ORVANA
MINERALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THIRD QUARTER OF FISCAL 2014

THREE AND NINE MONTHS ENDED JUNE 30, 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 June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Revenue	$ 34,064	$ 36,997	$ 98,409	$ 118,224
Cost of sales				
Mining costs (note 5)	24,506	27,736	72,433	75,420
Depreciation and amortization	7,480	7,226	21,563	17,686
Impairment charges (note 6)	29,228	6,423	29,228	6,423
	61,214	41,385	123,224	99,529
Gross margin	(27,150)	(4,388)	(24,815)	18,695
Expenses				
General and administrative (note 7)	998	1,358	4,682	7,743
Exploration	345	35	665	80
Community relations	91	90	438	435
Other expenses (note 8)	1,979	6,692	2,266	6,694
Finance costs (note 9)	1,132	1,571	3,879	4,817
Expenses before derivative instruments loss (gain)	4,545	9,746	11,930	19,769
Derivative instruments loss (gain) (note 19)	3,786	(33,700)	(2,355)	(51,993)
(Loss) income before income taxes	(35,481)	19,566	(34,390)	50,919
Provision for income taxes				
Current income taxes (recovery) (note 21)	85	(754)	1,589	2,338
Deferred income (recovery) taxes (note 21)	(9,529)	8,998	(9,998)	17,053
	(9,444)	8,244	(8,409)	19,391
(Loss) income from continuing operations	(26,037)	11,322	(25,981)	31,528
Income (loss) from discontinued operations (note 4)	135	(7)	(866)	(79)
Net (loss) income and comprehensive (loss) income	$ (25,902)	$ 11,315	$ (26,847)	$ 31,449
Net (loss) earnings per share (note 10)				
(Loss) income from continuing operations				
Basic and diluted	$ (0.19)	$ 0.08	$ (0.19)	$ 0.23
Loss from discontinued operations				
Basic and diluted	$ 0.00	$ 0.00	$ (0.01)	$ 0.00
Net (loss) income				
Basic and diluted	$ (0.19)	$ 0.08	$ (0.20)	$ 0.23

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

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Operating activities				
Net (loss) income	$ (26,037)	$ 11,322	$ (25,981)	$ 31,528
Adjustments for:				
Depreciation and amortization	7,509	7,285	21,651	17,862
Impairment charge	29,228	6,423	29,228	6,423
De-recognition of assets	1,822	3,500	1,822	3,500
Loss on disposal of assets	91	252	380	456
Accretion	130	86	403	258
Interest on Copperwood note	(36)	-	(36)	-
Amortization of deferred financing fees	199	200	594	566
Stock-based compensation	26	19	111	248
Warrants	(143)	(145)	(87)	(124)
Long-term compensation	150	(185)	759	197
Deferred income (recovery) taxes	(9,529)	8,998	(9,998)	17,053
Provision for statutory labour obligations	65	(41)	(323)	(45)
Foreign exchange (gain) loss	(33)	(202)	123	(275)
Derivative instruments unrealized loss (gain) (note 19)	5,470	(32,901)	2,371	(54,148)
	8,912	4,611	21,017	23,499
Changes in non-cash working capital				
Concentrate and doré sales receivables	(1,190)	5,785	(604)	9,377
Value added taxes and other receivables and prepaid expenses	199	(509)	(1,509)	24
Inventory	(1,232)	1,865	(5,161)	(816)
Accounts payable and accrued liabilities	2,434	823	5,064	(2,731)
Income taxes payable	(373)	(1,800)	(2,286)	(4,243)
	(162)	6,164	(4,496)	1,611
Cash provided by operating activities from continuing operations	8,750	10,775	16,521	25,110
Cash (used in) provided by operating activities from discontinued operations	(190)	70	(631)	(200)
Cash provided by operating activities	8,560	10,845	15,890	24,910
Financing activities				
(Decrease) increase in bank debt	(1,479)	(2,957)	(2,464)	(682)
(Repayment) proceeds of short-term debt (note 17)	(4,731)	-	(2,731)	2,000
Repayment of EVBC Loan (note 17)	(3,990)	(3,756)	(10,973)	(11,785)
Repayment of finance leases	(155)	(338)	(627)	(1,231)
Exercise of stock options	-	-	-	36
Cash used in financing activities	(10,355)	(7,051)	(16,795)	(11,662)
Investing activities				
Capital expenditures	(6,486)	(3,921)	(13,988)	(14,618)
Restricted cash	448	(2,360)	382	2,310
Proceeds from sale of Copperwood (note 4)	13,000	-	13,000	-
Cash provided by (used in) investing activities from continuing operations	6,962	(6,281)	(606)	(12,308)
Cash used in investing activities from discontinued operations	(85)	(362)	(460)	(2,647)
Cash provided by (used in) investing activities	6,877	(6,643)	(1,066)	(14,955)
Change in cash	5,082	(2,849)	(1,971)	(1,707)
Cash, beginning of the period	5,914	14,346	13,039	13,200
Effect of exchange rate changes on cash	33	(13)	(39)	(9)
Cash, end of period	$ 11,029	$ 11,484	$ 11,029	$ 11,484

