

ORVANA
MINERALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER OF FISCAL 2015
THREE AND SIX MONTHS ENDED MARCH 31, 2015 AND 2014
UNAUDITED
(EXPRESSED IN UNITED STATES DOLLARS)

ORVANA MINERALS CORP.**Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss**

Unaudited

(in thousands of United States dollars)

	Three months ended		Six months ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Revenue	\$ 30,108	\$ 29,125	\$ 68,878	\$ 64,345
Cost of sales				
Mining costs (note 5)	23,944	24,151	51,914	47,927
Depreciation and amortization	6,086	7,147	14,438	14,083
	30,030	31,298	66,352	62,010
Gross margin	78	(2,173)	2,526	2,335
Expenses				
General and administrative (note 6)	2,528	2,055	3,783	3,684
Exploration	722	213	880	320
Community relations	125	100	207	347
Other expense	100	126	343	287
Finance costs (note 7)	172	1,436	852	2,747
Expenses before derivative instruments loss (gain)	3,647	3,930	6,065	7,385
Derivative instruments loss (gain)	-	2,343	-	(6,141)
(Loss) income before income taxes	(3,569)	(8,446)	(3,539)	1,091
Provision for income taxes				
Current income taxes (note 17)	925	74	2,561	1,504
Deferred income tax recovery (note 17)	(364)	(2,552)	(2,708)	(469)
	561	(2,478)	(147)	1,035
(Loss) income from continuing operations	(4,130)	(5,968)	(3,392)	56
Loss from discontinued operations (note 4)	-	(985)	-	(1,001)
Net loss and comprehensive loss	\$ (4,130)	\$ (6,953)	\$ (3,392)	\$ (945)
Net (loss) earnings per share (note 8)				
(Loss) earnings from continuing operations				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.02)	\$ 0.00
Loss from discontinued operations				
Basic and diluted	\$ -	\$ (0.01)	\$ -	\$ (0.01)
Net loss				
Basic and diluted	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ (0.01)

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

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

	Three months ended		Six months ended	
	March 31, 2015	2014	March 31, 2015	2014
Operating activities				
Net (loss) income	\$ (4,130)	\$ (5,968)	\$ (3,392)	\$ 56
Adjustments for:				
Depreciation and amortization	6,113	7,178	14,494	14,142
Loss on disposal of assets	190	328	190	289
Accretion	32	137	58	273
Interest on Copperwood (note 4)	-	-	(259)	-
Amortization of deferred financing fees (note 7)	-	195	714	395
Stock-based compensation (note 19)	23	54	51	85
Warrants	1	15	14	56
Long-term compensation	71	305	26	609
Deferred income tax recovery (note 17)	(364)	(2,552)	(2,708)	(469)
Provision for statutory labour obligations	(111)	20	(146)	(388)
Foreign exchange loss	837	119	1,075	156
Derivative instruments unrealized loss (gain)	-	3,756	-	(3,099)
	2,662	3,587	10,117	12,105
Changes in non-cash working capital				
Concentrate and doré sales receivables	2,036	909	2,303	586
Value added taxes and other receivables and prepaid expenses	4,280	(1,745)	9,958	(1,708)
Inventory	(1,028)	(419)	(1,836)	(3,929)
Accounts payable and accrued liabilities	(2,945)	3,678	(1,985)	2,630
Income taxes payable	(477)	(2,124)	929	(1,913)
	1,886	299	9,369	(4,334)
Cash provided by operating activities from continuing operations	4,528	3,886	19,486	7,771
Cash used in operating activities from discontinued operations	-	(310)	-	(441)
Cash provided by operating activities	4,528	3,576	19,486	7,330
Financing activities				
Proceeds from (repayment of) bank debt	493	(985)	(5,421)	(985)
Proceeds from Fabulosa Loan (note 14)	-	2,000	-	2,000
Repayment of EVBC Loan (note 15)	-	(4,110)	(16,614)	(6,983)
Repayment of finance leases	-	(198)	-	(472)
Cash provided by (used in) financing activities	493	(3,293)	(22,035)	(6,440)
Investing activities				
Capital expenditures	(3,596)	(4,509)	(6,057)	(7,502)
Restricted cash	(471)	1,015	5,799	(66)
Proceeds from sale of Copperwood (note 4)	-	-	7,533	-
Cash (used in) provided by investing activities from continuing operations	(4,067)	(3,494)	7,275	(7,568)
Cash used in investing activities from discontinued operations	-	(248)	-	(375)
Cash (used in) provided by investing activities	(4,067)	(3,742)	7,275	(7,943)
Change in cash	954	(3,459)	4,726	(7,053)
Cash, beginning of the period	20,376	9,368	16,545	13,039
Effect of exchange rate change on cash held in foreign currencies	182	5	241	(72)
Cash, end of period	\$ 21,512	\$ 5,914	\$ 21,512	\$ 5,194

