4,995,378) with respect to a government subsidy grant, recorded during the fourth quarter of fiscal 2012. This grant was awarded by the Economic Development Institute of the Principality of Asturias for business projects generating employment that promote alternative development of mining areas for the periods of 2007 through 2012. Kinbauri has completed the required investment and has submitted its application for the receipt of this grant. The first payment was received in January 2013 for €1,399,706 and during November 2013, the Company received a second payment of €1,098,983. The remainder of the grant receivable may be collected by Kinbauri over a two year period from the Spanish government in respect of the completed development of the EVBC Mines.

13. Accounts payable and accrued liabilities

		March 31, 2014		September 30, 2013
Accounts payable	$	25,611	$	21,525
Accrued liabilities		5,454		4,680
Total accounts payable and accrued liabilities	$	31,065	$	26,205

14. Bank debt

EMIPA has short-term credit facilities with certain Bolivian banks for up to approximately $10,000 payable in 120 to 180 days from the date of advance with annual interest rates ranging from 7.0% to 7.5%. Certain of EMIPA's assets are pledged as security against these loans. As at March 31, 2014, approximately $8,871 (September 30, 2013 - $9,856) was drawn under these facilities.

In addition, at March 31, 2014, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $601 (September 30, 2013 - $465), related to refunded amounts of VAT and natural gas and chemical purchases. The bank guarantees on the VAT credit notes expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. EMIPA also has provided guarantees for the purchase of natural gas from government suppliers that are for one year and are renewed annually and would only be executed by the government suppliers if EMIPA failed to pay the invoices related to these purchases.

15. Short-term and Long-term debt

Short-term debt

The Company has a secured loan facility (the "Fabulosa Loan") with Fabulosa in the amount of up to $11,500. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12% and stand-by fees on undrawn amounts under the Fabulosa loan are calculated at a rate of 1.5% per annum; both interest and stand-by fees are payable monthly. The Company additionally pays withholding taxes imposed by applicable taxing authorities. As at March 31, 2014, the outstanding balance of the loan was $4,731 (September 30, 2013 - $2,731). Subsequent to March 31, 2014, the Company drew down net $500 from the Fabulosa Loan. The Fabulosa Loan also contains covenants that, among other things, require principal repayment in the event of the sale of certain assets. The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding Kinbauri.

The availability period and the maturity period of the Fabulosa Loan expires September 30, 2014. Principal amounts outstanding under the Fabulosa Loan are required to be repaid in the minimum amount of $500 per month commencing on April 1, 2014, and the entire principal and interest is required to be repaid by the maturity date. Prior to the end of the second quarter of 2014, the Company obtained a waiver in respect of the required minimum repayment amount on April 1, 2014 and has deferred such payment to the maturity date. Subsequent to the end of the second quarter, the Company obtained a waiver in respect of the required minimum repayment on May 1, 2014. Should the Company be unable to meet its monthly repayment obligations prior to the closing of the sale of Copperwood, the Company will request further waivers from Fabulosa of such monthly repayment obligations. In connection with an extension and amendment of the Fabulosa Loan in the third quarter of fiscal 2013, the Company issued warrants to Fabulosa to purchase 500,000 common shares of the Company, exercisable for five years at an exercise price of C$0.49 in August 2013. Refer to note 21 – Share capital and warrants.

(in thousands of United States dollars unless otherwise noted)

Concurrent with the Fabulosa Loan, the Company entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding common shares of the Company, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest of the outstanding common shares of the Company at the that time.

Long-term debt

In October 2010, Kinbauri entered into the $50,000 five-year term EVBC Loan. The funds were primarily used to complete the construction of the EVBC Mines. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844 including €5,000,000 currently held in restricted cash to fund an environmental bond which may be required to be posted with governmental authorities in Spain. To the extent that the environmental bond is less than €5,000,000, these funds may be used for general corporate purposes.

The EVBC Loan contains covenants that restrict, among other things, Orvana's ability to incur additional indebtedness and make distributions in certain circumstances, to sell material assets or to carry on business other than one related to the mining business. Orvana is also required to maintain certain financial ratios, the calculation of which excludes fair value adjustments of the outstanding derivative instruments. During the second quarter of fiscal 2014, the Company obtained a waiver in respect of compliance with one of its financial covenants as at March 31, 2014. The Company obtained waivers in respect of such financial covenant in prior quarters. The Company will have to provide interim compliance reporting as at May 31, 2014, under the EVBC Loan.