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

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

	As at June 30, 2014	As at September 30, 2013
Assets		
Current assets		
Cash and cash equivalents (note 11)	$ 11,029	$ 13,039
Restricted cash (note 12)	15,681	16,095
Concentrate and doré sales receivables	5,774	5,170
Value added taxes and other receivables and prepaid expenses	17,117	11,427
Copperwood note (note 4)	7,036	-
Inventory (note 13)	21,669	17,672
Derivative instruments (note 19)	8,037	4,519
	86,343	67,922
Non-current assets		
Value-added taxes and other receivables	6,457	8,878
Restricted cash (note 12)	1,776	1,744
Reclamation bonds (note 12)	10,275	10,160
Inventory (note 13)	-	1,678
Property, plant and equipment (note 14)	131,787	190,823
Derivative instruments (note 19)	-	7,134
	$ 236,638	$ 288,339
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	$ 29,891	$ 26,205
Income taxes payable (note 21)	364	2,650
Bank debt (note 16)	7,392	9,856
Short-term debt (note 17)	-	2,731
EVBC Loan (note 17)	35,676	14,844
Obligations under finance leases	-	627
Derivative instruments (note 19)	442	672
	73,765	57,585
Non-current liabilities		
EVBC Loan (note 17)	-	31,211
Decommissioning liabilities (note 18)	16,049	15,639
Derivative instruments (note 19)	-	1,015
Provision for statutory labour obligations (note 20)	2,053	2,376
Deferred income tax liability (note 21)	10,784	20,620
Other liabilities	998	831
Long-term compensation (note 23 (b))	890	135
Warrants (note 22)	67	159
	104,606	129,571
Shareholders' equity		
Share capital (note 22)	116,206	116,206
Contributed surplus	3,337	3,226
Retained earnings	12,489	39,336
	132,032	158,768
	$ 236,638	$ 288,339

Commitments and contingencies (note 25)

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		-		111		-		111
Net loss		-		-		(26,847)		(26,847)
Balance, June 30, 2014	$	116,206	$	3,337	$	12,489	$	132,032

		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		-		248		-		248
Net loss		-		-		31,449		31,449
Balance, June 30, 2013	$	116,206	$	3,179	$	38,162	$	157,547

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").

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 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 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 June 30, 2014 were approved by the Board of Directors of the Company on August 12, 2014.

3. Accounting policies and new accounting pronouncements

(a) IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (“IFRS 13”). IFRS 13, 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 applies 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 was effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. The Company has concluded that there was no significant impact on its financial statements upon the adoption of IFRIC 20.

(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 were effective beginning with 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.

(e) New accounting pronouncements

In May 2014, the IASB issued IFRS 15 Revenue from contracts with customers ("IFRS 15"). IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts, and their related interpretations. This standard modifies the timing and measurement of revenue recognition under IFRS, and adds extensive disclosure requirements for both revenue recognized in the period and revenue expected to be recognized in the future. IFRS 15 is effective for the Company's interim financial statements for the quarter ending December 31, 2017. The Company has not yet determined the potential impact that the adoption of IFRS 15 will have on its financial statements.

4. Divestiture of Copperwood

Through its wholly-owned subsidiary, Orvana Resources US Corp. ("Orvana Resources"), Orvana owned the Copperwood Project ("Copperwood") which comprised long-term mineral lease agreements covering 936 hectares within the "Western Syncline" in the State of Michigan, USA. In addition, the Company owned the surface rights on about 700 hectares which secured access to Copperwood and additional space for infrastructure. All major permits in respect of the Copperwood project were in place. The Company also had option agreements on three other mineralized areas.

