MINERALS CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2015

Introduction

This management's discussion and analysis ("MD&A") of results of operations and financial condition of Orvana Minerals Corp. and its consolidated subsidiaries ("Orvana" or the "Company") describes the operating and financial results of Orvana for the three and nine months ended June 30, 2015.

This MD&A should be read in conjunction with the condensed interim consolidated financial statements of Orvana for the three and nine months ended June 30, 2015 and related notes thereto (the "Q3 Financials"). The Q3 Financials are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In this MD&A, all currency amounts (except per unit amounts) unless otherwise stated, are in United States dollars ("US dollars"). Production and sales in respect of gold and silver are in fine troy ounces referred to as "ounces" or "oz" and in respect of copper are in pounds also referred to as "lbs". The information presented in this MD&A is as of August 6, 2015, unless otherwise stated.

A cautionary note regarding forward-looking statements follows this MD&A.

Company Overview

Orvana is a multi-mine gold and copper producer with organic growth opportunities. Orvana's properties consist of (i) El Valle Mine ("El Valle"), an underground gold-copper-silver mine with process facilities that produce a copper concentrate and gold doré, located in the northern part of Spain; and (ii) the Don Mario Mine ("Don Mario"), an open-pit gold-copper-silver mine with process facilities that produce both copper and gold concentrates, located in the south-eastern part of Bolivia. Orvana's strategic focus is on opportunities to deliver long term shareholder value. To achieve this, Orvana is currently working to optimize its operations and realize growth in its future production base through exploration within and in proximity to its existing operations. The Company is also evaluating opportunities to add value through external growth by way of a potential asset or corporate transaction. Orvana is an Ontario company and its common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol TSX:ORV.

Q3 2015 Operating and Financial Highlights

	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014
Operating Performance					
Gold					
Grade (g/t)	**1.89**	2.32	2.67	**2.25**	2.25
Recovery (%)	**79.3**	76.4	72.8	**76.8**	74.3
Production (oz)	**16,012**	19,403	21,532	**57,610**	59,921
Sales (oz)	**19,121**	18,636	18,790	**59,417**	54,912
Average realized price / oz	**$1,194**	$1,226	$1,293	**$1,213**	$1,288
Copper					
Grade (g/t)	**0.92**	1.06	1.08	**1.04**	0.99
Recovery (%)	**77.3**	75.5	58.2	**76.7**	59.8
Production (‘000 lbs)	**5,187**	6,014	4,785	**18,192**	14,551
Sales (‘000 lbs)	**6,266**	6,091	4,724	**19,290**	12,669
Average realized price / lb	**$2.74**	$2.62	$3.05	**$2.83**	$3.14
Silver					
Grade (g/t)	**21.56**	19.32	33.59	**19.34**	34.26
Recovery (%)	**68.4**	62.2	56.8	**65.9**	60.3
Production (oz)	**157,172**	131,535	211,459	**424,012**	741,945
Sales (oz)	**175,136**	111,563	217,988	**433,839**	602,869
Average realized price / oz	**$16.47**	$16.75	$19.52	**$16.61**	$20.16
Financial Performance *(in 000’s, except per share amounts)*					
Revenue	**$32,162**	$30,108	$34,064	**$101,040**	$98,409
Mining costs	**$29,834**	$23,944	$24,506	**$81,748**	$72,433
Gross margin	**($5,791)**	$78	($27,150)	**($3,265)**	($24,815)
Net loss	**($5,522)**	($4,130)	($25,902)	**($8,914)**	($26,847)
Net loss per share (basic/diluted)	**($0.04)**	($0.03)	($0.19)	**($0.07)**	($0.20)
Adjusted net income (loss) (1)	**($5,522)**	($4,130)	$905	**($8,914)**	($1,208)
Adjusted net income (loss) per share (basic/ diluted) (1)	**($0.04)**	($0.03)	$0.01	**($0.07)**	($0.01)
Operating cash flows before non-cash working capital changes (1)	**$1,026**	$2,662	$8,912	**$11,143**	$21,017
Operating cash flows	**$6,667**	$4,528	$8,750	**$26,153**	$16,521
Ending cash and cash equivalents	**$23,874**	$21,512	$11,029	**$23,874**	$11,029
Capital expenditures (2)	**$1,720**	$3,596	$6,486	**$7,777**	$13,988
Cash operating costs (by-product) ($/oz) gold (1)	**$1,055**	$874	$779	**$867**	$804
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,243**	$1,233	$995	**$1,133**	$1,097

(1) Adjusted net loss, adjusted net income (loss) per share, operating cash flows before non-cash working capital changes, COC and AISC are non-IFRS performance measures. For further information and a detailed reconciliation, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

(2) These amounts are presented in the consolidated cash flows in the Q3 Financials on a cash basis. Each reported period excludes capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. See “Cash Flows, Commitments and Liquidity - Capital Expenditures”. The calculation of AISC and AIC includes capex incurred (paid and unpaid) during the period.

Operational Highlights

- Production of 16,012 ounces of gold, 5.2 million pounds (2,353 tonnes) of copper and 157,172 ounces of silver, a decrease in gold and copper production of 17% and 14%, respectively, and an increase in silver production of 19% compared with the second quarter of fiscal 2015. (1)(2)
- Production of 57,610 ounces of gold, 18.2 million pounds (8,252 tonnes) of copper and 424,012 ounces of silver for the first nine months of fiscal 2015.
- Production of 29,711 gold equivalent ounces in the third quarter of 2015 and 105,426 gold equivalent ounces for the first nine months of fiscal 2015.
- Sales of 19,121 ounces of gold, 6.3 million pounds (2,842 tonnes) of copper and 175,136 ounces of silver, an increase in gold, copper and silver sales of 3%, 3% and 57%, respectively, compared with the second quarter of fiscal 2015.

- Sales of 59,417 ounces of gold, 19.2 million pounds (8,750 tonnes) of copper and 433,839 ounces of silver for the first nine months of fiscal 2015.

  El Valle Mine

  - Gold production decreased by 15% compared with the second quarter and was impacted by a decrease of 14% in tonnes milled as well as a decrease in average grade processed of 4%.
  - Third quarter production was impacted by a number of factors as follows:
    - Dewatering and power issues experienced in the second quarter of fiscal 2015, which were subsequently addressed and resolved in the third quarter;
    - Lower production of skarns, primarily as a result of placing Carlés on care and maintenance in the second quarter. The Company has replaced approximately 33% of the former Carlés skarn average monthly production at El Valle following the transfer of Carlés crews to El Valle.
    - A reduction in oxides produced, impacted by the planned transition from contractor mining to owner/operator mining, completed at the end of April. The Company's oxide crews are working towards achieving the same productivity rates as the contractor who worked in the oxides for the last 3 years.
  - The Company is considering various alternatives that will deliver better flexibility and stope sequencing options to improve future production.

  Don Mario Mine

  - Gold production at Don Mario decreased by 25% to 3,877 ounces compared to the second quarter primarily as a result of lower grades. Grades are expected to increase in the fourth quarter from the processing of higher grade oversize ore.
  - Third quarter copper production at Don Mario decreased by 16% as compared to the second quarter also as a result of declining grades. Copper grades in the fourth quarter are expected to stay at similar levels.
  - Annual union negotiations were successfully completed with the workforce at the Don Mario Mine in July 2015.

Financial Highlights

- Net cash and cash equivalents balance of $23.9 million at June 30, 2015.
- Net revenue of $32.2 million for the third quarter of fiscal 2015, or 7% higher, compared with $30.1 million in the second quarter of fiscal 2015, due to higher volumes of gold, copper and silver sold.
- Mining costs of $29.8 million, or 25% higher, compared with $23.9 million in the second quarter of fiscal 2015 primarily due to higher metals volumes sold at El Valle and the associated decrease in finished product inventory.
- Net loss for the third quarter of fiscal 2015 of $5.5 million compared with $4.1 million for the second quarter of fiscal 2015.
- Cash flows provided by operating activities from continuing operations of $6.7 million in the third quarter of fiscal 2015 compared with $4.5 million in the second quarter of fiscal 2015 and cash flows provided by operating activities before changes in non-cash working capital of $1.0 million in the third quarter of fiscal 2015 compared with $2.7 million in the second quarter of fiscal 2015. (3)
- Capital expenditures of $1.7 million in the third quarter of fiscal 2015 compared with $3.6 million in the second quarter of fiscal 2015 primarily due to deferred discretionary capital projects.
- Cash operating costs ("COC") and all-in sustaining costs ("AISC") on a by-product basis (net of copper and silver by-product revenue from El Valle and Don Mario) per ounce of gold sold in the third quarter of fiscal 2015 of $1,055 and $1,243 respectively, compared with COC and AISC (by-product) of $874 and $1,233, respectively, in the second quarter of fiscal 2015.(3) The increase in COC was primarily due to increased mining costs as described above. The increase in mining costs was offset

by lower general and administrative costs and sustaining capital expenditures, leading to a slightly higher AISC.

Growth Initiatives Highlights

El Valle Mine

- A diamond drilling program is underway at La Brueva property, located eight kilometers from El Valle Mine. The Company's initial drilling program consisted of nine holes totaling 1,860 meters and was completed in April 2015. A second phase of drilling has commenced targeting the western part of the structure to define the extent and continuity of mineralization between the recent drill holes and a historical hole. The second phase is expected to be completed by the end of fiscal 2015. The Company will review assay results and geological interpretations from both phases of this drilling program and determine the viability of the program at that time.

Don Mario Mine

- At Don Mario, historical mining took place in the lower mineralized zone ("LMZ") underground gold mine up until 2009. As a near term mine life extension opportunity, geotechnical and geological reviews have been carried out to investigate the potential of mining the upper extension of the LMZ. Optimized pit shells for a range of process recoveries and operating costs are now being generated and a detailed mine design and schedule for the LMZ pushback is in progress.
- Historically, Don Mario processed ore from the LMZ in the carbon-in-leach ("CIL") circuit where it achieved an average gold recovery of over 80%. Lycopodium Minerals Canada ("Lycopodium") has been engaged to complete a capital cost estimate (scoping level) to recommission the CIL circuit at Don Mario which was shut down in 2011. Future potential ore feeds are likely to carry considerable gold content and decreased copper grades (similar to previously mined/milled LMZ and Cerro Felix material) and processing through a CIL circuit could yield higher than current gold recoveries.
- In fiscal 2015, exploration drilling has concentrated around the known mineralized zones north-west and south-east of the Upper Mineralized Zone ("UMZ") (collectively known as "Cerro Felix"). The Company completed a drilling program at Cerro Felix consisting of 39 holes approximating 3,600 meters. Assay results have been received and mineralized solids generated by site personnel. Mercator Geological Services Ltd. ("Mercator") has been engaged to review all the geological information and determine if it will result in a NI 43-101 compliant resource. From 2009 to 2011, approximately 207,000 tonnes of ore at grade of 1.77 g/t of gold was processed from Cerro Felix.