The EVBC Loan required gold, copper and Euro/US dollar derivative instruments which have already been put in place. Refer to note 18 – Derivative instruments. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are guaranteed by an unsecured guarantee from Orvana. The interest on the EVBC Loan is Libor plus 4% per annum and management expects the cost of the EVBC Loan, including fees but excluding the costs associated with the required derivative instruments, to average approximately 5% to 6% per annum, based on current interest rates.

The balance outstanding at March 31, 2014 was $41,452 (September 30, 2013 - $48,433). During the three and six months ended March 31, 2014, $4,497 and $7,900 was paid in principal and interest on the EVBC Loan, respectively, and the Company had on deposit the next two quarters principal and interest payments of $9,145 as restricted cash. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan are: 2014 - 23.3%; 2015 - 27.7%; and 2016 - 24.8%.

Minimum long-term debt repayments are as follows:

		March 31, 2014		September 30, 2013
2014	$	11,971	$	14,844
2015		18,195		17,637
2016		11,286		15,952
		41,452		48,433
Less: current portion		(16,520)		(14,844)
		24,932		33,589
Financing fees		(1,983)		(2,378)
Total long-term debt	$	22,949	$	31,211

(in thousands of United States dollars unless otherwise noted)

Cash interest paid for the three and six months ended March 31, 2014 was $950 and $1,726 (March 31, 2013 - $979 and $1,684).

Subsequent to quarter end, on April 2, 2014, the Company repaid $4,433 in principal and interest under the EVBC loan from the amount included in restricted cash at March 31, 2014. The principal amount outstanding at May 14, 2014 was $37,461 with the next quarterly principal and interest payment due on July 2, 2014 held as restricted cash.

16. Obligations under finance leases

During fiscal 2010 and fiscal 2011, the Company entered into leases with three-year terms to purchase certain mining equipment at a total cost of approximately $8,515 including deposits of $2,255 paid at the time of purchase. The leases are repayable in quarterly instalments at annual interest rates of 5.5% to 6.6%. At March 31, 2014, the obligation outstanding was $155 (September 30, 2013 - $627). During the three and six months ended March 31, 2014, the Company made lease payments of approximately $198 and $472 (March 31, 2013 – $375 and $518). Each lease contract contains a bargain purchase option of €10 per contract.

The following is a schedule of future minimum lease payments under these finance leases which will be fully paid in June 2014:

		March 31, 2014		September 30, 2013
Fiscal 2014	$	158	$	635
		158		635
Amount representing interest at 5.95%		(3)		(8)
		155		627
Less: current portion		(155)		(627)
Total long-term obligations under finance leases	$	-	$	-

The equipment under finance leases is being amortized over the estimated useful life of the assets.

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:

		March 31, 2014		September 30, 2013
Balance, beginning of period	$	15,639	$	7,851
Revision in estimated cash flows, timing of payments and discount rates				
– EVBC Mines		-		6,649
– Don Mario Mine		-		817
		15,639		15,317
Accretion expense		273		322
Total decommissioning liabilities	$	15,912	$	15,639

For the EVBC Mines, the revision in estimated cash flows at September 30, 2013 includes the impact of the change in discount rate, the additional expected remediation costs related to the tailings dam, the inclusion of certain costs for remediation activities in respect of which the EVBC Mines have provided reclamation bonds to Spanish authorities fully cash-backed (see note 10 – Restricted cash and reclamation bonds), and the impact of the foreign exchange rate of Euros versus the US dollar.

(in thousands of United States dollars unless otherwise noted)

For the Don Mario Mine, the revision in estimated cash flows at September 30, 2013 includes the impact of the change in discount rate as well as the impact of the shorter expected mine life.

The decommissioning liability balance consists of:

		March 31, 2014		September 30, 2013
EVBC Mines	$	10,784	$	10,562
Don Mario Mine		5,128		5,077
Total decommissioning liabilities	$	15,912	$	15,639

As at March 31, 2014, 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
EVBC Mines(1)	$	15,938	4.2%	$	10,784
Don Mario Mine		5,556	2.0%		5,128
Total	$	21,494		$	15,912

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred in 2016 through 2026 in respect of the Don Mario Mine and the EVBC Mines. 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 deposited with regulatory authorities in respect of the EVBC Mines totaled approximately $10,373 at March 31, 2014 (September 30, 2013 - $10,160) and is expected to be released after all reclamation work has been completed. Refer to note 10 – Restricted cash and reclamation bonds.