On June 17, 2014, the Company closed the sale of Copperwood to Highland Copper Company Inc. ("Highland") through the sale of all of the outstanding shares of Orvana Resources for total consideration of up to $25,000 consisting of base consideration of $20,000 and additional consideration of up to $5,000. On closing, Orvana 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 included under *Copperwood note* on the Company's balance sheet at June 30, 2014. Amounts outstanding under the Copperwood Note bear interest at an annualized rate of 13.5% until September 30, 2014 and thereafter at an annualized rate of 17.5%, may be prepaid at any time and must be repaid no later than December 15, 2014, subject to certain mandatory prepayments. The full amount of the outstanding balance of the Copperwood Note, and the interest accrued thereon, are immediately due and payable, among other things, upon a change of control of Highland. The Copperwood Note is secured by, among other things, a first priority security interest over all of the assets of Orvana Resources, a pledge by Highland of all of the shares of Orvana Resources and a guarantee from Highland.

(in thousands of United States dollars unless otherwise noted)

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.

At March 31, 2014, the Company classified the assets and liabilities of Orvana Resources as held for sale, consisting primarily of mineral properties (refer to note 14 – Property, plant and equipment). Accordingly, its results from operations have been presented separately as *gain (loss) from discontinued operations* on the statement of income. Based on consideration received from the Copperwood sale, the assets and liabilities of Orvana Resources were written down to their fair value less costs to sell, resulting in a loss of $403 at June 30, 2014.

The condensed statements of net income (loss) for Orvana Resources for the three and nine months ended June 30, 2014 and 2013 are as follows:

	For the three months ended June 30,				For the nine months ended June 30,			
		2014		2013		2014		2013
General and administrative	$	(45)	$	(7)	$	(591)	$	(79)
Other income		20		-		128		-
Recovery (loss) on impairment		160		-		(403)		-
Net income (loss) from discontinued operations	$	135	$	(7)	$	(866)	$	(79)

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 nine months ended June 30, 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 nine months ended June 30, 2013, a deduction of $1,581 and $4,481 were reclassified from revenue into direct mining costs, respectively.

	For the three months ended June 30,				For the nine months ended June 30,			
		2014		2013		2014		2013
Direct mining costs	$	22,628	$	25,109	$	66,735	$	67,500
Royalties and mining rights (1)		992		1,275		2,926		3,721
Mining royalty taxes (1)		886		1,352		2,772		4,199
Total mining costs	$	24,506	$	27,736	$	72,433	$	75,420

(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.

(in thousands of United States dollars unless otherwise noted)

6. Impairment charges

(a) Impairment of EVBC Mines

Impairment indicators were specifically identified for the EVBC Mines as a result of a mineral resources and mineral reserve estimate update effectively dated September 30, 2014. In accordance with the Company's accounting policy, an impairment assessment was performed for the Kinbauri cash generating unit as at June 30, 2014, during which management determined that the carrying value of Kinbauri exceeded its fair value less costs to sell ("FVLCS"). Estimates used in the FVLCS model include future production levels, operating costs, and capital expenditures as well as long-term commodity prices, foreign exchange rates, and discount rates. In determining the FVLCS as at June 30, 2014, management used a discount rate of 6% and a long-term gold price per ounce of between $1250 and $1300. Management's estimate of the FVLCS is classified as Level 3 under the fair value hierarchy. As a result of this assessment, the Company recorded a non-cash impairment charge of $25,485 in respect of *property, plant and equipment*. To the extent that management estimates used in the FVLCS model are updated, further adjustments to the impairment charge may be recognized.

(b) Impairment of LPF Plant and Oxide Inventory

During the quarter ended June 30, 2013, the Company recorded an impairment charge of $6,423. The impairment charge resulted from the suspension of the operations of EMIPA's Leach-Precipitation-Flotation ("LPF") plant at its Don Mario Mine in Bolivia, primarily used to process oxide ores. The impairment charge included $4,715 related to property, plant and equipment, $1,558 related to consumable inventory and $150 related to other costs associated with the suspension of the LPF plant.

Throughout fiscal 2014, the Company undertook an evaluation of certain reagents to process oxide ores through its flotation-only circuit and completed other metallurgical testing. During the quarter ended June 30, 2014, management concluded that a cost effective means to recover the economic minerals in the oxide ores was not currently available. Accordingly, the Company recorded an impairment charge of $3,743 based on the carrying value of the oxide ore stockpile at June 30, 2014. Future costs associated with oxide ore will be expensed as *mining costs* on the statement of net income.