(1) For a description of El Valle Mine and Don Mario Mine, please see "Overall Performance – El Valle Mine" and "Overall Performance - Don Mario Mine".

(2) Gold equivalent ounces include copper pounds and silver ounces produced and converted to a gold equivalent based on a ratio of the average market price for the commodities for the period discussed.

(3) Adjusted net loss, cash flows provided by operating activities before changes in non-cash working capital, COC, AISC and all-in-costs ("AIC") are non-IFRS performance measures. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance including the Company's ability to generate cash flows from its mining operations. Accordingly, it is intended to provide additional information and should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. For further information and a detailed reconciliation, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

Outlook

The Company is pursuing a number of initiatives at El Valle Mine and Don Mario Mine in order to meet its objectives of addressing its production challenges at El Valle Mine, lowering unitary cash costs, maximizing free cash flow, extending the life-of-mine of its operations and growing its operations to deliver shareholder value.

In the current environment of declining commodities prices, the Company is currently monitoring its liquidity position closely and assessing its capital needs for the upcoming fiscal year and beyond. The Company is focused on implementing near-term operating and capital cost reduction strategies and optimizing its production, with a view to positively impact future COC and AISC performance.

Orvana is continuing its comprehensive strategic review of the Company and its assets, and is considering a number of possible outcomes for Orvana and its shareholders that may include asset or corporate transactions.

The following table sets out Orvana's updated fiscal 2015 guidance.

	YTD 2015 Actual	FY 2015 Updated Guidance
El Valle Mine Production		
Gold (oz)	**41,647**	50,500 - 52,500
Copper (million lbs)	**4.8**	6.5 - 7.0
Silver (oz)	**126,173**	150,000 - 180,000
Don Mario Mine Production		
Gold (oz)	**15,963**	19,500 - 20,500
Copper (million lbs)	**13.4**	16.5 - 18.0
Silver (oz)	**297,839**	400,000 - 500,000
Total Production		
Gold (oz)	**57,610**	70,000 - 73,000
Copper (million lbs)	**18.2**	23.0 - 25.0
Silver (oz)	**424,012**	550,000 - 680,000
Total capital expenditures	**$7,777**	$11,500 - $12,500
Cash operating costs (by-product) ($/oz) gold (1)	**$867**	$850 - $950
All-in sustaining costs (by-product) ($/oz) gold (1)	**$1,133**	$1,150 - $1,250

(1) Current guidance assumptions for COC and AISC include by-product commodity prices of $2.50 per pound of copper and $15.00 per ounce of silver and a Euro to US Dollar exchange of 1.10.

Orvana is lowering its fiscal 2015 production guidance for gold from 82,000 to 88,000 ounces to 70,000 to 73,000 ounces. At El Valle, full year production guidance is being lowered from 63,000 to 66,000 ounces to 50,500 to 52,500 ounces as a result of the production challenges discussed below under "El Valle Mine Operating Performance". At Don Mario, the Company has narrowed the range of its guidance.

Copper and silver production guidance remain at 23.0 to 25.0 million pounds and 550,000 to 680,000 ounces, respectively.

The Company is lowering its capital expenditures guidance for fiscal 2015 to between $11.5 to $12.5 million from $13.0 to $15.0 million as a result of deferred discretionary capital projects and the more favourable Euro to US Dollar exchange rate.

The Company is also updating consolidated COC (by-product) guidance to between $850 and $950 per ounce of gold sold and consolidated AISC (by-product) guidance to between $1,150 and $1,250 per ounce of gold sold from previous COC and AISC guidance of $700 to $770 and $1,000 to $1,100, respectively. COC and AISC guidance is being increased primarily due to lower metals sales, decreases in by-product revenues and lower commodity price assumptions for the fourth quarter of fiscal 2015.

The Company continues to pursue and evaluate opportunities to increase productivity at El Valle Mine in the fourth quarter and into fiscal 2016.

Overall Performance

The key factors affecting Orvana's operating and financial performance are tonnages mined and treated, metal grade and recoveries, quantities of metals produced and sold, realized metals prices, costs including labour, energy and other supplies and material, mine development and other capital expenditures, foreign exchange rates and tax rates.

<u>Three Months Ended June 30, 2015 Compared with Three Months Ended June 30, 2014</u>

The Company recorded a net loss for the third quarter of fiscal 2015 of $5.5 million or $0.04 per share, compared with net loss of $25.9 million or $0.19 per share for the third quarter of fiscal 2014. The Company's net loss for the third quarter of fiscal 2015 was affected by the following factors:

- Revenue for the third quarter of fiscal 2015 decreased by $1.9 million or 6% to $32.2 million on sales of 19,121 ounces of gold, 6.3 million pounds of copper and 175,136 ounces of silver from El Valle and Don Mario Mines compared with revenue of $34.1 million on sales of 18,790 ounces of gold, 4.7 million pounds of copper and 217,988 ounces of silver in the third quarter of fiscal 2014. The decrease in revenue resulted substantially from lower average gold and copper realized prices of 8% and 10%, respectively, offset by increased copper sales volumes of 33%.
- Mining costs increased by $5.3 million or 22% from $24.5 million in the third quarter of fiscal 2014 to $29.8 million in the third quarter of fiscal 2015. The increase in mining costs resulted primarily from the impact of higher sales volumes of gold and copper and associated decrease in finished product inventory in the third quarter, along with a decrease in primary development costs capitalized.
- Gross margin increased by $21.3 million to negative $5.8 million in the third quarter of fiscal 2015 compared with negative gross margin of $27.1 million for the third quarter of fiscal 2014 primarily due to the impairment charge of $25.5 million at El Valle in the third quarter of fiscal 2014.
- The Company recorded adjusted net loss of $5.5 million for the third quarter of fiscal 2015 or $0.04 per share compared with adjusted net income of $0.9 million or $0.01 per share for the third quarter of fiscal 2014. For further information and a detailed reconciliation of adjusted net loss, please see the "Other Information - Non-IFRS Measures" section of this MD&A.
- Total consolidated COC (by-product) of $1,055 per ounce of gold sold in the third quarter of fiscal 2015 were $276 or 35% higher than the third quarter of fiscal 2014. Total AISC (by-product) of $1,243 per ounce of gold sold in the third quarter of fiscal 2015 were $248 or 25% higher than the third quarter of 2014. COC and AISC in the third quarter of fiscal 2015 were higher compared with the third quarter of 2014 due to lower productivity at El Valle and slightly lower by-product revenue.

<u>Nine Months Ended June 30, 2015 Compared with Nine Months Ended June 30, 2014</u>

The Company recorded a net loss of $8.9 million for the nine months ended June 30, 2015 or $0.07 per share compared with net loss of $26.8 million for the nine months ended June 30, 2014 or $0.19 per share. The Company's net loss was impacted significantly by the following factors:

- Revenue for the nine months ended June 30, 2015 increased by $2.6 million or 3% to $101.0 million on sales of 59,417 ounces of gold, 19.3 million pounds of copper and 433,839 ounces of silver from El Valle and Don Mario Mines compared with revenue of $98.4 on sales of 54,912 ounces of gold, 12.7 million pounds of copper and 602,869 ounces of silver in the first nine months of fiscal 2014. The increase in revenue was primarily due to an increase in gold and copper sales volumes partially offset by a decrease in average realized metals prices for all three metals.
- Mining costs were $81.7 million or $9.3 million higher for the first nine months of fiscal 2015 compared with $72.4 million for the first nine months of fiscal 2014 primarily due to higher sales volumes in the year, along with a decrease in development costs capitalized.
- Gross margin increased by $21.6 million or 87% to negative $3.3 million for the first nine months of fiscal 2015 compared with gross margin of negative $24.8 million for the nine months ended June 30, 2014 primarily due to the impairment charge at El Valle in the third quarter of fiscal 2014.
- The Company recorded an adjusted net loss of $8.9 million for the nine months ended June 30, 2015 or $0.07 per share compared with an adjusted net loss of $1.2 million for the nine months ended

June 30, 2014 or $0.01 per share. For further information and a detailed reconciliation of adjusted net loss, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

- Total consolidated COC (by-product) of $867 per ounce of gold sold in the nine months ended June 30, 2015 were $63 or 8% higher than the nine months ended June 30, 2014. Total AISC (by-product) of $1,133 per ounce of gold sold in the nine months ended June 30, 2015 were $36 or 3% higher than in the nine months ended June 30, 2014. COC and AISC in the nine months ended June 30, 2015 were higher compared with the nine months ended June 30, 2014 due to lower productivity at El Valle and lower by-product revenues from copper and silver due to declining average realized metals prices.

El Valle Mine

Through its wholly-owned subsidiary, OroValle Minerals S.L. (“OroValle”), the Company owns and operates El Valle Mine and the Carlés Mine located in the Rio Narcea Gold Belt in northern Spain, where skarns and oxides are being mined underground. El Valle Mine commenced commercial production in August 2011. At the end of February 2015, the Carlés Mine was placed on care and maintenance.

The following table includes consolidated operating and financial performance data for El Valle for the periods set out below.

	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014
Operating Performance					
Ore mined (tonnes) (wmt)	**125,621**	148,953	151,692	**431,393**	525,923
Ore milled (tonnes) (dmt)	**120,765**	139,837	145,169	**401,548**	511,993
Daily average throughput (dmt)	**1,327**	1,554	1,595	**1,471**	1,403
Gold					
Grade (g/t)	**3.37**	3.51	3.76	**3.50**	3.01
Recovery (%)	**92.3**	90.2	93.6	**92.0**	92.6
Production (oz)	**12,135**	14,236	16,405	**41,647**	45,834
Sales (oz)	**14,674**	11,769	16,418	**40,519**	45,715
Copper					
Grade (%)	**0.67**	0.63	0.51	**0.67**	0.43
Recovery (%)	**80.0**	77.1	86.4	**80.4**	81.2
Production (‘000 lbs)	**1,422**	1,507	1,404	**4,775**	3,984
Sales (‘000 lbs)	**1,852**	1,216	1,408	**4,656**	4,277
Silver					
Grade (g/t)	**13.15**	14.17	11.52	**13.28**	8.78
Recovery (%)	**72.5**	70.7	79.5	**73.6**	79.9
Production (oz)	**37,297**	44,930	42,755	**126,174**	115,439
Sales (oz)	**47,644**	35,148	42,999	**120,358**	121,155
Financial Performance *(in 000’s, except per share amounts)*					
Revenue	**$19,738**	$16,665	$24,310	**$56,553**	$67,931
Mining costs	**$19,515**	$13,938	$18,222	**$50,273**	$54,433
Loss before tax	**($5,760)**	($2,010)	($30,111)	**($10,581)**	($29,466)
Capital expenditures (1)	**$1,298**	$1,424	$3,000	**$5,107**	$11,161
Cash operating costs (by-product) ($/oz) gold (2)	**$1,156**	$1,013	$916	**$1,047**	$984
All-in sustaining costs (by-product) ($/oz) gold (2)	**$1,332**	$1,259	$1,108	**$1,277**	$1,212
All-in costs (by-product) ($/oz) gold (2)	**$1,332**	$1,259	$1,166	**$1,277**	$1,306

(1) See “Cash Flows, Commitments and Liquidity - Capital Expenditures” section of this MD&A.