18. Derivative instruments

Pursuant to the terms of the EVBC Loan, the Company entered into a number of gold, copper, and Euro/US dollar forward contracts and gold collars (economic hedges) relating to a portion of the expected gold and copper production from the EVBC Mines and relating to operating costs of Kinbauri incurred in Euros, while revenue is earned in US dollars.

Changes in the fair value of derivative instruments are recognized through earnings. The mark-to-market fair value of all contracts is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty risk.

The mark-to-market fair valuation of these contracts for the three and six months ended March 31, 2014 resulted in a loss of $3,755 and a gain of $3,098, respectively (March 31, 2013 – gains of $7,948 and $21,247). The related deferred income tax expense on the unrealized gains and losses for the three and six months ended March 31, 2014 was a recovery of $1,127 and an expense of $929, respectively (March 31, 2013 – expense of $2,384 and $6,374). The Company recorded gains for the cash settlement of contracts that matured during the three and six months ended March 31, 2014 of $1,412 and $3,043, respectively (March 31, 2013 – losses of $1,403 and $2,954).

	For the three months ended March 31,				For the six months ended March 31,			
		2014		2013		2014		2013
Loss (gain) in unrealized fair value during the period	$	3,755	$	(7,948)	$	(3,098)	$	(21,247)
Realized loss (gain) on cash settlements of derivative instruments		(1,412)		1,403		(3,043)		2,954
Derivative instruments loss (gain)	$	2,343	$	(6,545)	$	(6,141)	$	(18,293)

As at March 31, 2014, derivative instruments included in the balance sheet are comprised of:

Derivative instrument assets	Spot Rate/Price	Contract Rate/Price	Average Forward Rate/Price		Fair Value
Gold forwards	$1,294/oz	$1,334/oz	$1,288/oz	$	751
Copper forwards	$6,636/tonne	$7,260/tonne	$6,653/tonne		2,866
Gold collars	$1,294/oz	-	-		9,816
Total fair value of derivative instruments assets				$	13,433
Less: current portion					7,283
Total non-current derivative instruments assets				$	6,150

Derivative instrument liabilities	Spot Rate/Price	Contract Rate/Price	Average Forward Rate/Price		Fair Value
Currency contracts (EUR/USD)	$1.38	$1.39 - $1.42	$1.38	$	368
Total fair value of derivative instruments liabilities				$	368
Less: current portion					222
Total non-current derivative instruments liabilities				$	146

The following table summarizes the gold, copper and foreign exchange forward contracts:

	March 31, 2014	September 30, 2013
Gold forwards:		
Ounces	16,406.00	21,093.75
Price per ounce	$1,333.70	$1,333.70
Copper forwards:		
Tonnes	4,719.00	6,322.25
Price per tonne	7,260.00	7,260.00
Price per pound	$3.29	$3.29
US dollar/Euro forwards:		
Amount in US ($ 000's)	35,000	45,000
Contracted average Euro/US dollar exchange rate	$1.39 - $1.42	$1.38

The following table summarizes the gold puts and call contracts outstanding:

	March 31, 2014	September 30, 2013
Gold puts (October 2012 to September 2015):		
Ounces	28,800	38,400
Price per ounce	$1,550.00	$1,550.00
Gold calls (October 2012 to September 2015):		
Ounces	28,800	38,400
Price per ounce	$1,855.00	$1,855.00
Gold puts (October 2015 to September 2016):		
Ounces	19,200	19,200
Price per ounce	$1,250.00	$1,250.00
Gold calls (October 2015 to September 2016):		
Ounces	19,200	19,200
Price per ounce	$2,270.00	$2,270.00

19. Statutory labour obligations

Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month's wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. At March 31, 2014, the obligation outstanding for these payments was $1,988 (September 30, 2013 - $2,376). This obligation was actuarially valued to determine the present value of the future payments on this obligation using the projected unit credit method, taking into consideration employee turnover; historical record of employees cashing out; projected salary increases of 2.98%; and a discount rate of 4.5%.

(in thousands of United States dollars unless otherwise noted)

20. Income tax

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

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statements carrying amounts of assets and liabilities and their respective income tax bases, as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences can be utilized. Therefore, the amount of the deferred income tax asset recognized and considered unrealizable could be reduced if projected income is not achieved.