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, 2015	As at September 30, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 21,512	\$ 16,545
Restricted cash (note 9)	4,098	9,897
Concentrate and doré sales receivables	2,374	4,677
Value added taxes and other receivables and prepaid expenses	8,771	19,377
Copperwood note (note 4)	-	7,274
Inventory (note 10)	21,044	18,537
	57,799	76,307
Non-current assets		
Value-added taxes and other receivables	6,973	6,234
Restricted cash (note 9)	1,838	1,838
Reclamation bonds (note 9)	8,094	9,466
Property, plant and equipment (note 11)	117,886	127,273
	\$ 192,590	\$ 221,118
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 27,107	\$ 29,495
Income taxes payable (note 17)	2,538	1,609
Bank debt (note 13)	3,943	9,364
EVBC Loan (note 15)	-	15,900
	33,588	56,368
Non-current liabilities		
Decommissioning liabilities (note 16)	19,465	19,316
Provision for statutory labour obligations	2,148	2,294
Deferred income tax liability (note 17)	9,132	11,840
Other liabilities	1,553	1,239
Long-term compensation (note 19(b))	763	784
Warrants (note 18)	82	77
	66,731	91,918
Shareholders' equity		
Share capital (note 18)	116,206	116,206
Contributed surplus	3,452	3,401
Retained earnings	6,201	9,593
	125,859	129,200
	\$ 192,590	\$ 221,118

Commitments and contingencies (note 21)

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, 2014	\$ 116,206	\$ 3,401	\$ 9,593	\$ 129,200
Stock-based compensation	-	51	-	51
Net loss	-	-	(3,392)	(3,392)
Balance, March 31, 2015	\$ 116,206	\$ 3,452	\$ 6,201	\$ 125,859

	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

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

ORVANA MINERALS CORP.

Notes to the condensed interim consolidated financial statements

Three and six months ended March 31, 2015 and 2014

Unaudited

(in thousands of United States dollars unless otherwise noted)

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 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"). During the second quarter of fiscal 2015, the Company placed the Carlés Mine under care and maintenance.

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 head and registered office 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, 2014.

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, 2014, except as highlighted in note 3, Accounting policies and new accounting pronouncements, below.

The preparation of these condensed interim consolidated financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments and estimates have been set out in note 4 of the Company's consolidated financial statements for the year ended September 30, 2014. Certain comparative amounts have been reclassified to conform to the current year's presentation.

These condensed interim consolidated financial statements for the periods ended March 31, 2015 were approved by the Board of Directors of the Company on May 5, 2015.

3. Accounting policies and new accounting pronouncements

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2014. There was no significant impact on the Company's condensed interim consolidated financial statements as a result of new standards that became effective during fiscal 2015.

4. Divestiture of Copperwood

Through its formerly wholly-owned subsidiary, Orvana Resources US Corp. ("Orvana US"), the Company held the Copperwood Project, which was comprised of certain long-term mineral leases, certain surface rights that secured access and provided space for future infrastructure, and options in respect of certain additional mineral leases. The Company had previously completed a feasibility study and obtained all major permits in respect of the development of the Copperwood Project.

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On February 11, 2014, the Company announced that it had entered into a definitive agreement with Highland Copper Company Inc. (“Highland”) to sell the Copperwood Project through the sale of all of the outstanding shares of Orvana US for total cash consideration of up to \$25,000 in aggregate, of which \$20,000 would be paid in cash on closing and \$5,000 would be paid in cash or shares of Highland, at the Company’s option, upon the occurrence of certain events following closing.

On June 17, 2014, the Company closed the sale of the Copperwood Project to Highland. On closing, the Company received a cash payment of \$13,000 and a secured promissory note in the amount of \$7,000 (the “Copperwood Note”) in respect of the remainder of the base consideration. On December 15, 2014, the Copperwood Note was repaid and the Company received \$7,000 as repayment of principal and \$533 in interest.