(2) For further information and a detailed reconciliation of COC, AISC and AIC, please see the “Other Information - Non-IFRS Measures” section of this MD&A.

El Valle Mine Operating Performance

During the third quarter of fiscal 2015, El Valle Mine produced 12,135 ounces of gold, 1.4 million pounds of copper and 37,297 ounces of silver compared with (i) 14,236 ounces of gold, 1.5 million pounds of copper and 44,930 ounces of silver during the second quarter of fiscal 2015, and (ii) 16,405 ounces of gold, 1.4 million pounds of copper and 42,755 ounces of silver during the third quarter of fiscal 2014.

The 15% decrease in production of gold compared with the second quarter of fiscal 2015 was generally impacted by a decrease in average grade processed through the mill of 4% and a decrease of 14% in tonnes milled. The 26% decrease in production of gold compared with the third quarter of fiscal 2014 was generally impacted by a decrease of 17% in tonnes milled and a decrease in average grade processed through the mill of 10%.

Copper production at El Valle decreased by 6% compared with the second quarter of fiscal 2015 and increased by 1% compared with the third quarter of fiscal 2014 primarily as a result of 31% higher average head grade, offsetting the lower tonnes milled.

Production at El Valle Mine during the third quarter was impacted by a number of short-term challenges that occurred in the prior two quarters including dewatering, power and maintenance, which were subsequently addressed and resolved in the third quarter. Continued improvements to the maintenance function are expected to continue through 2015.

Production in the third quarter was also impacted by the placement of the Carlés Mine on care and maintenance and the planned transition from contractor mining to owner/operator mining in the oxides area of El Valle Mine.

During fiscal 2015, skarns production was sourced from the San Martin and Black Skarns areas of El Valle Mine as well as the Carlés Mine until February 2015. The Company produced on average approximately 600 tonnes of skarns per day from the Carlés Mine until it was placed on care and maintenance and on average approximately 950 tonnes of skarns per day from El Valle Mine over the past two fiscal years. In March 2015, production crews from Carlés were split up with certain employees assigned within El Valle Mine to the skarn areas, and the remainder to the oxide areas. In the last three months, productivity in skarns development meters at El Valle Mine has increased by approximately 30% and the average monthly tonnage of skarns mined has increased by approximately 20% compared to the first half of fiscal 2015. This increase has replaced approximately 33% of the previous Carlés Mine skarns production. Skarns are currently being mined only from the Black Skarns area which has restricted stope sequencing options and flexibility.

Oxide production at El Valle Mine was impacted primarily by the planned transition from contractor mining to owner/operator mining in the oxides area which was completed at the end of April. The production of oxides on average approximated 350 tonnes per month, or 27% of El Valle Mine production. The Company's oxides crews, which include 24 employees from the previous contractor and crews from the Carlés Mine, are working towards achieving the same productivity rates in terms of development meters and oxides tonnes mined as the contractor who worked in the oxides zones for the last three years. It is anticipated that productivity levels in oxides will continue to increase over the remainder of 2015. Mining in the Charnela zone is now complete and the AR150 and SM100 areas are nearing depletion.

Due to these challenges, the Company has lowered its 2015 fiscal year gold production guidance and increased its cost guidance as set out above under "Outlook". The Company is considering various alternatives that will deliver better flexibility and stope sequencing options to improve future production.

El Valle Financial Performance

Revenue from El Valle for the third quarter of fiscal 2015 increased by 18% to $19.7 million on sales of 14,674 ounces of gold, 1.9 million pounds of copper and 47,644 ounces of silver from $16.7 million on sales of 11,769 ounces of gold, 1.2 million pounds of copper and 35,148 ounces of silver in the second quarter of fiscal 2015 primarily as a result of higher volumes sold of gold, copper and silver by 25%, 52% and 36%, respectively.

Mining costs increased by 40% from $13.9 million in the second quarter of fiscal 2015 to $19.5 million in the third quarter of fiscal 2015 primarily due to higher volumes sold of gold, copper and silver.

Loss before tax for the third quarter of fiscal 2015 was $5.8 million compared with a loss before tax of $2.0 million in the second quarter of fiscal 2015.

Total capital expenditures at El Valle during the third quarter of fiscal 2015 were $1.3 million compared with $1.4 million for the second quarter of fiscal 2015 and $5.1 million for the first nine months of fiscal 2015 compared with $11.2 million for the first nine months of fiscal 2014. Capital expenditures in the third quarter of fiscal 2015 consisted substantially of primary development and the tailings dam raise. Please see the “Financial Condition Review - Capital Expenditures” section of this MD&A.

Total COC (by-product) of $1,156 per ounce of gold sold in the third quarter of fiscal 2015 were $143 or 14% higher than in the second quarter of fiscal 2015. Total AISC (by-product) of $1,332 per ounce of gold sold in the third quarter of fiscal 2015 were $73 or 6% higher than in the second quarter of 2015. COC and AISC in the third quarter of fiscal 2015 were higher compared with the second quarter of 2015 due to lower productivity, offset by higher by-product revenue and higher metal sales volumes.

Management continues to work on the insurance claim for the basic recovery costs of the hoist damaged as a result of the hoisting accident at El Valle Mine in June 2013. The hoist repair and upgrades were completed in the third quarter of fiscal 2014.

El Valle Growth Exploration

The Company is targeting opportunities to extend the current mine life at El Valle and is working to replace depleted reserves, upgrade resources and replace inferred resources at El Valle Mine through various diamond drilling campaigns underway. In the first nine months of fiscal 2015, infill definition and exploration diamond drilling totaling approximately 13,000 meters has been completed.

The Company is pursuing opportunities to define new resources in the areas surrounding El Valle Mine. A diamond drilling program has been underway at La Brueva property, located eight kilometers from El Valle Mine. The Company’s initial drilling program consisted of nine holes totaling 1,860 meters and was completed in April 2015. A second phase of drilling has commenced targeting the western part of the structure to define the extent and continuity of mineralization between the recent drill holes and a historical hole. The second phase is expected to be completed by the end of fiscal 2015. The Company will review assay results and geological interpretations from both phases of this drilling program thereafter and determine the viability of the program at that time.

Additionally, the Company is pursuing exploration activities, such as mapping, sampling and geophysics on certain investigation permits concessions in the vicinity of El Valle Mine.

Don Mario Mine

Through its wholly-owned subsidiary, Empresa Minera Paititi S.A. (“EMIPA”), the Company owns and operates the Don Mario Mine located in south-eastern Bolivia. Fiscal 2009 marked the last year of six years of production from the Company’s LMZ underground gold mine at Don Mario with some gold production from lower-grade open pit satellite deposits and lower grade stockpiles continuing into fiscal 2010 and 2011. Over 420,000 ounces of gold was produced from the LMZ with an average recovery of over 80% from the associated CIL plant. The Company is now mining the UMZ as an open-pit mine which reached commercial production in January 2012.

The following table includes operating and financial performance data for the Don Mario Mine for the periods set out below.

	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014
Operating Performance					
Ore mined (tonnes) (dmt) (1)	**233,050**	241,238	312,551	**737,078**	806,671
Ore milled (tonnes) (dmt)	**210,897**	200,829	199,313	**633,457**	605,254
Daily average throughput (dmt)	2,462	2,513	2,560	**2,532**	2,515
Gold					
Grade (g/t)	**1.05**	1.49	1.88	**1.46**	1.60
Recovery (%)	**54.3**	53.6	42.5	**53.5**	45.2
Production (oz)	**3,877**	5,167	5,127	**15,963**	14,088
Sales (oz)	**4,447**	6,867	2,372	**18,898**	9,197
Copper					
Grade (%)	**1.06**	1.36	1.50	**1.27**	1.46
Recovery (%)	**76.3**	75.1	51.4	**75.5**	54.3
Production ('000 lbs)	**3,765**	4,507	3,381	**13,417**	10,567
Sales ('000 lbs)	**4,414**	4,875	3,316	**14,634**	8,392
Silver					
Grade (g/t)	**26.37**	22.90	49.66	**23.18**	55.82
Recovery (%)	**67.0**	58.6	53.0	**63.09**	57.7
Production (oz)	**119,875**	86,605	168,704	**297,839**	626,506
Sales (oz)	**127,492**	76,415	174,989	**313,481**	481,714
Financial Performance *(in 000's, except per share amounts)*					
Revenue	**$12,424**	$13,443	$9,754	**$44,487**	$30,478
Mining costs	**$10,319**	$10,006	$6,284	**$31,475**	$18,000
Income (loss) before tax	**($1,079)**	$940	($3,662)	**$3,606**	$693
Capital expenditures	**$199**	$1,248	$33	**$2,352**	$1,797
Cash operating costs (co-product) ($/oz) gold (2)	**$1,008**	$904	$830	**$910**	$789
Cash operating costs (co-product) ($/lb) copper (2) (3)	**$2.35**	$2.00	$2.38	**$2.16**	$2.25
Cash operating costs (co-product) ($/oz) silver (2)	**$15.11**	$13.65	$14.86	**$14.17**	$14.78
All-in sustaining costs (co-product) ($/oz) gold (2)	**$1,099**	$1,039	$884	**$1,011**	$896
All-in sustaining costs (co-product) ($/lb) copper (2)	**$2.55**	$2.29	$2.51	**$2.39**	$2.51
All-in sustaining costs (co-product) ($/oz) silver (2)	**$16.31**	$15.72	$15.68	**$15.60**	$16.47
All-in costs (co-product) ($/oz) gold (2)	**$1,099**	$1,039	$909	**$1,011**	$907
All-in costs (co-product) ($/lb) copper (2)	**$2.55**	$2.29	$2.57	**$2.39**	$2.54
All-in costs (co-product) ($/oz) silver (2)	**$16.31**	$15.72	$16.06	**$15.60**	$16.63

(1) Ore mined includes oxides mined and stockpiled prior to the oxides impairment recorded in the third quarter of fiscal 2014.