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

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
Current income taxes:				
Current tax on income for the year	$ 74	$ 1,366	$ 1,504	$ 3,092
Total current income taxes	74	1,366	1,504	3,092
Deferred income tax:				
Origination and reversal of temporary differences in Kinbauri	(2,552)	4,602	(469)	8,055
Total deferred income taxes (recoverable)	(2,552)	4,602	(469)	8,055
Total income taxes	$ (2,478)	$ 5,968	$ 1,035	$ 11,147

Cash taxes paid for the three and six months ended March 31, 2014 totaled $2,219 and $3,347 respectively (March 31, 2013 - $5,541 and $5,541).

21. Share capital and warrants

The Company's authorized capital is comprised of an unlimited number of common shares.

A summary of our capital transactions is as follows:

	Number of common shares	Stated Value
Balance, October 1, 2012	136,573,171	$ 116,148
Exercise of stock options	50,000	36
Transfer of fair value from contributed surplus	-	22
Balance, September 30, 2013	136,623,171	116,206
Balance, March 31, 2014	136,623,171	116,206

Warrants

During 2011, the Company issued to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. The warrants will be exercisable only upon the issuance of, and in numbers equal to the number of common shares issuable upon the exercise of any of Orvana's outstanding stock options as of May 16, 2011. On September 6, 2011 the Company issued the first tranche of 1,300,000 warrants with an exercise price of C$1.90 with the second tranche of 1,425,000 warrants issued on March 5, 2012 with an exercise price of C$0.97. At March 31, 2014, 450,000 stock options were exercised that were outstanding as of May 16, 2011 and accordingly 450,000 warrants were exercisable. During August 2013, the Company, as part of the amendment of the Fabulosa Loan, issued to Fabulosa warrants to purchase an additional 500,000 common shares at a purchase price of C$0.49 until August 9, 2018. Refer to note 15 – Short-term and long-term debt.

Warrants outstanding were valued using the Black-Scholes model and $221 was accrued at March 31, 2014 (September 30, 2013 – $159).

22. Share-based payments

(a) Options

A summary of the option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, October 1, 2012	3,451,669	$1.66
Granted	550,000	1.01
Exercised	(50,000)	0.75
Expired	(880,002)	1.30
Forfeited	(199,998)	0.94
Balance, September 30, 2013	2,871,669	$1.68
Granted	400,000	0.67
Expired	(348,334)	1.15
Forfeited	(66,666)	0.89
Balance, March 31, 2014	2,856,669	$1.62

As at March 31, 2014, outstanding and exercisable options were as follows:

Grant date		Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options		Exercise price C$	Expiry date
October 23, 2009	$	65	-	0.56	150,000	$	0.88	October 23, 2014
February 26, 2010		61	-	0.91	125,000		1.01	February 26, 2015
May 17, 2010		12	-	1.13	20,000		1.31	May 17, 2015
December 10, 2010		1,149	-	1.69	670,000		3.65	December 10, 2015
April 1, 2011		163	-	2.00	100,000		3.01	April 1, 2016
December 20, 2011		153	-	2.72	291,667		1.03	December 20, 2016
March 28, 2012		129	-	2.99	291,667		0.88	March 28, 2017
June 1, 2012		127	66,665	3.17	216,669		0.86	June 1, 2017
August 30, 2012		4	-	3.42	8,334		0.92	August 30, 2017
October 2, 2012		31	-	3.51	66,667		0.93	October 2, 2017
March 7, 2013		141	83,332	3.94	166,668		1.02	March 7, 2018
March 29, 2013		107	66,668	4.00	133,332		1.05	March 29, 2018
December 16, 2013		28	66,666	4.71	33,334		0.43	December 16, 2018
February 26, 2014		100	200,000	4.91	100,000		0.75	February 26, 2019
	$	2,270	483,331	2.84	2,373,338			
Total vested and unvested options					2,856,669			

(in thousands of United States dollars unless otherwise noted)

The Company uses the fair value method of accounting for options and, during the three and six months ended March 31, 2014, recognized stock-based compensation expense of $54 and $85, respectively (March 31, 2013 - $133 and $229).

The compensation expense associated with the options for the three and six months ended March 31, 2014 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (2012 - 10%).

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

As at March 31, 2014, the fair value associated with unvested options is $199 (September 30, 2013 - $300).

(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 statement of income. 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
October 1, 2012	95,592	$	87
Issued	59,480		54
Redeemed	(56,897)		(51)
Mark-to-market adjustment	-		(47)
Changes in current portion	14,465		6
Balance, September 30, 2013	112,640	$	49
Issued	124,107		52
Redeemed	(146,342)		(64)
Mark-to-market adjustment	-		37
Changes in current portion	89,168		30
Balance, March 31, 2014	179,573	$	104

(ii) Restricted share unit ("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 statement of income. 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.