The additional consideration of up to \$5,000 will be paid by Highland in cash or shares of 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 results from operations of Orvana US in prior periods have been presented separately as *loss from discontinued operations* on the condensed interim consolidated statements of net (loss) income and comprehensive loss.

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, 2015 and 2014 relate to the EVBC and Don Mario Mines.

	For the three months ended		For the six months ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Direct mining costs	\$ 21,531	\$ 22,574	\$ 46,789	\$ 44,107
Royalties and mining rights ⁽¹⁾	1,007	889	2,140	1,934
Mining royalty taxes ⁽²⁾	1,406	688	2,985	1,886
Total mining costs	\$ 23,944	\$ 24,151	\$ 51,914	\$ 47,927

(1) Royalties and mining rights refers to royalties payable to third parties in respect of the EVBC Mines and the Don Mario Mine.

(2) 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		For the six months ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Salaries, directors fees and office administration	\$ 1,771	\$ 1,580	\$ 2,931	\$ 2,716
Depreciation	27	31	56	59
Stock-based compensation expense	23	54	51	85
Warrants	(5)	27	5	63
Long-term compensation	75	317	146	608
Foreign exchange	637	46	594	153
Total general and administrative expenses	\$ 2,528	\$ 2,055	\$ 3,783	\$ 3,684

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Notes to the condensed interim consolidated financial statements

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7. Finance costs

	For the three months ended		For the six months ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Interest on credit facilities	\$ 141	\$ 830	\$ 344	\$ 1,569
Other interest (income) expense	(1)	274	(264)	510
Amortization of financing fees	-	195	714	395
Accretion expense on decommissioning obligations	77	137	149	273
Accretion gains on Copperwood deferred payments	(45)	-	(91)	-
Total finance costs	\$ 172	\$ 1,436	\$ 852	\$ 2,747

8. Net (loss) earnings per share

	For the three months ended		For the six months ended	
	March 31,		March 31,	
	2015	2014	2015	2014
(Loss) income from continuing operations	\$ (4,130)	\$ (5,968)	\$ (3,392)	\$ 56
Loss from discontinued operations	-	(985)	-	(1,001)
Net loss	\$ (4,130)	\$ (6,953)	\$ (3,392)	\$ (945)
Weighted average number of common shares outstanding – basic	136,623,171	136,623,171	136,623,171	136,623,171
Dilutive effect of stock options	39,680	36,105	13,795	21,806
Dilutive effect of warrants	-	136,020	-	54,566
Weighted average number of common shares outstanding – diluted	136,662,851	136,795,296	136,636,966	136,699,543
Net (loss) earnings per share from continuing operations – basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.02)	\$ 0.00
Net loss per share from discontinued operations – basic and diluted	-	(0.01)	-	(0.01)
Net loss per share – basic and diluted	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ (0.01)

9. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at March 31, 2015 was \$4,098 (September 30, 2014 – \$9,897), primarily consisting of \$3,774 in restricted cash placed on deposit with Canadian and Bolivian commercial banks in favour of Bolivian courts pending the result of ongoing claims. Refer to note 21 – Commitments and contingent liabilities.

Long-term restricted cash consists of \$1,838 (September 30, 2014 – \$1,838) 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, 2015, the matter remains unresolved.

Reclamation bonds

At March 31, 2015, cash backing reclamation bonds held in a Spanish financial institution was \$8,094 (September 30, 2014 – \$9,466) 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. Refer to note 21 – Commitments and contingent liabilities.

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Notes to the condensed interim consolidated financial statements

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(in thousands of United States dollars unless otherwise noted)

10. Inventory

	March 31, 2015	September 30, 2014
Ore in stockpiles	\$ 249	\$ 79
Ore in-process	1,185	831
Gold doré	527	717
Gold and copper concentrates	10,257	9,143
Materials and supplies	8,826	7,767
	\$ 21,044	\$ 18,537

11. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2014	\$1,600	\$53,173	\$440	\$72,060	\$127,273
Additions	-	4,665	31	1,272	5,968
Disposals	-	(190)	-	-	(190)
Depreciation ⁽¹⁾	-	(6,283)	(96)	(8,786)	(15,165)
Net book value, March 31, 2015	\$1,600	\$51,365	\$375	\$64,546	\$117,886
Total cost	\$1,600	\$110,777	\$2,089	\$118,503	\$232,969
Total accumulated depreciation	-	(59,412)	(1,714)	(53,957)	(115,083)
Net book value, March 31, 2015	\$1,600	\$51,365	\$375	\$64,546	\$117,886

(1) Depreciation includes amounts recorded in inventory.