7. General and administrative expenses

	For the three months ended June 30,		For the nine months ended June 30,	
	2014	2013	2014	2013
Salaries, directors fees and office administration	$ 1,101	$ 2,012	$ 3,817	$ 7,134
Depreciation	30	59	89	176
Stock-based compensation expense	26	19	111	248
Warrants	(155)	(145)	(92)	(124)
Long-term compensation	128	(185)	736	197
Foreign exchange	(132)	(402)	21	112
Total general and administrative expenses	$ 998	$ 1,358	$ 4,682	$ 7,743

8. Other expenses

	For the three months ended June 30,		For the nine months ended June 30,	
	2014	2013	2014	2013
(Gain) loss on disposal of fixed assets	$ 24	$ 252	$ (15)	$ 456
Union payments – EMIPA	-	1,384	-	1,384
Provision for uncollectible VAT – EMIPA	-	1,387	-	1,387
De-recognition of assets (1)	1,822	3,500	1,822	3,500
Miscellaneous other (income) expense	133	169	459	(33)
Total other expenses	$ 1,979	$ 6,692	$ 2,266	$ 6,694

(in thousands of United States dollars unless otherwise noted)

(1) During the quarter ended June 30, 2014, the Company de-recognized an additional $970 of assets related to the hoist incident at the EVBC Mines from fiscal 2013 as the costs of the repairs that had been capitalized exceeded the initial amount de-recognized. The Company also wrote down $852 of assets at EMIPA associated with previously discontinued activities.

9. Finance costs

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the nine months ended June 30, 2014	For the nine months ended June 30, 2013
Interest on credit facilities	$ 595	$ 955	$ 2,164	$ 2,838
Other interest expense	91	356	601	1,180
Financing fees	117	-	117	-
Amortization of financing fees	199	172	594	539
Accretion expense on decommissioning obligations	137	88	410	260
Accretion gains on Copperwood deferred payments	(7)	-	(7)	-
Total finance costs	$ 1,132	$ 1,571	$ 3,879	$ 4,817

10. Net (loss) earnings per share

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the nine months ended June 30, 2014	For the nine months ended June 30, 2013
(Loss) income from continuing operations	$ (26,037)	$ 11,322	$ (25,981)	$ 31,528
Income (loss) from discontinued operations	135	(7)	(866)	(79)
Net (loss) income	$ (25,902)	$ 11,315	$ (26,847)	$ 31,449
Weighted average number of common shares outstanding – basic	136,623,171	136,610,740	136,623,171	136,598,079
Dilutive effect of stock options	28,189	761	23,259	34,949
Dilutive effect of warrants	90,927	-	62,846	-
Weighted average number of common shares outstanding – diluted	136,742,287	136,611,501	136,709,276	136,633,028
Net (loss) earnings per share from continuing operations – basic and diluted	$ (0.19)	$ 0.08	$ (0.19)	$ 0.23
Net earnings (loss) per share from discontinued operations – basic and diluted	0.00	0.00	(0.01)	0.00
Net (loss) earnings per share – basic and diluted	$ (0.19)	$ 0.08	$ (0.20)	$ 0.23

11. Cash and cash equivalents

Cash and cash equivalents at June 30, 2014 were $11,029 (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 12 – Restricted cash and reclamation bonds.

12. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at June 30, 2014 was $15,681 (September 30, 2013 - $16,095), and included restricted cash on deposit with the EVBC Lender for approximately $8,806 (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 $6,834 (September 30, 2013 - $6,756); 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).

(in thousands of United States dollars unless otherwise noted)

Subsequent to quarter end, the potential reclamation bond payment held in restricted cash of €5,000,000 was released from restricted cash and used to repay a portion of the EVBC Loan. Refer to note 17 – Short-term debt and EVBC Loan.

Long-term restricted cash includes approximately $1,776 (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 June 30, 2014, the matter remains unresolved.

Reclamation bonds

At June 30, 2014, cash backing reclamation bonds held in a Spanish financial institution was $10,275 (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. Refer to note 25 – Commitments and contingent liabilities.

13. Inventory

		June 30, 2014		September 30, 2013
Ore in stockpiles	$	237	$	759
Ore in-process		284		-
Gold doré		573		1,950
Gold and copper concentrates		11,576		5,276
Materials and supplies		8,999		9,687
	$	21,669	$	17,672
Long-term ore in stockpiles (EMIPA oxides) (1)		-	$	1,678
	$	21,669	$	19,350

(1) During the third quarter of fiscal 2014, the Company recognized an impairment of the oxide ore stockpile at EMIPA. Refer to note 6 – Impairment charges.