(2) For further information and a detailed reconciliation of COC, AISC and AIC, please see the "Other Information - Non-IFRS Measures" section of this MD&A.

(3) COC per pound of copper sold represent C1 costs plus royalties.

Don Mario Mine Operating Performance

During the third quarter of fiscal 2015, Don Mario produced 3,877 ounces of gold, 3.8 million pounds of copper and 119,875 ounces of silver compared with (i) 5,167 ounces of gold, 4.5 million pounds of copper and 86,605 ounces of silver in the second quarter of fiscal 2015, and (ii) 5,127 ounces of gold, 3.4 million pounds of copper and 168,704 ounces of silver in the third quarter of fiscal 2014.

The 25% decrease in gold production compared with the second quarter of fiscal 2015 is primarily due to lower average head grades mined in the third quarter of fiscal 2015 as a result of mining areas with higher than expected tremolite-talc and lead elements. The 24% decrease in gold production compared with the third quarter of fiscal 2014 is primarily due to 44% higher average head grades mined in the third quarter of 2014, slightly offset by higher recoveries in the third quarter of 2015. Grades in the fourth quarter of 2015 are expected to improve through the processing of higher grade oversize ore.

Copper production decreased by 16% in the third quarter of fiscal 2015 compared with the second quarter of fiscal 2015 primarily due to lower copper head grades mined. Copper production increased by 11% in the third quarter of fiscal 2015 compared with the third quarter of fiscal 2014 primarily due to higher recoveries of 48% as a result of processing more sulphides as mining progresses lower in the pit, partially offset by a 29% decrease in average head grade.

The increase in silver production of 38% compared with the second quarter of fiscal 2015 is primarily due to 15% higher average head grades mined as well as 14% higher recoveries. The decrease in silver production of 29% compared with the third quarter of fiscal 2014 is primarily due to a 47% decrease in average head grades as a result of mining a planned higher grade silver zone in fiscal 2014, offset by 26% higher recoveries.

Annual union negotiations were successfully completed with the workforce at Don Mario in July 2015.

Don Mario Mine Financial Performance

Revenue from Don Mario decreased by 8% from $13.4 million in the second quarter of fiscal 2015 to $12.4 million in the third quarter of fiscal 2015 on sales of 4,447 ounces of gold, 4.4 million pounds of copper and 127,492 ounces of silver compared with sales of 6,867 ounces of gold, 4.9 million pounds of copper and 76,415 ounces of silver in the second quarter of fiscal 2015. Lower sales were the result of lower volumes sold of gold and copper of 35% and 9%, respectively.

Tonnes mined decreased by 3% and tonnes milled increased by 5% in the third quarter of fiscal 2015 compared with the second quarter of fiscal 2015. Mining costs of $10.3 million for the third quarter of fiscal 2015 increased by $0.3 million or 3% compared with $10.0 million during the second quarter of 2015 due to higher labour costs from EMIPA's regular annual union wage negotiations.

Loss before tax for the third quarter of fiscal 2015 was $1.1 million compared with income before tax of $0.9 million for the second quarter of fiscal 2015 primarily as a result of lower revenue.

Total capital expenditures at the Don Mario Mine during the third quarter of fiscal 2015 were $0.2 million compared with $1.2 million in the second quarter of fiscal 2015. Capital expenditures in the third quarter of fiscal 2015 consisted primarily of machinery purchases and capitalized costs associated with the pit optimization project.

For the third quarter of fiscal 2015, COC (co-product) were $1,008 per ounce of gold or 12% higher, $2.35 per pound of copper or 18% higher and $15.11 per ounce of silver or 11% higher compared with $904 per ounce of gold, $2.00 per pound of copper and $13.65 per ounce of silver in the second quarter of fiscal 2015. Total AISC (co-product) were $1,099 per ounce of gold or 6% higher, $2.55 per pound of copper or 11% higher and $16.31 per ounce of silver or 4% higher compared with $1,039 per ounce of gold, $2.29 per pound of copper and $15.72 per ounce of silver for the second quarter of fiscal 2015. The increase in costs in the third quarter of fiscal 2015 is primarily due to lower metal volumes sold as well as higher associated per unit mining costs.

Don Mario Exploration and Mine Life Extension

As described above, historical mining took place in the LMZ underground gold mine until 2009. Current open pit mining is taking place in the UMZ. As a near term mine life extension opportunity, geotechnical and geological reviews have been carried out by two firms of the old resource block model of the LMZ and the current resource block model of UMZ to investigate the potential of mining the upper extension of the LMZ.

The results of this work have demonstrated that a pushback of the pit to allow for the mining of this upper extension of the LMZ is possible. During the third quarter of fiscal 2015, a drilling program consisting of 12 holes and approximately 900 meters was completed. The objectives were to verify the conditions of the underground workings and identify voids, if any, in order to determine the ultimate mining depth of the pushback and to support and confirm resource estimates. Results have shown that no significant unexpected voids were encountered. Optimized pit shells for a range of process recoveries and operating costs are now being generated and a detailed mine design and schedule for the LMZ pushback is in progress.

Historically, gold and silver from the LMZ were leached with cyanide in a CIL circuit and a gold doré was produced, due to the higher gold grades and lower copper and silver grades associated with the LMZ as compared to the UMZ. Average historical recoveries achieved from the CIL were over 80%. The CIL circuit was placed on care and maintenance in April 2011 when the Company commenced mining the metallurgically more complex UMZ. The Company is considering recommissioning the CIL circuit and has engaged Lycopodium to complete a capital cost estimate associated with such recommissioning. In addition, a metallurgical test work program has been developed to evaluate both CIL of flotation tails as well as whole of ore and flotation for LMZ and Cerro Felix deposits. This program is expected to commence in the second half of the fourth quarter of fiscal 2015.

In fiscal 2015, exploration drilling has concentrated around the known mineralized zones north-west and south-east of the UMZ (collectively known as “Cerro Felix”). The Company completed a drilling program at Cerro Felix consisting of 39 holes approximating 3,600 meters. Assay results have been received and mineralized solids generated by site personnel. Mercator has been engaged to review all the geological information and determine if it will result in a NI 43-101 compliant resource. From 2009 to 2011, approximately 207,000 tonnes of ore at an average grade of 1.77 g/t of gold was processed from Cerro Felix in the CIL.

The Company expects that the results of these programs could extend the life-of-mine of the Don Mario Mine and estimates that the studies will be completed by the end of calendar 2015.

Sale of Copperwood

During fiscal 2014, the Company sold the Copperwood Project to Highland Copper Company Inc. (“Highland”) for cash consideration of $20.0 million, fully repaid by the first quarter of fiscal 2015 and deferred consideration of up to $5.0 million. The deferred consideration of up to $5.0 million is payable in cash or shares of Highland, of which $2.5 million is time-based and payable within four years of closing and the remaining $2.5 million is contingent upon commercial production and reaching a certain level of average copper prices in a specified timeframe.

Market Review and Trends

<u>Metal Prices</u>

The market prices of gold and copper are one of the primary drivers of Orvana’s earnings and ability to generate free cash flows. During the third quarter of fiscal 2015, the gold price remained volatile, with the price ranging from $1,165 to $1,228 per ounce and an average quarterly market price of $1,193 per ounce compared with $1,219 per ounce in the second quarter of fiscal 2015. Orvana’s average gold realized price for the third quarter of fiscal 2015 was $1,194 per ounce, as compared to $1,226 per ounce in the second quarter of fiscal 2015. The Company derived approximately 54% of its revenue from sales of gold in the third quarter of fiscal 2015.

The strengthening of the US dollar as a result of an improvement to the US economy and US treasury policy led to a continued lower price of gold during the third quarter of fiscal 2015. The Company believes that continued expectation of a near-term interest rate hike by the US Federal Reserve will continue to have a negative impact on the price of gold as investors shift towards higher yielding assets.

Copper prices during the third quarter of fiscal 2015 traded in a range of $2.56 to $2.92 per pound with an average quarterly price of $2.75 per pound compared with $2.62 per pound in the second quarter of fiscal 2015. Orvana’s average copper realized price for the third quarter of fiscal 2015 was $2.74 per pound. Copper’s strength lies mainly in strong physical demand from emerging markets, especially China. The Company believes copper prices will continue to be influenced by demand from emerging markets, offset by increases in supply from large copper mines coming online in the medium to long term. The Company derived approximately 39% of its revenue from sales of copper in the third quarter of fiscal 2015.

In the third quarter of fiscal 2015, silver prices traded in a range from $15.70 per ounce to $17.70 per ounce with an average quarterly price of $16.41 per ounce compared with $16.71 in the second quarter of fiscal 2015. Orvana’s average silver realized price for the third quarter of fiscal 2015 was $16.47 per ounce. The Company derived approximately 7% of its revenue from sales of silver in the third quarter of fiscal 2015.

<u>Currency Exchange Rates</u>

The results of Orvana’s operations are affected by US dollar exchange rates. Orvana’s largest exposure is to the Euro to US Dollar exchange rate which impacts operating and administration costs at El Valle incurred in Euros while revenue is earned in US dollars. Orvana’s cost of sales and expenses were positively affected by lows reached by the Euro to US Dollar exchange rate in the third quarter of fiscal 2015. As a result, mining costs at El Valle were lower by approximately $1.0 million in the third quarter of fiscal 2015 compared with the third quarter of fiscal 2014 where the average Euro to US Dollar exchange rate was 1.37.

Orvana also has a minor exposure to the Canadian dollar and the Swedish krona through corporate administration costs. Orvana's exposure to the US Dollar to Bolivianos exchange rate is limited as this exchange rate has not fluctuated significantly during previous reporting periods.

Environment, Health, Safety and Sustainability

The Board of Directors of the Company has a Technical, Safety, Health, Environment and Sustainability Committee. The purpose of this Committee is to provide support for the Company's safety, health, environmental and sustainability programs and to assist in reviewing the technical, safety, health, environmental and sustainability performance of the Company. The Company maintains health and workplace safety programs at each of its operations. In order to ensure that safety goals and optimal safety standards are achieved, comprehensive training programs for mine and mill operations take place on an ongoing basis. Orvana maintains various industry metrics to track its environment, health and safety performance over time such as lost-time injury frequency rates and lost-time injury severity rates.