(in thousands of United States dollars unless otherwise noted)

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

	Number of RSUs		Fair Value
Balance October 1, 2012	94,794	$	86
Issued	314,485		284
Redeemed	(53,481)		(48)
Forfeited	(147,433)		(132)
Mark-to-market adjustment	-		(98)
Less current portion	(12,679)		(6)
Balance, September 30, 2013	195,686	$	86
Issued	618,696		268
Redeemed	(49,462)		(19)
Mark-to-market adjustment	-		120
Changes in current portion	(146,224)		(114)
Balance, March 31, 2014	618,696	$	341

(ii) 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 statement of income over such vesting period. Vested SARs may be exercised provided there has been an appreciation in the market price of the common shares from the grant date and payouts are settled in cash as vested SARs are exercised.

	Number of SARs		Fair value
October 1, 2013	-	$	-
Issued	1,068,826		-
Mark-to-market adjustment	-		28
Balance, March 31, 2014	1,068,826	$	28

23. 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 March 31,				For the six months ended March 31,			
		2014		2013		2014		2013
Salaries and short term employee benefits	$	475	$	448	$	946	$	915
Share-based payments(1)		83		242		454		608
Termination benefits		-		172		-		172
Total compensation of key management	$	558	$	862	$	1,400	$	1,695

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

24. 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. These environmental regulations may change and are generally becoming more restrictive. The Company records provisions for decommissioning liabilities based on management's estimate of such costs. These estimates are, however, subject to changes in laws and regulations.

(b) The Company is subject to certain risks, including currency fluctuations and possible political or economic instability, which may result in the impairment or loss of mineral concessions or other mineral rights. Any changes in laws or regulations in the jurisdictions in which the Company operates, or shifts in political attitudes are beyond the control of the Company and may adversely affect its business.

(c) On June 27, 2011, as a condition of operating an environmental permit on that date, the Government of the Principality of Asturias, required the Company to commit to post two additional reclamation bonds in the total amount of €10,000,000 (approximately $13,791). The Company deposited €5,000,000 (approximately $6,894) in September 2011 with a local bank in favour of the Spanish regulatory authorities and may have to deposit another instalment of €5,000,000 (approximately $6,894) which the Company is challenging based on technical considerations. The Company has such funds available as restricted cash in the event that it has to meet this potential obligation.

(d) Production from the EVBC Mines is subject to a 3% net smelter return royalty ("NSR"), referred to herein as the EVBC Royalty, payable quarterly. The EVBC Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. In consideration for the EVBC Royalty, the royalty holder advanced C$7,500,000. The debenture was settled through payments calculated in the same manner as the EVBC Royalty as sales were made.

In addition, as the aggregate amount paid as at December 31, 2012 under the EVBC Royalty was less than C$7,500,000, the royalty holder exercised its right for a required pre-payment of future EVBC Royalty payments. The pre-payment amount is based on the C$7,500,000 less the royalty payments made to December 31, 2012. This pre-payment right is being financed until July 1, 2014 at a rate of 12%, with all royalty payments made between January 1, 2013 and the repayment date serving to reduce such amount. Royalty expense under this NSR reducing the pre-payment amount was $628 and $1,267 for the three and six months ended March 31, 2014, respectively (March 31, 2013 - $937 and $1,474).

(e) On November 22, 2011, the Company reported that an employee at the EVBC Mines was fatally injured when he was caught between two pieces of equipment at the EVBC Mines. The Company has cooperated fully with the authorities in their investigation of the accident. Currently, certain proceedings are ongoing to determine whether any standards have been breached that may give rise to criminal charges. In addition, the Company has been notified by the applicable mining regulatory authorities that, following the completion of the current proceedings, there will be an administrative investigation pursuant to which the Company may be fined. At this time, the Company cannot predict the outcome of any of these proceedings.

(f) Production from the Don Mario Mine is subject to a 3% NSR royalty payable to a third party quarterly. Royalty expense under this NSR totaled $205 and $554 for the three and six months ended March 31, 2014, respectively (March 31, 2013 - $371 and $867). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $688 and $1,886 for the three and six months ended March 31, 2014, respectively (March 31, 2013 - $1,206 and $2,847).

(g) The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, 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 financial statements, individually or in aggregate, would have a material adverse effect.