On the condensed interim consolidated statement of cash flow for the six months ended March 31, 2015, capital expenditures exclude approximately \$1,418 of capital expenditures incurred but unpaid in fiscal 2015, and include \$1,507 of capital expenditures incurred in fiscal 2014 but paid in fiscal 2015 (March 31, 2014 – \$3,633 and \$1,209 respectively).

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. The Company mined the Don Mario Mine previously as an underground mine until 2009. Commercial production of the open pit commenced on January 1, 2012.

(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

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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. 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 of €2,449,281 was received during the second quarter of fiscal 2015.

12. Accounts payable and accrued liabilities

	March 31, 2015	September 30, 2014
Accounts payable	\$ 22,143	\$ 24,452
Accrued liabilities	4,964	5,043
Total accounts payable and accrued liabilities	\$ 27,107	\$ 29,495

13. Bank debt

EMIPA had short-term credit facilities with a Bolivian bank payable in 90 to 180 days from the date of advance with an annual interest rate of 6.0%. Certain of EMIPA's assets are pledged as security against these loans. As at March 31, 2015, approximately \$3,943 (September 30, 2014 – \$9,364) was drawn under these facilities.

In addition, at March 31, 2015, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately \$3,219 (September 30, 2014 – \$2,345), 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.

14. Fabulosa Loan

The Company entered into a secured loan facility agreement ("the Fabulosa Loan") with Fabulosa in the amount of \$11,500 in 2011. The Company used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal was 12% per annum and the stand-by fee was 1.5% on undrawn amounts and both amounts were payable monthly. The Company paid withholding taxes imposed by applicable taxing authorities. During the third quarter of fiscal 2014, the outstanding balance of \$6,515 was repaid with the proceeds from the sale of the Copperwood Project (note 4).

The amendment of the EVBC Loan during the fourth quarter of 2014 was conditional on the establishment of a \$6,500 line of credit. Accordingly, the Fabulosa Loan was amended effective July 11, 2014. The maturity period was extended from September 30, 2014 to December 31, 2014 and the amount which could be drawn under the Fabulosa Loan was amended to \$6,500. In connection with such amendment, the Company issued warrants to Fabulosa to purchase 100,000 common shares of the Company exercisable at a price of \$0.54 until July 11, 2019. The Company also paid a structuring fee of 2% for a total of \$130. No amounts were drawn under the Fabulosa Loan prior to the end of its availability period. The Fabulosa Loan was not renewed and all such security was discharged.

Concurrent with the initial 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, 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 is of the Common Shares.

For the three and six months ended March 31, 2015, the Company paid nil and \$24, respectively, in stand-by fees on the Fabulosa Loan (March 31, 2014 – interest and stand-by fees of \$93 and \$176, respectively).

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(in thousands of United States dollars unless otherwise noted)

15. EVBC Loan

In October 2010, Kinbauri entered into the EVBC Loan, a \$50,000 five-year term corporate credit facility. 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 approximately \$6,500 (€5,000,000) to fund an environmental bond. In July 2014, the EVBC Loan was amended, resulting in a new maturity date of November 30, 2014 (the "New Maturity Date") and requiring (i) a number of principal repayments to be made from restricted cash, Copperwood Project proceeds and working capital, (ii) quarterly principal repayments, and (iii) the closure of outstanding derivative instruments in July 2014. As a condition to the amendments of the EVBC Loan, Orvana had to establish a line of credit in the minimum amount of \$6,500 in the form of the Fabulosa Loan until the New Maturity Date.

The EVBC Loan required gold, copper and US dollars/EUR derivative instruments that were previously put in place. The security for the EVBC Loan included 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 were guaranteed by Orvana. Subsequent to the end of the third quarter of fiscal 2014, all outstanding derivative instruments were closed for net proceeds of \$7,098 with the proceeds applied as a repayment of principal under the EVBC Loan.

Orvana completed repayment of the EVBC Loan on November 10, 2014, two years ahead of schedule. The associated guarantees have been released and the remaining security has been discharged.