Orvana is committed to developing and operating its mines and projects, including reclamation efforts, in full compliance with local environmental regulations and recognized international environmental standards. In furtherance of this commitment, Orvana regularly implements programs to protect and enhance natural habitats and sensitive species, including reclamation and reforestation efforts and the establishment of water sources for wildlife. The Company monitors the water and air quality on a frequent basis at El Valle and the Don Mario Mine and these operations are also periodically inspected by environmental regulatory authorities. Third parties sample and analyze both surface and ground water following protocols established by the applicable regulatory authorities. Any regulated elements whose values are not in compliance in the subject jurisdictions, when detected, are quickly located and evaluated.

Where the levels of certain regulated elements potentially exceed permitted levels, evaluations have been provided to the appropriate regulatory authorities and remedial actions have been evaluated and/or implemented, as warranted in the circumstances. The Company is currently working through one such matter involving selenium discharges into the Cauxa River in Asturias, Spain. See "Contingencies".

Orvana is committed to the social development and well-being of the communities in which it operates. To this end, Orvana continues to support, financially and otherwise, local community endeavors associated with these objectives. In fiscal 2015, Orvana corporate leaders continue to be active in visiting and participating in sustainability initiatives in Spain and Bolivia. The Company has supported the communities surrounding El Valle by donating funds to the local municipalities. In addition, the Company has funded the re-stocking of fish species into the local rivers surrounding El Valle. Thus far in fiscal 2015 Orvana has continued its commitment to support cultural and environmental activities, including participating in the celebration of Santa Barbara Day in the community of Oviedo, contributing to Belmont Horse Fair and a local Salmon Fair and sponsoring the gold panning championship in Navelgas.

In the Chiquitos Province of Bolivia where the Don Mario Mine is located, the Company is actively involved in working with communities to contribute to the improvement of their standard of living. In 2011, Orvana renewed its support of investing $1.8 million in the local communities over a five year period. Projects supported by Orvana include supervision of and financial support for community development projects such as utilities and parks, education and information technology, cultural events and sporting initiatives, community business development initiatives, agricultural projects and maintenance of community roads. In the third quarter of fiscal 2015, the Company funded $0.1 million (fiscal 2014 - $0.2 million) of such commitment for a total of $1.7 million funded since 2011. In addition, outside of Orvana's committed support, the Company funded $0.2 million (fiscal 2014 - $0.2 million). Projects are jointly monitored by the Company and community boards and funds are paid directly to contractors based on project work completed.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

The following table provides a comparison of key elements of Orvana's balance sheet at June 30, 2015 and September 30, 2014.

(in 000's)	**June 30, 2015**	**September 30, 2014**
Cash and cash equivalents	**$23,874**	$16,545
Restricted cash (short term)	**2,683**	$9,897
Non-cash working capital (1)	**($4,424)**	$18,761
Total assets	**$183,234**	$221,118
El Valle Loan (net of financing fees) (2)	**$-**	$15,900
Total liabilities	**$62,878**	$91,918
Shareholders' equity	**$120,356**	$129,200

(1) Working capital represents current assets of $53.2 million less cash and cash equivalents and short-term restricted cash totaling $26.6 million and less $31.0 million in current liabilities composed of accounts payable and accrued liabilities and income taxes payable (not including bank debt, the Fabulosa Loan and the El Valle Loan).

(2) The El Valle Loan was repaid in full on November 10, 2014. The amount of Orvana's outstanding El Valle Loan at September 30, 2014 was $16.6 million, less financing fees of $0.7 million. Information relating to Orvana's outstanding credit facilities is set out below.

Total assets decreased by $37.9 million or 17% from $221.1 million to $183.2 million primarily as a result of the decrease in (i) restricted cash of $7.2 million primarily for the repayment of the El Valle Loan, (ii) the Copperwood note of $7.3 million as cash proceeds were received, (iii) value added taxes and other receivables of $9.7 million primarily from refunded interim taxes at OroValle and (iv) property, plant and equipment of $14.9 million due to depreciation, offset by an increase in cash and cash equivalents of $7.3 million including proceeds from the Copperwood note.

Total liabilities decreased by $29.0 million or 32% to $62.9 million at June 30, 2015 from $91.9 million at September 30, 2014 primarily as a result of a decrease in total debt of $25.3 million from the repayment of the El Valle Loan in full and a reduction in total debt in Bolivia.

EMIPA had short term credit facilities with a Bolivian bank that were repaid during the third quarter. The short term credit facilities were payable in 90 to 180 days from the date of advance with an annual interest rate of 6.0%. The proceeds were used to finance EMIPA's working capital needs. As of the date of the MD&A, EMIPA has renewed one of the credit facilities in the amount of $1.5 million. The foregoing excludes bank guarantees of $1.2 million (September 30, 2014 - $2.3 million) related to refunded value-added taxes and chemical and natural gas purchases. The Company expects to maintain a level of short-term debt of approximately $1.0 to $3.0 million in Bolivia.

El Valle Loan

In October 2010, OroValle entered into the El Valle Loan, a $50.0 million five-year term corporate credit facility. The funds were primarily used to complete the construction of El Valle Mine. In February 2012, the El Valle Loan was extended by one year to September 30, 2016 and increased by $13.8 million including approximately $6.5 million (€5.0 million) to fund an environmental bond. The El Valle Loan was amended effective July 11, 2014 resulting in a new maturity date of November 30, 2014.

The El Valle Loan required gold, copper and US dollars/EUR derivative instruments that were previously put in place. In July 2014, all outstanding derivative instruments were closed for net proceeds of $7.1 million with the proceeds applied as a repayment of principal under the El Valle Loan.

Orvana completed repayment of the El Valle Loan on November 10, 2014, two years ahead of schedule. All security under the El Valle Loan has been discharged.

Fabulosa Loan - Related Party Transactions

The Company entered into a secured loan (the "Fabulosa Loan") with Fabulosa Mines Limited ("Fabulosa"), the Company's 51.9% shareholder, in the amount of $11.5 million in 2011. During the third quarter of fiscal 2014, the outstanding balance of $6.5 million was repaid with the proceeds from the sale of Copperwood.

The Fabulosa Loan was amended effective July 11, 2014 as part of the conditions around the amendment of the El Valle Loan effective July 11, 2014. The maturity period was extended from September 30, 2014 to December 31, 2014 and the maximum borrowing amount under the Fabulosa Loan was amended to $6.5 million. In connection with such amendment, the Company issued warrants to Fabulosa to purchase 100,000 Common Shares exercisable at a price of $0.54 until July 11, 2019. The Company also paid a structuring fee of 2% for a total of $0.1 million. No amounts were drawn under the Fabulosa Loan prior to the end of its availability period and the Fabulosa Loan was not subsequently renewed. All security under the Fabulosa Loan has been 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.

Shareholders' Equity

Shareholders' equity at June 30, 2015 decreased by 7% to $120.4 million compared with $129.2 million at September 30, 2014. The table below sets out the number of each class of securities of the Company outstanding at June 30, 2015 and as at the date hereof.

	At June 30, 2015
Common Shares	136,623,171
Warrants (1)	1,470,000
Options (2)	2,253,334

(1) All of the outstanding warrants are held by Fabulosa. Warrants to purchase up to 1,300,000 Common Shares were issued on September 6, 2011 with an exercise price of C$1.90 until September 6, 2016. Warrants to purchase up to 1,425,000 Common Shares were issued on March 5, 2012 with an exercise price of C$0.97 until March 5, 2017. As a result of the forfeiture or expiration of certain options, warrants to purchase up to 870,000 Common Shares were outstanding as of the date of the MD&A of which 450,000 were exercisable, in respect of the 2011 and 2012 warrants. In connection with a July 2013 Fabulosa Loan amendment, warrants to purchase 500,000 Common Shares were issued on August 22, 2013 with an exercise price of C$0.49 until August 22, 2018. In connection with a July 2014 Fabulosa Loan amendment, the Company issued warrants to purchase 100,000 Common Shares at an exercise price of C$0.53 until July 11, 2019.

(2) The options have a weighted average exercise price of $1.28 and expiry dates ranging from 2015 to 2020.

Capital Resources

At June 30, 2015, the Company had cash and cash equivalents of $23.9 million and restricted cash of $2.7 million. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings) and total debt net of cash and cash equivalents as follows:

(in 000's)	**June 30, 2015**	**September 30, 2014**
Shareholders' equity	**$120,356**	$129,200
Bank debt (1)	**$-**	$9,364
El Valle Loan (1)	**$-**	$16,614
	$120,356	$155,178
Less: Cash and cash equivalents	**(23,874)**	(16,545)
Capital employed	**$96,482**	$138,633

(1) Bank debt represents various credit facilities associated with the Don Mario Mine. The El Valle Loan was fully repaid on November 10, 2014.

The Company's financial objective when managing capital is to ensure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or obtain additional debt. In the third quarter of fiscal 2014, the Company closed the sale of Copperwood for closing proceeds of $13.0 million with final payment of $7.5 million (including interest of $0.5 million) received on December 16, 2014. On November 10, 2014, the

Company completed the repayment of the El Valle Loan, two years ahead of schedule resulting in interest savings to the Company of approximately $1.4 million.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and current outlook of the business and industry in general. The Company's alternatives to fund future capital needs include cash flows from operating activities, debt or equity financing or adjustments to capital spending. The capital structure and these alternatives are reviewed by management and the board of directors of the Company on a regular basis to ensure the best mix of capital resources to meet the Company's needs.

The Company manages capital through its operating and financial budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows on a periodic basis, based on operating expenditures and other investing and financing activities. The forecast is regularly updated based on the results of its El Valle and Don Mario Mines. Information is regularly provided to the board of directors of the Company.

Cash Flows, Commitments, Liquidity and Contingencies

Cash Flows

Total cash and cash equivalents as at June 30, 2015 was $23.9 million primarily denominated in US dollars representing an increase of $7.4 million from $16.5 million at September 30, 2014. Short-term restricted cash was $2.7 million at June 30, 2015 compared with $9.9 million at September 30, 2014 which included $9.1 million in a debt service reserve used to complete repayment of the El Valle Loan on November 10, 2014. The Company did not have debt as at June 30, 2015. At the date of the MD&A, the Company renewed $1.5 million in debt associated with the Don Mario Mine. This compares with total debt as at September 30, 2014 of $26.0 million (debt net of cash, cash equivalents and restricted cash for debt repayment was $0.3 million).