14. 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	-	6,928	20	-	6,014	-	12,962
Transfers	-	6,214	-	(6,214)	-	-	-
Disposals	-	(1,071)	(2)	(325)	-	-	(1,398)
Depreciation (1)	-	(8,414)	(215)	370	(15,143)	-	(23,402)
Copperwood assets sold (2)	(2,029)	(31)	(12)	-	-	(19,641)	(21,713)
Impairment of EVBC Mines (3)	-	(16,929)	-	-	(8,556)	-	(25,485)
Net book value, June 30, 2014	1,600	52,537	495	-	77,155	-	131,787

(in thousands of United States dollars unless otherwise noted)

Total cost	1,600	102,369	2,054	-	120,269	-	226,292
Total accumulated depreciation	-	(49,832)	(1,559)	-	(43,114)	-	(94,505)
Net book value, June 30, 2014	1,600	52,537	495	-	77,155	-	131,787

(1) Depreciation includes amounts included in inventory.
(2) On June 17, 2014, the Company closed the sale of its wholly-owned subsidiary, Orvana Resources. Refer to note 4 – Divestiture of Copperwood.
(3) During the third quarter of fiscal 2014, the Company recognized an impairment in respect of the EVBC Mines. Refer to note 6 – Impairment charges.

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. Commercial production 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 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.

15. Accounts payable and accrued liabilities

		June 30, 2014		September 30, 2013
Accounts payable	$	24,208	$	21,525
Accrued liabilities		5,683		4,680
Total accounts payable and accrued liabilities	$	29,891	$	26,205

16. 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 June 30, 2014, approximately $7,392 (September 30, 2013 - $9,856) was drawn under these facilities. The Company is currently in the process of renewing approximately $2,000 of these facilities.

In addition, at June 30, 2014, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $474 (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.

17. Short-term debt and EVBC Loan

Short-term debt

The Company entered into a secured loan facility agreement (the "Fabulosa Loan") with Fabulosa in the amount of up to $11,500 in 2011. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate of 12% per annum 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. During the third quarter of fiscal 2014, the outstanding balance, consisting of principal and interest of $6,515, was repaid with the proceeds from the sale of Copperwood. As a result, as at June 30, 2014, the outstanding balance of the loan was $nil (September 30, 2013 - $2,731).

The amendment of the EVBC Loan (refer to below) was conditional on the establishment of a $6,500 working capital line. Subsequent to quarter end, 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 may 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 at an exercise price of $0.54 until July 11, 2019 (refer to note 22 – Share capital and warrants). The Company also paid a structuring fee of 2% for a total of $130.

The Fabulosa Loan is secured by, among other things, an assignment of the Copperwood Note, a general security assignment over present and future assets of Orvana, excluding Kinbauri, and a pledge of the shares of certain subsidiaries of Orvana.

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 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.

EVBC Loan

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.

On June 30, 2014, the Company amended the EVBC Loan, which amendment became effective July 11, 2014, resulting in a new maturity date of November 30, 2014 (the "New Maturity Date") and a number of principal repayments from (i) restricted cash, Copperwood proceeds and working capital, (ii) required quarterly principal repayments, and (iii) the closure of outstanding derivative instruments. Accordingly, the Company reclassified the EVBC Loan and outstanding derivative instruments as current on the Company's balance sheet as at June 30, 2014.

Orvana is required to maintain certain financial ratios. As part of the amendments to the EVBC Loan, certain financial covenants and non-compliance matters have been waived until the New Maturity Date including one financial covenant in respect of which the Company had obtained waivers in prior quarters.

The EVBC Loan contains covenants that, among other things, (i) require the deposit of certain cash flows from operating activities into restricted cash for upcoming EVBC Loan repayments, (ii) restrict Orvana's ability to incur additional indebtedness, (iii) restrict Kinbauri's ability to make cash distributions to Orvana in certain circumstances subject to meeting certain covenants, (iv) require additional repayments under the EVBC Loan in certain circumstances from excess cash flows from operating activities, and (v) restrict Orvana's ability to sell material assets or to carry on business other than one related to the mining business.

(in thousands of United States dollars unless otherwise noted)

The EVBC Loan required gold, copper and US dollars/EUR derivative instruments that were previously put in place (refer to note 19 – 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 Orvana. Subsequent to the end of the second 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.

As a condition to the amendments to the EVBC Loan, Orvana had to establish a working capital line of credit in the minimum amount of $6,500 until the New Maturity Date. Refer to Short-term debt above.

The balance outstanding at June 30, 2014 was $37,461 (September 30, 2013 - $48,433). During the three and nine months ended June 30, 2014, $4,433 and $12,333 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 $8,806 as restricted cash.