For the three and six months ended March 31, 2015, the Company paid \$nil and \$62, respectively, in interest on the EVBC Loan (three and six months ended March 31, 2014 – \$950 and \$1,726, respectively).

16. 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, 2015	September 30, 2014
Balance, beginning of period	\$ 19,316	\$ 15,639
Revision in estimated cash flows, timing of payments and discount rates		
– EVBC Mines	-	2,911
– Don Mario Mine	-	221
	19,316	18,771
Accretion expense	149	545
Total decommissioning liabilities	\$ 19,465	\$ 19,316

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Notes to the condensed interim consolidated financial statements

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(in thousands of United States dollars unless otherwise noted)

The decommissioning liability balance consists of:

	March 31, 2015	September 30, 2014
EVBC Mines	\$ 14,014	\$ 13,917
Don Mario Mine	5,451	5,399
Total decommissioning liabilities	\$ 19,465	\$ 19,316

As at March 31, 2015, 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 ⁽¹⁾	Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mines	\$ 16,021	1.4%	\$ 14,014
Don Mario Mine	5,556	2.0%	5,451
Total	\$ 21,577		\$ 19,465

(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 2024 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 totaled approximately \$8,094 at March 31, 2015 (September 30, 2014 – \$9,466) and is expected to be released after all reclamation work has been completed. Refer to note 9 – Restricted cash and reclamation bonds.

17. Income tax

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

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

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

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

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	For the three months ended March 31,		For the six months ended March 31,	
	2015	2014	2015	2014
Current income taxes:				
Current tax on income for the periods	\$ 925	\$ 74	\$ 2,561	\$ 1,504
Total current income taxes	925	74	2,561	1,504
Deferred income tax:				
Tax rate increase (reduction) in Spain ⁽¹⁾	66	-	(1,246)	-
Origination and reversal of temporary differences in Kinbauri	(430)	(2,552)	(1,462)	(469)
Total deferred income tax recovery	(364)	(2,552)	(2,708)	(469)
Total income taxes	\$ 561	\$ (2,478)	\$ (147)	\$ 1,035

- (1) During November 2014, a number of changes in Spanish tax legislation were enacted effective for fiscal periods beginning on or after January 1, 2015, including the gradual reduction of the corporate income tax rate from 30% to 25% in 2016. As a result, this change is effective in respect of the Company's 2016 fiscal year commencing on October 1, 2015. As the Company expects to settle its deferred tax liabilities in Spain in 2016 or later, the deferred tax liability was re-measured at a 25% tax rate.

Cash income taxes paid for both the three and six months ended March 31, 2015 totaled \$1,368 (March 31, 2014 – \$2,219 and \$3,347).

18. 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, 2013	136,623,171	\$ 116,206
Balance, September 30, 2014	136,623,171	116,206
Balance, March 31, 2015	136,623,171	116,206

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares	Stated Value
Balance, October 1, 2013	2,205,000	\$ 159
Warrants issued ⁽¹⁾	100,000	26
Warrants expired ⁽²⁾	(510,000)	(11)
Fair value adjustment	-	(97)
Balance, September 30, 2014	1,795,000	77
Warrants expired ⁽²⁾	(275,000)	(9)
Fair value adjustment	-	14
Balance, March 31, 2015	1,520,000	\$ 82

- (1) Warrants to purchase 100,000 common shares at a purchase price of C\$0.54 until July 11, 2019 were issued to Fabulosa as part of the amendments to the Fabulosa Loan in July 2014. Refer to note 14 – Fabulosa Loan.
- (2) During 2011, the Company issued to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. The warrants are exercisable only upon the issuance of, and in numbers equal to the number of common shares issued upon the exercise of any of Orvana's outstanding 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. As a result of the forfeiture or expiration of options issued before May 16, 2011, warrants to purchase up to 920,000 common shares were outstanding as of March 31, 2015 of which 450,000 were exercisable.