The following table summarizes the principal sources and uses of cash for the periods specified below:

(in 000's)	**Q3 2015**	**Q2 2015**	**Q3 2014**	**YTD 2015**	**YTD 2014**
Cash provided by operating activities before changes in non-cash working capital (1) (2)	**$1,026**	$2,662	$8,912	**$11,143**	$21,017
Cash provided by operating activities (1) (2)	**$6,667**	$4,528	$8,560	**$26,153**	$15,890
Cash provided by (used in) financing activities	**($3,943)**	$493	($10,355)	**($25,978)**	($16,795)
Cash provided by (used in) investing activities (3)	**($307)**	($4,067)	$6,877	**$6,968**	($1,066)
Change in cash	**$2,417**	$954	$5,082	**$7,143**	($1,971)

(1) Operating cash flows is cash provided by operating activities from continuing operations and discontinued operations.

(2) Operating cash flows include cash from realized gains on settlement of the derivative instruments of $1.6 million in the third quarter of fiscal 2014 and $4.7 million in the first nine months of fiscal 2014. The Company's outstanding derivative instruments were closed out during the fourth quarter of fiscal 2014.

(3) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period. See "Cash Flows, Commitments and Liquidity - Capital Expenditures".

Orvana's primary source of liquidity continues to be from operating cash flows. Cash flows from operating activities before changes in non-cash working capital were $1.0 million for the third quarter of fiscal 2015 compared with $2.7 million for the second quarter of fiscal 2015 and cash flows from operating activities were $6.7 million for the third quarter of 2015 compared with $4.5 million for the second quarter of fiscal 2015.

The most significant drivers of the change in operating cash flow are production and sales and market gold and copper prices. Future changes in metals market prices, either favourable or unfavourable, will continue to have a material impact on the Company's cash flows and liquidity. The principal uses of operating cash flows have been the repayment of debt and the funding of the Company's capital expenditures.

Cash used in financing activities was $3.9 million in the third quarter of fiscal 2015 compared with cash provided by financing activities of $0.5 million in the second quarter of fiscal 2015 primarily due to the repayment of the short term credit facilities in EMIPA.

Cash used in investing activities was $0.3 million in the third quarter of fiscal 2015 compared with cash used in investing activities of $4.1 million in the second quarter of fiscal 2015 primarily due to the receipt of restricted cash previously held in favour of a Bolivian court and lower capital expenditures in the third quarter of fiscal 2015. See “Capital Expenditures” below.

Capital Expenditures

The following table sets forth Orvana’s capital expenditures for the periods specified below for El Valle Mine and the Don Mario Mine:

Capital Expenditures *(in 000’s)* **(1)**	**Q3 2015**	**Q2 2015**	**Q3 2014**	**YTD 2015**	**YTD 2014**
Don Mario Mine	**$199**	$1,248	$33	**$2,352**	$1,797
El Valle Mine (1)	**1,298**	1,424	3,000	**5,107**	11,161
Corporate	**2**	6	2	**8**	4
Subtotal capital expenditures	**$1,499**	$2,678	$3,120	**$7,467**	$13,422
El Valle Mine – accounts payable adjustments (1)	**221**	918	3,451	**$310**	1,026
Total capital expenditures from continuing operations (2)	**$1,720**	$3,596	$6,486	**$7,777**	$13,988
Total capital expenditures from discontinued operations (Copperwood)	**-**	-	85	**-**	460
Total capital expenditures (2)	**$1,720**	$3,596	$6,571	**$7,777**	$14,448

(1) These amounts are presented on a cash basis. Each reported period excludes unpaid capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reported period.

(2) For further discussion relating to capital expenditures, see “Cash Flows, Commitments and Liquidity - Liquidity”.

For fiscal 2014, capital expenditures excluding the hoist repair and upgrades were approximately $10.1 million. The Company expects capital expenditures for fiscal 2015 to be in the range of $11.5 to $12.5 million.

Other Commitments

At June 30, 2015, the Company’s contractual obligations included: bank debt; term credit facilities; operating leases; decommissioning liabilities; purchase obligations related to certain operating activities at El Valle Mine and the Don Mario Mine; provision for statutory labour obligations; and long-term compensation. Contractual obligations are summarized in the following table below:

At June 30, 2015		**Payment Due by Period**			
(in 000’s)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Operating leases	**$2,839**	$1,495	$852	$190	$302
Decommissioning liabilities (1)	**$21,577**	$221	$4,897	$510	$15,949
Reclamation bond (2)	**$5,595**	$5,595	-	-	-
Purchase obligations	**$5,128**	$3,244	$1,884	-	-
Provision for statutory labour obligations (3)	**$2,273**	-	$2,273	-	-
Long-term compensation	**$518**	$149	$279	-	$90
Total contractual obligations (4)	**$37,930**	**$10,704**	**$10,185**	**$700**	**$16,341**

(1) Decommissioning liabilities are undiscounted. Total cash deposited with a Spanish financial institution for reclamation bonds amounted to approximately $8.4 million at June 30, 2015 (September 30, 2014 - $9.5 million). Decommissioning liabilities are discussed below under “Other Information - Critical Accounting Estimates - Decommissioning Liabilities”.

(2) An additional reclamation bond of up to €5 million may have to be deposited by the Company under Spanish mining regulations in respect of the El Valle Mine. The Company is currently challenging this in legal proceedings based on technical considerations and is appealing the requirement to deposit such additional amount with the Spanish government.

(3) 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.

(4) Production from El Valle Mine and the Don Mario Mine is subject to certain royalties which amounts have not been included in total contractual obligations at June 30, 2015. For a description of such royalties and amounts payable, see “Royalties” below.

Royalties

Production from El Valle is subject to a 3% net smelter return royalty (“NSR”), referred to herein as the El Valle Royalty. The El Valle Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. The El Valle Royalty expense totaled $0.6 and $1.8 million for the third quarter of fiscal 2015 and the first nine months of fiscal 2015, respectively, compared with $0.7 and $2.0 million in the third quarter of fiscal 2014 and the first nine months of fiscal 2014 respectively.

Production from the Don Mario Mine is subject to a 3% NSR. This expense totaled $0.4 and $1.4 million for the third quarter of fiscal 2015 and the first nine months of fiscal 2015, respectively, compared with $0.2 and $0.8 million in the third quarter of fiscal 2014 and the first nine months of fiscal 2014, respectively. 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 $1.2 and $4.2 million for the third quarter of fiscal 2015 and the first nine months of fiscal 2015, respectively, compared with $0.9 and $2.8 million in the third quarter of fiscal 2014 and the first nine months of fiscal 2014, respectively. The NSR and the mining royalty tax are referred to herein as the “Don Mario Royalties”.

Liquidity

Orvana’s primary sources of liquidity in the first nine months of fiscal 2015 were operating cash flows and proceeds from the sale of Copperwood.

Bank loans with certain Bolivian banks have averaged a balance of $6 to $10 million and have been short term, ranging from 90 to 180 days. Although in the past, EMIPA’s lenders have agreed to renew these loans in the ordinary course, new loans replacing those maturing may not be obtained as the end to the current life-of-mine nears. In the first nine months of fiscal 2015, five such loans totaling $8 million were not renewed. At the date of the MD&A, the Bolivian bank debt balance was $1.5 million. Should the Don Mario mine life extension projects return positive results and increased reserves, project financing for capital expenditures may be available from local Bolivian banks.

As at June 30, 2015, the Company had cash of $23.9 million and restricted cash of $4.5 million designated to cover the Company’s commitments due in less than one year of $10.7 million.

The Company generated positive operating cash flows in the three and nine months of fiscal 2015. Financing and investing activities including the repayment of debt and capital expenditures resulted in positive free cash flow. The Company expects to be free cash flow neutral by the end of fiscal 2015.

If (i) unanticipated events occur that may impact the operations of El Valle Mine and the Don Mario Mine and/or (ii) if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana’s results of operations or financial condition.

The Company is currently monitoring its liquidity position closely and assessing capital needs for the upcoming fiscal year and beyond, in connection with the business planning process that is currently ongoing. In the current environment of declining commodities prices, the Company is currently monitoring its liquidity position closely and assessing its capital needs for the upcoming fiscal year and beyond. The Company is focused on implementing near-term operating cost reduction strategies and optimizing its production, with a view to positively impacting future COC and AISC performance.

Contingencies

The Company is currently working through one environmental matter involving selenium discharges into the Cauxa River in Asturias, Spain. The Cauxa River flows past El Valle Mine operated by the Company’s Spanish subsidiary, OroValle, as well as certain other mining properties owned by third parties. Selenium is a naturally occurring element that is found in rocks, land and water and thus is also naturally found in certain food supplies. The maximum containment level for selenium has been set (i) in drinking water at 50 micrograms per liter (“µg/L”) by Health Canada and the Environmental Protection Agency in the United States (the “EPA”) and (ii) in surface water at 5 µg/L by the EPA. The levels of selenium in the Cauxa River have on average been below this maximum contaminant level for surface water. The Company believes that, by international standards, these levels of selenium are not a health or environmental risk. In 2011, Spain set the limit of selenium in inland surface water at 1 μg/L and in other surface water and drinking water at 10 μg/L.

Spanish regulatory authorities have taken the position that the level of selenium in the river exceeds the levels permitted by applicable regulations as a result of discharges attributed to OroValle. In recent years, OroValle has received approximately €455,000 (approximately $500) in fines relating to these matters. Subsequent to the end of the quarter, OroValle received notice of an additional fine in the amount of €500,000 (approximately $550) in response to its appeal of a previous fine and may face further additional fines in the future. OroValle is appealing the outstanding fines. In July 2015, OroValle was advised that the criminal court of Asturias received a document from the local prosecutor regarding the potential violation of the Spanish penal code relating to these matters. The document provides that the prosecutor's office has concluded, based upon its investigation, that the matter warrants further review by a judge. The judge may determine to dismiss the matter, conduct a further investigation and/or charge OroValle and/or certain OroValle individuals. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged. It has cooperated and will continue to cooperate with investigations and is defending itself vigorously.

OroValle has been working to remediate this matter through various activities including the implementation of a reverse osmosis water treatment plant in September 2014 and the development of a long-term water management plan. To date, these remediation efforts have not fully addressed these matters and there can be no assurances that OroValle's continuing remediation activities will be successful in the short term or at all to fully comply with local regulations. In addition, OroValle has been seeking amendments to certain of its permits and extensions of deadlines to comply with local requirements. Orvana is committed to developing and operating its mines and projects in full compliance with local environmental regulations and recognized international environmental standards.