Minimum debt repayments are as follows:

		June 30, 2014		September 30, 2013
2014	$	37,461	$	14,844
2015		-		17,637
2016		-		15,952
		37,461		48,433
Less: current portion of financing fees		(1,785)		-
Less: current portion		(35,676)		(14,844)
		-		33,589
Financing fees		-		(2,378)
Total long-term debt	$	-	$	31,211

Cash interest paid for the three and nine months ended June 30, 2014 was $745 and $2,344, respectively (June 30, 2013 - $928 and $2,970).

Subsequent to quarter end, on July 2, 2014, the Company repaid $4,400 in principal and interest under the EVBC Loan from the allocated amount included in its restricted cash at June 30, 2014. In addition to the proceeds of the derivative instruments discussed, the Company also released €5,000,000 (converted to $6,759) from its restricted cash relating to a potential environmental bond payment and used an additional $2,000 from the proceeds of the Copperwood sale to repay the principal of the EVBC Loan. In total, the principal balance outstanding was reduced to $17,614 as of August 12, 2014 as a result of principal payments totalling $19,847.

18. 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.

(in thousands of United States dollars unless otherwise noted)

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

		June 30, 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		410		322
Total decommissioning liabilities	$	16,049	$	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 (refer to note 11 – Restricted cash and reclamation bonds), and the impact of the foreign exchange rate of Euros versus the US dollar.

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 estimated mine life.

The decommissioning liability balance consists of:

		June 30, 2014		September 30, 2013
EVBC Mines	$	10,896	$	10,562
Don Mario Mine		5,153		5,077
Total decommissioning liabilities	$	16,049	$	15,639

As at June 30, 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%	$	10,896
Don Mario Mine		5,556	2.0%		5,153
Total	$	21,494		$	16,049

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

Cash held in Spanish financial institutions backing reclamation bonds deposited with regulatory authorities in respect of the EVBC Mines totaled approximately $10,275 at June 30, 2014 (September 30, 2013 - $10,160) and is expected to be released after all reclamation work has been completed. Refer to note 11 – Restricted cash and reclamation bonds.

19. 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 nine months ended June 30, 2014 resulted in a loss of $5,470 and $2,372, respectively (June 30, 2013 – gains of $32,902 and $54,148). The related deferred income tax recoveries on the unrealized losses for the three and nine months ended June 30, 2014 were $1,641 and $712, respectively (June 30, 2013 – expense of $9,871 and $16,244). The Company recorded gains for the cash settlement of contracts that matured during the three and nine months ended June 30, 2014 of $1,684 and $4,727, respectively (June 30, 2013 – gain of $798 and loss of $2,155).

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the nine months ended June 30, 2014	For the nine months ended June 30, 2013
Loss (gain) in unrealized fair value during the period	$ 5,470	$ (32,902)	$ 2,372	$ (54,148)
Realized (gain) loss on cash settlements	(1,684)	(798)	(4,727)	2,155
Derivative instruments loss (gain)	$ 3,786	$ (33,700)	$ (2,355)	$ (51,993)

As at June 30, 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	$1,321/oz	$1,334/oz	$1,323/oz	$ 145
Copper forwards	$7,041/tonne	$7,260/tonne	$7,001/tonne	1,041
Gold collars	$1,321/oz	-	-	6,851
Total fair value of derivative instruments assets				$ 8,037
Less: current portion				8,037
Total non-current derivative instruments assets				$ -

Derivative instrument liabilities	Spot Rate/Price	Contract Rate/Price	Average Forward Rate/Price	Fair Value
Currency contracts (EUR/USD)	$1.37	$1.39 - $1.42	$1.37	$ 442
Total fair value of derivative instruments liabilities				$ 442
Less: current portion				442
Total non-current derivative instruments liabilities				$ -

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

	June 30, 2014	September 30, 2013
Gold forwards:		
Ounces	14,063.00	21,093.75
Price per ounce	$1,333.70	$1,333.70
Copper forwards:		
Tonnes	4,020.00	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)	30,000	45,000
Contracted average Euro/US dollar exchange rate	$1.39 - $1.42	$1.37 - $1.42

(in thousands of United States dollars unless otherwise noted)

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

	June 30, 2014	September 30, 2013
Gold puts (October 2012 to September 2015):		
Ounces	24,000	38,400
Price per ounce	$1,550.00	$1,550.00
Gold calls (October 2012 to September 2015):		
Ounces	24,000	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

Subsequent to quarter end, the Company closed out all of its outstanding derivatives for cash proceeds of $7,098 and applied this amount against the EVBC Loan. The tax recovery associated with the realized derivative losses on settlement was approximately $134 subsequent to the end of the third quarter to the July 17, 2014 settlement date. Refer to note 17 – Short-term debt and EVBC Loan.