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(a) Options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C\$
Balance, October 1, 2013	2,871,669	\$1.68
Granted	600,000	0.60
Expired	(851,668)	2.06
Forfeited	(66,666)	0.89
Balance, September 30, 2014	2,553,335	\$1.32
Granted	125,000	0.30
Expired	(408,334)	0.92
Balance, March 31, 2015	2,270,001	\$1.34

As at March 31, 2015, outstanding and exercisable stock 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
May 17, 2010	\$ 12	-	0.13	20,000	1.31	May 17, 2015
December 10, 2010	600	-	0.69	350,000	3.65	December 10, 2015
April 1, 2011	163	-	1.00	100,000	3.01	April 1, 2016
December 20, 2011	66	-	1.72	125,000	1.03	December 20, 2016
March 28, 2012	129	-	1.99	291,667	0.88	March 28, 2017
June 1, 2012	90	-	2.17	200,000	0.86	June 1, 2017
August 30, 2012	4	-	2.42	8,334	0.92	August 30, 2017
March 7, 2013	141	-	2.94	250,000	1.02	March 7, 2018
March 29, 2013	107	-	3.00	200,000	1.05	March 29, 2018
December 16, 2013	28	33,333	3.71	66,667	0.43	December 16, 2018
February 26, 2014	100	100,000	3.91	200,000	0.75	February 26, 2019
July 11, 2014	26	66,667	4.28	33,333	0.53	July 11, 2019
August 21, 2014	19	66,667	4.39	33,333	0.41	August 21, 2019
December 16, 2014	21	83,334	4.71	41,666	0.41	August 21, 2019
	\$ 1,506	350,001	2.61	1,920,000		
Total vested and unvested options				2,270,001		

The Company uses the fair value method of accounting for stock options and, during the three and six months ended March 31, 2015, recognized stock-based compensation expense of \$23 and \$51, respectively (March 31, 2014 – \$54 and \$85).

The compensation expense associated with the stock options for the three and six months ended March 31, 2015 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (March 31, 2014 – 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, 2015, the fair value associated with unvested options is \$87 (September 30, 2014 – \$200).

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(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.

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

	Number of DSUs		Fair value
October 1, 2013	112,640	\$	49
Issued	124,107		52
Redeemed	(172,965)		(76)
Mark-to-market adjustment	-		(24)
Changes in current portion	116,342		50
Balance, September 30, 2014	180,124	\$	51
Issued	193,346		60
Mark-to-market adjustment	-		(2)
Balance, March 31, 2015	373,470	\$	109

(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.

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

	Number of RSUs		Fair Value
Balance October 1, 2013	195,686	\$	86
Issued	618,696		268
Redeemed	(68,417)		(30)
Mark-to-market adjustment	-		(91)
Changes in current portion	(127,269)		(56)
Balance, September 30, 2014	618,696	\$	177
Issued	1,401,937		438
Redeemed	(223,886)		(64)
Forfeited	(445,714)		(127)
Mark-to-market adjustment	-		(32)
Changes in current portion	(394,810)		(113)
Balance, March 31, 2015	956,223	\$	279

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

The Company established a SAR plan for designated executives, effective in respect of fiscal 2013. Unless otherwise determined by the directors of the Company, designated participants are granted SARs in such number equal to two times the number of RSUs granted to such participant in respect of compensation for a particular fiscal

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year. The Initial Fair Market Value as defined in the SAR plan is determined based on the closing price of the common shares of the Company on the date of grant. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period, an expense is recorded under *general and administrative expenses* 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 Initial Fair Market Value on the grant date and payouts are settled in cash as vested SARs are exercised.

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

	Number of SARs	Fair value
October 1, 2013	-	\$ -
Issued	1,068,826	-
Mark-to-market adjustment	-	29
Forfeited	(329,696)	-
Balance, September 30, 2014	739,130	\$ 29
Issued	1,833,142	-
Forfeited	(826,214)	-
Mark-to-market adjustment	-	45
Balance, March 31, 2015	1,746,058	\$ 74

20. 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,	
	2015	2014	2015	2014
Salaries and short term employee benefits	\$ 428	\$ 475	\$ 923	\$ 946
Share-based payments ⁽¹⁾	(80)	83	276	454
Termination benefits	464	-	464	-
Total compensation of key management	\$ 812	\$ 558	\$ 1,664	\$ 1,400

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

21. 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) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required the Company to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately \$5,379). To satisfy this requirement, the Company deposited €5,000,000 (approximately \$5,379) in September 2011 with a local bank in favour of the Spanish regulatory authorities. A further €5,000,000 may have to be deposited in favour of the Spanish regulatory authorities at a future date to satisfy additional reclamation bond commitments. The Company is currently challenging this based on technical considerations.
- (c) Production from the EVBC Mines is subject to a 3% net smelter return royalty ("NSR"), referred to herein as the EVBC Royalty, payable monthly. The EVBC Royalty rate decreases to 2.5% for any quarter in which the

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average price of gold is below \$1,100 per ounce. Royalty expense under this NSR totaled \$543 and \$1,154 for the three and six months ended March 31, 2015, respectively (March 31, 2014 – \$628 and \$1,267).