25. Segmented information

The Company primarily operates in the gold and copper mining industry and its major products are gold doré and gold and copper concentrates. The Company's primary mining operations are EMIPA in Bolivia, Kinbauri in Spain and the Copperwood project in the United States which was classified as held for sale as at March 31, 2014. 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:

(in thousands of United States dollars unless otherwise noted)

As at March 31, 2014:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets(1)(2)	Total assets
EMIPA	$ 1,515	$ 22,007	$ 1,789	$ 28,986	$ 54,297
Kinbauri(1)	2,203	140,959	26,489	35,479	205,130
Copperwood(2)	-	-	-	21,545	21,545
Corporate	2,195	288	-	151	2,634
	$ 5,913	$ 163,254	$ 28,278	$ 86,161	$ 283,606

(1) Kinbauri's other assets include $13,433 for the receivable on the unrealized value of the outstanding derivative instruments.
(2) Copperwood's other assets were classified as held for sale as at March 31, 2014. See note 4 – Divestiture of Copperwood.

As at September 30, 2013:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets(1)	Total assets
EMIPA	$ 4,393	$ 24,929	$ 2,786	$ 23,959	$ 56,067
Kinbauri(1)	6,655	143,834	25,213	32,312	208,014
Copperwood	158	21,714	-	17	21,889
Corporate	1,833	346	-	190	2,369
	$ 13,039	$ 190,823	$ 27,999	$ 56,478	$ 288,339

(1) Kinbauri's other assets include $11,653 for the receivable on the unrealized value of the derivative instruments.

For the three months ended March 31, 2014:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument loss	Other costs	Income (loss) before taxes
EMIPA	$ 7,348	$ 4,385	$ 1,152	$ -	$ 762	$ 1,049
Kinbauri	21,777	19,766	5,995	2,343	1,037	(7,364)
Corporate	-	-	31	-	2,100	(2,131)
	$ 29,125	$ 24,151	$ 7,178	$ 2,343	$ 3,899	$ 8,446

(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.

For the three months ended March 31, 2013:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Income (loss) before taxes
EMIPA	$ 14,130	$ 10,121	$ 1,499	$ -	$ 2,141	$ 369
Kinbauri	31,446	17,317	4,942	(6,545)	382	15,350
Corporate	-	-	59	-	3,137	(3,196)
	$ 45,576	$ 27,438	$ 6,500	$ (6,545)	$ 5,660	$ 12,523

(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 six months ended March 31, 2014:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Income (loss) before taxes
EMIPA	$ 20,724	$ 11,716	$ 3,053	$ -	$ 1,600	$ 4,355
Kinbauri	43,621	36,211	11,030	(6,141)	1,876	645
Corporate	-	-	59	-	3,850	(3,909)
	$ 64,345	$ 47,927	$ 14,142	$ (6,141)	$ 7,327	$ 1,091

(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.

For the six months ended March 31, 2013:

	Revenue	Mining costs(1)	Depreciation Amortization(2)	Derivative instrument gain	Other costs	Income (loss) before taxes
EMIPA	$ 32,321	$ 20,454	$ 3,035	$ -	$ 2,400	$ 6,432
Kinbauri	48,906	27,230	7,425	(18,293)	1,174	31,370
Corporate	-	-	117	-	6,332	(6,449)
	$ 81,227	$ 47,684	$ 10,577	$ (18,293)	$ 9,906	$ 31,353

(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.

26. Fair value measurements

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 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 March 31, 2014	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:				
Derivative instruments	$ -	$ 13,433	$ -	$ 13,433
Total	$ -	$ 13,433	$ -	$ 13,433
Financial liabilities:				
Derivative instruments	$ -	$ 368	$ -	$ 368
Long-term compensation	708	28	-	736
Warrants	-	221	-	221
Total	$ 708	$ 617	$ -	$ 1,356

Valuation techniques for Level 2 financial instruments:

Derivative instruments: The fair values for financial instruments are estimated using industry standard valuation models. Where applicable, these models use observable inputs including commodity forward prices, foreign exchange rates and forward prices determined using applicable yield curves at each measurement date for comparable contracts and represent the amounts the Company would have received from or paid to a counterparty to unwind the contract at the market rates in effect at the balance sheet date. Derivative instruments fall within Level 2.

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

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

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

At March 31, 2014 and September 30, 2013, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes, other receivables and prepaids; bank debt; accounts payable and accrued liabilities; short-term debt; and obligations under finance leases are approximate their fair value due to their short-term maturities.

The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. Refer to note 15 – Short-term and long-term debt.