20. 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 June 30, 2014, the obligation outstanding for these payments was $2,053 (September 30, 2013 - $2,376).

21. 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.

(in thousands of United States dollars unless otherwise noted)

	For the three months ended June 30, 2014	June 30, 2013	For the nine months ended June 30, 2014	June 30, 2013
Current income taxes:				
Current tax (recovery) on income for the periods	$ 85	$ (754)	$ 1,589	$ 2,338
Total current income taxes (recoverable)	85	(754)	1,589	2,338
Deferred income tax:				
Origination and reversal of temporary differences in Kinbauri	(9,529)	8,998	(9,998)	17,053
Total deferred income taxes (recoverable)	(9,529)	8,998	(9,998)	17,053
Total income taxes	$ (9,444)	$ 8,244	$ (8,409)	$ 19,391

Cash taxes paid for the three and nine months ended June 30, 2014 totaled $296 and $3,517, respectively (June 30, 2013 - $1,881 and $7,422).

22. 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, June 30, 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 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 1,376,667 Common Shares were outstanding as of the date of the MD&A of which 450,000 were exercisable at June 30, 2014.

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 17 – Short-term debt and EVBC Loan.

Subsequent to quarter end, additional 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 a loan amendment in July 2014.

Warrants outstanding were valued using the Black-Scholes model and $67 was accrued at June 30, 2014 (September 30, 2013 – $159).

23. 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	(736,668)	1.81
Forfeited	(66,666)	0.89
Balance, June 30, 2014	2,468,335	$1.50

As at June 30, 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	-	0.31	150,000	$	0.88	October 23, 2014
February 26, 2010		61	-	0.66	125,000		1.01	February 26, 2015
May 17, 2010		12	-	0.88	20,000		1.31	May 17, 2015
December 10, 2010		798	-	1.44	465,000		3.65	December 10, 2015
April 1, 2011		163	-	1.75	100,000		3.01	April 1, 2016
December 20, 2011		66	-	2.47	125,000		1.03	December 20, 2016
March 28, 2012		129	-	2.74	291,667		0.88	March 28, 2017
June 1, 2012		119	-	2.92	266,667		0.86	June 1, 2017
August 30, 2012		4	-	3.17	8,334		0.92	August 30, 2017
October 2, 2012		31	-	3.26	66,667		0.93	October 2, 2017
March 7, 2013		141	83,332	3.69	166,668		1.02	March 7, 2018
March 29, 2013		107	66,668	3.75	133,332		1.05	March 29, 2018
December 16, 2013		28	66,666	4.46	33,334		0.43	December 16, 2018
February 26, 2014		100	200,000	4.66	100,000		0.75	February 26, 2019
	$	1,824	416,666	2.69	2,051,669			
Total vested and unvested options					2,468,335			

The Company uses the fair value method of accounting for options and, during the three and nine months ended June 30, 2014, recognized stock-based compensation expense of $26 and $111, respectively (June 30, 2013 - $19 and $248).

The compensation expense associated with the options for the three and nine months ended June 30, 2014 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (2013 - 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 June 30, 2014, the fair value associated with unvested options is $169 (September 30, 2013 - $300).

(in thousands of United States dollars unless otherwise noted)

(b) Long-term compensation

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

The Company established a DSU plan, effectively a phantom stock plan, for directors, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the 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	-		26
Changes in current portion	89,168		30
Balance, June 30, 2014	179,573	$	93

(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, 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	-		98
Changes in current portion	(146,224)		(114)
Balance, June 30, 2014	618,696	$	319

(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.

(in thousands of United States dollars unless otherwise noted)

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	-		60
Forfeited	(329,696)		(14)
Balance, June 30, 2014	739,130	$	46

24. Compensation of key management

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

	For the three months ended June 30,				For the nine months ended June 30,			
		2014		2013		2014		2013
Salaries and short term employee benefits	$	461	$	457	$	1,407	$	1,372
Share-based payments(1)		209		(163)		663		445
Termination benefits		-		369		-		541
Total compensation of key management	$	670	$	663	$	2,070	$	2,358

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

25. 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 $6,829). To satisfy this requirement, the Company deposited €5,000,000 (approximately $6,829) 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.