- (d) Production from the Don Mario Mine is subject to a 3% NSR royalty payable quarterly. Royalty expense under this NSR totaled \$466 and \$987 for the three and six months ended March 31, 2015, respectively (March 31, 2014 – \$205 and \$554). 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 \$1,406 and \$2,985 for the three and six months ended March 31, 2015, respectively (March 31, 2014 – \$688 and \$1,886).
- (e) EMIPA is subject to a labour claim filed in Bolivia by 31 former employees for the payment of certain employment related amounts, including vacation and overtime, for the period of 2007 to 2013. EMIPA is vigorously challenging the claim on the basis that such claimed amounts have already been paid and, accordingly, the claim has no legal grounds. The Company provided a 100% cash-backed guarantee in the amount of \$2,400 as security for the claim. Refer to note 9 – Restricted cash and reclamation bonds.
- (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 financial statements, individually or in aggregate, would have a material adverse effect.

22. 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 Kinbauri, which operates the EVBC Mines in Spain, and EMIPA, which operates the 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 March 31, 2015:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
Kinbauri	\$ 4,048	\$ 102,608	\$ 8,418	\$ 19,206	\$ 134,280
EMIPA	2,678	15,092	3,212	17,965	38,947
Corporate	14,786	186	2,400	1,991	19,363
	\$ 21,512	\$ 117,886	\$ 14,030	\$ 39,162	\$ 192,590

As at September 30, 2014:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
Kinbauri	\$ 2,126	\$ 109,835	\$ 19,180	\$ 24,053	\$ 155,194
EMIPA	5,851	17,203	2,021	22,734	47,809
Corporate	8,568	235	-	9,312	18,115
	\$ 16,545	\$ 127,273	\$ 21,201	\$ 56,099	\$ 221,118

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For the three months ended March 31 2015:

	Revenue	Mining costs ⁽¹⁾	Depreciation Amortization ⁽²⁾	Derivative instrument loss	Other costs	Income (loss) before taxes
Kinbauri	\$ 16,665	\$ 13,938	\$ 4,493	\$ -	\$ 244	\$ (2,010)
EMIPA	13,443	10,006	1,593	-	904	940
Corporate	-	-	27	-	2,472	(2,499)
	\$ 30,108	\$ 23,944	\$ 6,113	\$ -	\$ 3,620	\$ (3,569)

(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, 2014:

	Revenue	Mining costs ⁽¹⁾	Depreciation Amortization ⁽²⁾	Derivative instrument loss	Other costs	Income (loss) before taxes
Kinbauri	\$ 21,777	\$ 19,766	\$ 5,995	\$ 2,343	\$ 1,037	\$ (7,364)
EMIPA	7,348	4,385	1,152	-	762	1,049
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 six months ended March 31, 2015:

	Revenue	Mining costs ⁽¹⁾	Depreciation Amortization ⁽²⁾	Derivative instrument gain	Other costs	Income (loss) before taxes
Kinbauri	\$ 36,815	\$ 30,758	\$ 9,809	\$ -	\$ 1,069	\$ (4,821)
EMIPA	32,063	21,156	4,629	-	1,593	4,685
Corporate	-	-	56	-	3,347	(3,403)
	\$ 68,878	\$ 51,914	\$ 14,494	\$ -	\$ 6,009	\$ (3,539)

(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, 2014:

	Revenue	Mining costs ⁽¹⁾	Depreciation Amortization ⁽²⁾	Derivative instrument gain	Other costs	Income (loss) before taxes
Kinbauri	\$ 43,621	\$ 36,211	\$ 11,030	\$ (6,141)	\$ 1,876	\$ 645
EMIPA	20,724	11,716	3,053	-	1,600	4,355
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.

23. 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.

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Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value into 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, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial liabilities:				
Long-term compensation	\$ 689	\$ 74	\$ -	\$ 763
Warrants	-	82	-	82
Total	\$ 689	\$ 156	\$ -	\$ 845

Valuation techniques for Level 2 financial instruments:

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, 2015 and September 30, 2014, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes, other receivables and prepaids; bank debt; and accounts payable and accrued liabilities approximate their fair value due to their short-term maturities.