SUMMARY OF QUARTERLY RESULTS

The following two tables include results for the eight quarters ended June 30, 2015:

	Quarters ended			
(in 000's, except per share amounts)	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**
Revenue	**$32,162**	**$30,108**	**$38,770**	$43,998
Net income (loss)	**($5,522)**	**($4,130)**	**$738**	($2,896)
Earnings (loss) per share (basic and diluted)	**($0.04)**	**($0.03)**	**$0.01**	($0.02)
Total assets	**$183,234**	**$192,590**	**$200,891**	$221,118
Total financial liabilities (1)	**-**	**$3,943**	**$3,450**	$25,978

	Quarters ended			
	Q3 2014	**Q2 2014**	**Q1 2014**	**Q4 2013**
Revenue	$34,064	$29,125	$35,220	$43,975
Net income (loss)	($25,902)	($6,953)	$6,008	$1,174
Earnings (loss) per share (basic and diluted)	($0.19)	($0.05)	$0.04	$0.01
Total assets	$236,638	$283,606	$293,448	$288,339
Total financial liabilities (1)	$44,853	$55,209	$58,502	$61,647

(1) Financial liabilities include the bank debt, Fabulosa Loan, current and long-term portions of obligations under finance leases and the El Valle Loan, before deducting financing fees.

FINANCIAL AND OTHER RISKS AND UNCERTAINTIES

Financial Risks

The Company's activities expose it to a variety of financial market risks (including commodity price risks, currency risk and interest rate risk), credit risks, liquidity risks, financing risks and other risks. Enterprise risk management is carried out by management of the Company under policies approved by the board of directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Board of Directors of the Company reviews management's risk management programs and provides oversight on specific areas. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial and operating performance.

Other Risks

The Company identified a variety of additional risks and uncertainties in the Management's Discussion and Analysis in respect of the Company's fiscal year ended September 30, 2014 and in the most recent Annual Information Form ("AIF") including, but not limited to, (i) mineral resources and reserves estimates and replacement of depleted reserves, (ii) production estimates, (iii) development, capital projects and operations of mines, (iv) competition, (v) acquisitions and divestitures, (vi) title matters, (vii) water supply, (viii) regulatory and other risk, (ix) permits, (x) environmental, health and safety regulations, (xi) political and related risks, (xii) insurance, (xiii) reliance on key personnel and labor relations, (xiv) community relations and license to operate, (xv) litigation, (xvi) conflicts of interest, (xvii) controlling shareholder, and (xviii) share trading volatility.

In respect of regulatory and other risks and environmental regulations risks, see "Contingencies" above.

For a more detailed discussion of such financial and other business risks, please see the "Risk Factors" in Orvana's most recent AIF at www.sedar.com.

OTHER INFORMATION

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are mineral reserves, accounts receivable, property, plant and equipment, depreciation and amortization, forward metals prices, decommissioning liabilities, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

Net Realizable Amounts of Property, Plant and Equipment

At June 30, 2015, the net carrying value of the property, plant and equipment in respect of El Valle Mine and the Don Mario Mine amounted to $99.4 million and $12.8 million, respectively. Effective from the point that they are ready for their intended use, property, plant and equipment are amortized on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or mineral property. The method of depreciation is determined based on that which best represents the use of the assets.

The reserve and resource estimates for each operation are the prime determinants of the life of a mine. In general, a mineralized deposit where the mineralization is reasonably well defined is amortized over its proven and probable mineral reserves. Non-reserve material may be included in the depreciation calculations in limited circumstances where there is a high degree of confidence in economic extraction. The expected economic life of these mines is dependent upon, among other things, the estimated remaining ore; gold, copper and silver prices; cash operating costs and capital expenditures.

The Company assesses each mine development project to determine when a mine is substantially complete and ready for its intended use and has advanced to the production stage. In its assessment, the Company considers relevant criteria based on the nature of each project, including the completion of a reasonable period of testing of mine plant and equipment, the ability to produce materials in saleable form (within specifications) and the ability to sustain ongoing production of minerals. When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs and underground mine or reserve development, which are capitalized to property, plant and equipment.

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 sets out the estimates of the undiscounted and discounted cash flows required to settle such decommissioning liabilities in respect of El Valle Mine and the Don Mario Mine at June 30, 2015. These estimates were prepared by management with the use of independent third party experts.

Following updated information received in the second quarter of fiscal 2015, the Company is currently evaluating its cost assumptions of long-term water treatment used in calculating its decommissioning liabilities. The result of such evaluation may result in a reduction to the decommissioning liabilities in respect of El Valle Mine in the fourth quarter of fiscal 2015.

At June 30, 2015	**Undiscounted Cash Flows Estimated to Settle Decommissioning Liabilities**	**Discount Rate**	**Discounted Cash Flows Required to Settle Decommissioning Liabilities**
(in 000's)			
El Valle Mine [(1)]	$16,021	1.4%	$14,063
Don Mario Mine [(1)]	$5,556	2.0%	$5,480
Total	**$21,577**		**$19,543**

(1) Accretion expense is recorded using the discount interest rate set out above. It is estimated that these amounts will be incurred in 2016 through 2024 in respect of Don Mario Mine and El Valle Mine. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and terms that matches the time period to the commencement of the decommissioning liability being incurred.

Stock-based compensation

The Company recorded stock-based compensation expense of $0.1 million in the third quarter of fiscal 2015 compared with the same amount in the second quarter of fiscal 2015 and third quarter of 2014. The stock-based compensation expense is based on an estimate of the fair value of the stock options issued and expensed over the vesting period. The accounting for stock options requires estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

Long-term Compensation

The Company established a Deferred Share Unit ("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 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.

The Company established a Restricted Share Unit ("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 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.

The Company established a Share Appreciation Rights ("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 year. The Initial Fair Market Value as defined in the SAR plan is determined based on the closing price of the Common Shares 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 in the statement of net 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.

Impairment

The Company assesses the carrying values of each cash-generating unit ("CGU") at each reporting period end date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell ("FVLCS") or value-in-use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, the resale market for certain property, plant and equipment of the Company and operating performance. Fair value under FVLCS is determined as the amount that would be obtained from the sale, less costs, of the asset in an arm's length transaction between knowledgeable and willing parties. When observable market prices are not available for the asset, value-in-use for mineral properties is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that are specific to the Company's circumstances with respect to each CGU. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management of the Company has assessed its CGUs to be each country in which it operates (El Valle and Don Mario Mine) which is the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life-of-mine in respect of El Valle and the Don Mario Mine using forecasted production and costs per the current life-of-mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at June 30, 2015 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

As a result of the updated mineral resources and reserves estimates for El Valle and in accordance with its usual policy, Orvana conducted a carrying value assessment of El Valle as at June 30, 2014. Based on this assessment, it was determined that El Valle's net recoverable amount was lower than its carrying amount. As a result, Orvana recognized a non-cash impairment charge of $25.5 million relating to El Valle Mine in the third quarter of fiscal 2014. This impairment represented a reduction in the carrying value of El Valle and had no impact on Orvana's cash flows.

Although the total public market capitalization of the Company was below the carrying amount of Orvana's net assets at June 30, 2015 of $120.4 million, following the completion of an impairment test in respect of each CGU in the third quarter of fiscal 2015, the Company estimated that the net recoverable amounts are greater than the carrying values of such assets based on the Company's current life-of-mine plans and the assumptions set out above at June 30, 2015. As such, there was no impairment of such carrying values as at June 30, 2015.

In light of a continued declining metal price environment, and notwithstanding that the Company concluded that there was no impairment of carrying values at the end of the third quarter of fiscal 2015, there can be no assurances that an impairment adjustment may not be taken at either or both CGUs in future periods.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company uses the *Internal Control – Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to design its ICFR. Based on a review of internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at June 30, 2015.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring material corrective actions.

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, have been detected and that all of the objectives of the internal controls over financial reporting have been achieved or will be achieved in the future.

Non-IFRS Measures

COC, AISC and AIC

The Company, in conjunction with an initiative undertaken within the gold mining industry, began reporting COC, AISC and AIC non-IFRS performance measures as set out in the guidance note released by the World Gold Council in June 2013 for the period ended September 30, 2013 and restated the comparative periods. The Company believes that these performance measures more fully define the total costs associated with producing gold, copper and silver, however, these performance measures have no standardized meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

COC include total production cash costs incurred at the Company's mining operations, which form the basis of the Company's cash costs. AISC includes COC plus sustaining capital expenditures, corporate administrative expense, exploration and evaluation costs and reclamation cost accretion. The Company believes that this measure represents the total costs of producing gold from current operations and provides the Company and other stakeholders of the Company with additional information relating to the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in AISC. AIC represents AISC plus non-sustaining capital expenditures and non-sustaining exploration. Certain other cash expenditures including tax payments, debt payments, dividends and financing costs are also not included in the calculation of AIC. The Company reports these measures on a gold ounces sold basis.

Orvana Consolidated (by-product)	**Q3 2015**	**Q2 2015**	**Q3 2014**	**YTD 2015**	**YTD 2014**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1) *(in 000's)*					
Total mining costs (sales based)	**$27,740**	**$21,478**	**$22,684**	**$74,534**	**$66,181**
Deductions, refining, treatment, penalties, freight & other costs	9,344	8,777	9,527	28,084	24,465
Accrued/paid royalties - based on sales	2,093	2,311	1,821	7,059	5,527
Sub-total - other operating costs	**$11,437**	**$11,088**	**$11,348**	**$35,143**	**$29,992**
Copper sales - gross revenue value	(16,263)	(14,384)	(15,088)	(51,167)	(39,737)
Silver sales - gross revenue value	(2,700)	(1,901)	(4,272)	(6,961)	(12,239)
Sub-total by-product revenue	**($18,963)**	**($16,285)**	**($19,360)**	**($58,128)**	**($51,976)**
Cash operating costs	**$20,214**	**$16,281**	**$14,672**	**$51,549**	**$44,197**
Corporate general & administrative costs	816	2,575	998	4,646	4,682
Community costs related to current operations	256	166	91	504	438
Reclamation, accretion & amortization	567	712	421	2,005	1,483
Exploration and study costs (sustaining)	536	722	360	1,417	679
Primary development (sustaining)	258	628	1,425	1,471	5,019
Other sustaining capital expenditures (2) (3)	1,169	1,935	669	5,808	3,630
All-in sustaining costs	**$23,816**	**$23,019**	**$18,636**	**$67,400**	**$60,128**
Capital expenditures (hoist) (3)	-	-	938	-	4,306
All-in costs	**$23,872**	**$23,019**	**$19,574**	**$67,400**	**$64,434**
Au/oz sold	19,121	18,636	18,790	59,417	54,912
Cash operating costs ($/oz) gold	$1,055	$874	$779	$867	$804
All-in sustaining costs ($/oz) gold	$1,243	$1,233	$995	$1,133	$1,097
All-in costs ($/oz) gold	$1,243	$1,233	$1,045	$1,133	$1,176

(1) Costs are reported per ounce of gold sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include those contracted for in the period but for which payment has not been made.