(c) 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. Royalty expense under this NSR totaled $715 and $1,982 for the three and nine months ended June 30, 2014, respectively (June 30, 2013 - $829 and $2,303)

(d) 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 may 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.

(in thousands of United States dollars unless otherwise noted)

(e) 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 $219 and $773 for the three and nine months ended June 30, 2014, respectively (June 30, 2013 - $389 and $1,256). 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 $886 and $2,772 for the three and nine months ended June 30, 2014, respectively (June 30, 2013 - $1,352 and $4,199).

(f) The Company and certain of its employees 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, 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.

26. 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 and the EVBC Mines in Spain. The reported segments are those operations whose operating results are reviewed by the Chief Executive Officer and that pass certain quantitative measures. Operations whose revenue, earnings or losses or assets exceed 10% of the total consolidated revenues, earnings or losses, or assets are reportable segments. The Company has administrative offices in Toronto, Canada; Stockholm, Sweden; and Nicosia, Cyprus. The following tables set forth the information by segment:

As at June 30, 2014:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets(1)	Total assets
EMIPA	$ 439	$ 19,612	$ 1,776	$ 25,976	$ 47,803
Kinbauri(1)	3,204	111,909	25,956	31,051	172,120
Corporate	7,386	266	-	9,063	16,715
	$ 11,029	$ 131,787	$ 27,732	$ 66,090	$ 236,638

(1) Kinbauri's other assets include $8,037 for the receivable on the unrealized value of the outstanding derivative instruments.

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.

(in thousands of United States dollars unless otherwise noted)

For the three months ended June 30, 2014:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument loss		Other costs (3)		Loss before taxes
EMIPA	$	9,754	$	6,284	$	1,659	$	-	$	5,473	$	(3,662)
Kinbauri		24,310		18,222		5,821		3,786		26,592		(30,111)
Corporate		-		-		29		-		1,679		(1,708)
	$	34,064	$	24,506	$	7,509	$	3,786	$	33,744	$	(35,481)

(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.
(3) Other costs includes impairment charges at EMIPA and Kinbauri. Refer to note 6 – Impairment charges.

For the three months ended June 30, 2013:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs (3)		Income (loss) before taxes
EMIPA	$	11,497	$	10,115	$	1,669	$	-	$	10,063	$	(10,350)
Kinbauri		25,500		17,621		5,557		(33,700)		5,128		30,894
Corporate		-		-		59		-		919		(978)
	$	36,997	$	27,736	$	7,285	$	(33,700)	$	16,110	$	19,566

(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.
(3) Other costs includes impairment charges at EMIPA. Refer to note 6 – Impairment charges.

For the nine months ended June 30, 2014:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs (3)		Income (loss) before taxes
EMIPA	$	30,478	$	18,000	$	4,712	$	-	$	7,073	$	693
Kinbauri		67,931		54,433		16,851		(2,355)		28,468		(29,466)
Corporate		-		-		88		-		5,529		(5,617)
	$	98,409	$	72,433	$	21,651	$	(2,355)	$	41,070	$	(34,390)

(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.
(3) Other costs includes impairment charges at EMIPA and Kinbauri. Refer to note 6 – Impairment charges.

For the nine months ended June 30, 2013:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs (3)		Income (loss) before taxes
EMIPA	$	43,818	$	30,569	$	4,704	$	-	$	12,463	$	(3,918)
Kinbauri		74,406		44,851		12,982		(51,993)		6,302		62,264
Corporate		-		-		176		-		7,251		(7,427)
	$	118,224	$	75,420	$	17,862	$	(51,993)	$	26,016	$	50,919

(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.
(3) Other costs includes impairment charges at EMIPA. Refer to note 6 – Impairment charges.

27. 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.

(in thousands of United States dollars unless otherwise noted)

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in 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). Examples include interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value options contracts.
- Level 3 - Inputs for the asset or liability that are based on unobservable market data (supported by little or no market data or other means).

As at June 30, 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	$ -	$ 8,037	$ -	$ 8,037
Total	$ -	$ 8,037	$ -	$ 8,037
Financial liabilities:				
Derivative instruments	$ -	$ 442	$ -	$ 442
Long-term compensation	824	66	-	890
Warrants	-	67	-	67
Total	$ 824	$ 575	$ -	$ 1,399

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 estimated 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 traded and are measured at fair value using the Black-Scholes model and classified as Level 2.

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

At June 30, 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 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 17 – Short-term debt and EVBC Loan.