For 2015, the Company estimates updated consolidated COC (by-product) guidance of approximately $850 to $950 per ounce of gold sold and consolidated AISC (by-product) guidance of approximately $1,150 to $1,250 per ounce of gold sold. Refer to the "Outlook" section of this MD&A.

Consolidated AISC (co-product) for the third quarter of fiscal 2015 were $1,204 per ounce of gold sold and $2.72 per pound of copper sold and for the first nine months of fiscal 2015 were $1,153 per ounce of gold sold and $2.59 per pound of copper sold.

The following table provides a reconciliation of COC, AISC and AIC (by-product) per ounce of gold sold for El Valle Mine for the periods set out below:

El Valle Mine	**Q3 2015**	**Q2 2015**	**Q3 2014**	**YTD 2015**	**YTD 2014**
Cash operating costs, all-in sustaining costs and all-in costs (by-product) (1) *(in 000's)*					
Total mining costs (sales based)	**$18,684**	**$13,012**	**$17,303**	**$47,724**	**$51,525**
Deductions, refining, treatment, penalties, freight & other costs	3,091	1,986	2,630	6,967	7,379
Accrued/paid royalties - based on sales	608	542	715	1,762	1,982
Sub-total - other operating costs	**$3,699**	**$2,528**	**$3,345**	**$8,729**	**$9,361**
Copper sales - gross revenue value	(4,685)	(2,992)	(4,691)	(12,092)	(13,455)
Silver sales - gross revenue value	(730)	(625)	(911)	(1,949)	(2,439)
Sub-total by-product revenue	**($5,415)**	**($3,617)**	**($5,602)**	**($14,041)**	**($15,894)**
Cash operating costs	**$16,968**	**$11,923**	**$15,046**	**$42,412**	**$44,992**
Corporate general & administrative costs	800	793	800	2,394	2,400
Reclamation, accretion & amortization	408	609	270	1,534	892
Exploration and study costs (sustaining)	132	147	20	418	279
Primary development (sustaining)	258	628	1,425	1,471	5,019
Other sustaining capital expenditures (2) (3)	975	722	637	3,497	1,836
All-in sustaining costs	**$19,541**	**$14,822**	**$18,198**	**$51,726**	**$55,418**
Capital expenditures (hoist) (3)	**-**	**-**	938	**-**	4,306
All-in costs	**$19,541**	**$14,822**	**$19,136**	**$51,726**	**$59,724**
Au/oz sold	14,674	11,769	16,418	40,519	45,716
Cash operating costs ($/oz) gold	**$1,156**	$1,013	$916	**$1,047**	$984
All-in sustaining costs ($/oz) gold	**$1,332**	$1,259	$1,108	**$1,277**	$1,212
All-in costs ($/oz) gold	**$1,332**	$1,259	$1,166	**$1,277**	$1,306

(1) Costs are reported per ounce of gold sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature.

(3) Capital expenditures include unpaid capital expenditures incurred in the period.

As a result of revenue from the sale of gold and silver representing more than 60% of total gross revenue from the Don Mario Mine in a reporting period and for better costs comparisons to other mines, the Company is reporting COC, AISC and AIC (co-product) per pound of copper and per ounce of gold and silver sold. The following table provides a reconciliation of AISC per ounce of the Don Mario Mine for the periods set out below:

Don Mario Mine (1)	Q3 2015	Q2 2015	Q3 2014	YTD 2015	YTD 2014
Cash operating costs, all-in sustaining costs and all-in costs (co-product) (1) *(in 000's)*					
Total mining costs (sales based)	**$6,546**	**$5,552**	**$3,609**	**$18,422**	**$10,343**
Deductions, refining, treatment, penalties, freight & other costs	8,639	9,602	8,614	$29,219	21,231
Accrued/paid royalties - based on sales	1,612	1,872	1,163	5,584	3,715
Sub-total - other operating costs	**$10,251**	**$11,474**	**$9,777**	**$34,803**	**$24,946**
Gross by-product credit	(17)	(14)	(349)	(22)	(484)
Cash Operating Costs	**$16,780**	**$17,012**	**$13,037**	**$53,203**	**$34,805**
Corporate general & administrative costs	413	427	454	1,412	1,365
Community costs related to current operations	256	166	91	504	438
Reclamation, accretion & amortization	159	104	151	471	591
Capital expenditures (sustaining) (3)	194	1,212	33	2,312	1,795
Exploration and study costs (non-sustaining)	404	575	340	100	400
All-in sustaining costs	**$18,206**	**$19,496**	**$14,106**	**$58,002**	**$39,394**
All-in costs	**$18,206**	**$19,496**	**$14,106**	**$58,002**	**$39,394**
Au/oz sold	4,447	6,867	2,372	18,898	9,197
Cu/lbs sold (000's)	4,414	4,875	3,316	14,634	8,392
Ag/oz sold	127,492	76,416	174,989	313,481	481,714
Cash operating costs (co-product) ($/oz) gold	**$1,008**	$904	$830	**$910**	$789
Cash operating costs (co-product) ($/lb) copper	**$2.35**	$2.00	$2.38	**$2.16**	$2.25
Cash operating costs (co-product) ($/oz) silver	**$15.11**	$13.65	$14.86	**$14.17**	$14.78
All-in sustaining costs (co-product) ($/oz) gold	**$1,099**	$1,039	$909	**$1,011**	$907
All-in sustaining costs (co-product) ($/lb) copper	**$2.55**	$2.29	$2.57	**$2.39**	$2.54
All-in sustaining costs (co-product) ($/oz) silver	**$16.31**	$15.72	$16.06	**$15.60**	$16.63
All-in costs (co-product) ($/oz) gold	**$1,099**	$1,039	$909	**$1,011**	$907
All-in costs (co-product) ($/lb) copper	**$2.55**	$2.29	$2.57	**$2.39**	$2.54
All-in costs (co-product) ($/oz) silver	**$16.31**	$15.72	$16.06	**$15.60**	$16.63

(1) Costs are reported per ounce of gold or silver or per pound of copper sold in the period. Certain mining costs have been classified as part of selling costs for the purposes of this calculation.

(2) Total mining costs for each metal are based on the percentage of gross revenue that each quantity of metal sold in the period represents of total gross revenue for the period. Refining charges, metallurgical deductions and the Don Mario Royalties allocated to each metal based on actual costs related to each quantity of metal sold in the period.

(3) Sustaining capital expenditures are those expenditures which do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's projects and certain expenditures at the Company's operating sites which are deemed expansionary in nature. Capital expenditures includes unpaid capital expenditures incurred in the period.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share

The Company has included adjusted net income (loss) and adjusted net income (loss) per share as non-IFRS performance measures in this MD&A. Adjusted net income (loss) excludes; primarily certain non-cash items from net income or net loss to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of adjusted net income (loss) and adjusted net income (loss) per share to the Company's consolidated financial statements for the respective period:

Adjusted Net Income (Loss)	**Q3 2015**	**Q2 2015**	**Q3 2014**	**YTD 2015**	**YTD 2014**
(in 000's, except per share amounts)					
Net (loss) income	**($5,522)**	($4,130)	($25,902)	**($8,914)**	($26,847)
Unrealized loss (gain) on derivatives (1)	**-**	-	5,470	**-**	2,372
De-recognition of assets – El Valle hoist	**-**	-	970	**-**	970
El Valle impairment	**-**	-	25,485	**-**	25,485
De-recognition of assets – Don Mario	**-**	-	852	**-**	852
Don Mario impairment	**-**	-	3,743	**-**	3,743
(Loss) income from discontinued operations	**-**	-	(135)	**-**	866
Sub-total	**($5,522)**	($4,130)	$10,483	**($8,914)**	$7,441
Total tax adjustment	**-**	-	(9,578)	**-**	(8,649)
Adjusted net (loss) income	**($5,522)**	($4,130)	$905	**($8,914)**	($1,208)
Weighted average shares outstanding	**136,623**	136,623	136,623	**136,623**	136,623
Adjusted net (loss) income per share (basic and diluted)	**($0.04)**	($0.03)	$0.01	**($0.07)**	($0.01)

(1) Adjusted net income includes realized gains on settlement of derivative instruments of $1.6 million and $4.7 million, in the third quarter of fiscal 2014 and the first nine months of fiscal 2014, respectively.

Other Information

Other operating and financial information with respect to the Company, including the AIF which is available on SEDAR at www.sedar.com and on the Company's website at www.orvana.com.

Cautionary Statements - Forward-Looking Information

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects", "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might", "will" or "are projected to" be taken or achieved) are not statements of historical fact, but are forward-looking statements.

The forward-looking statements herein relate to, among other things, Orvana's ability to achieve improvement in free cash flow; the potential to extend the mine life of El Valle Mine and Don Mario Mine beyond their current life-of-mine estimates; Orvana's ability to optimize its assets to deliver shareholder value; the expected costs associated with the suspension of mining activities at Carlés; the Company's ability to optimize productivity at El Valle in 2015; estimates of future production, operating costs and capital expenditures; mineral resource and reserve estimates; statements and information regarding future feasibility studies and their results; future transactions; future metal prices; the ability to achieve additional growth and geographic diversification; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at El Valle Mine and Don Mario Mine being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels;

production and cost of sales forecasts meeting expectations; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward looking statements. Some of these risks, uncertainties and factors include fluctuations in the price of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; variations in the costs associated with the suspension of mining at Carlés; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; the Company's ability to use cyanide in its mining operations; risks generally associated with mineral exploration and development, including the Company's ability to continue to operate El Valle Mine and/or the Don Mario Mine; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to obtain financing when required on terms that are acceptable to the Company; the Company's ability to execute on its strategy; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the countries in which the Company operates; general economic conditions worldwide; and the risks identified in the Company's AIF under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's AIF for a description of additional risk factors.

The forward-looking statements made in this MD&A with respect to the anticipated development and exploration of the Company's mineral projects are intended to provide an overview of management's expectations with respect to certain future activities of the Company and may not be appropriate for other purposes.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and, except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

The forward-looking statements made in this MD&A are intended to provide an overview of management's expectations with respect to certain future operating activities of the Company and may not be appropriate for other purposes.