ORVANA

MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

(EXPRESSED IN UNITED STATES DOLLARS)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Orvana Minerals Corp. were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee comprised of members of the Board of Directors assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews other continuous disclosure documents of the Company containing financial information to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The external auditor has full and unrestricted access to the Audit Committee to discuss the scope of its audits, the adequacy of the system of internal controls and review financial reporting issues.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

[signed]

Michael Winship

President and Chief Executive Officer

[signed]

Daniella Dimitrov

Chief Financial Officer

Toronto, Canada

December 6, 2013

December 6, 2013

Independent Auditor's Report

To the Shareholders of
Orvana Minerals Corp.

We have audited the accompanying consolidated financial statements of Orvana Minerals Corp. (the Company) and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2013 and 2012 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at September 30, 2013 and 2012 and its financial performance and cash flows for the years then ended in accordance with IFRS.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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

	Years ended September 30,	
	2013	**2012**
Revenue	$ 162,199	$ 145,574
Cost of sales		
Mining costs (note 5)	101,063	88,231
Depreciation and amortization	23,865	15,017
Impairment charge (note 14)	6,273	-
	131,201	103,248
Gross margin	30,998	42,326
Expenses		
General and administrative (note 6)	8,544	7,084
Exploration	83	160
Community relations	517	528
Other expenses (note 7)	5,742	225
Debenture conversion expense (note 26)	-	3,132
Finance costs (note 8)	6,389	5,320
Expenses before derivative instruments (gain) loss	21,275	16,449
Derivative instruments (gain) loss (note 20)	(42,140)	26,095
Income (loss) before income taxes	51,863	(218)
Provision for income taxes		
Current income taxes (note 22)	4,452	5,717
Deferred income taxes (recoveries) (note 22)	14,788	(3,582)
	19,240	2,135
Net income (loss) and comprehensive income (loss)	$ 32,623	$ (2,353)
Net earnings (loss) per share (note 9)		
Basic	$ 0.24	$ (0.02)
Diluted	$ 0.24	$ (0.02)

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

ORVANA MINERALS CORP.
Consolidated Statements of Cash Flow
(in thousands of United States dollars)

	Years ended September 30, 2013	2012
Operating activities		
Net income (loss)	$ 32,623	$ (2,353)
Adjustments for:		
Depreciation and amortization	24,083	15,222
Impairment charge	6,273	-
De-recognition of assets	2,244	-
Loss on disposal of assets	899	-
Accretion	322	604
Amortization of deferred financing fees	764	718
Stock-based compensation	295	558
Warrants	-	167
Long-term compensation	(29)	(214)
Deferred income taxes (recovery)	14,788	(3,582)
Provision for statutory labour obligations	(456)	483
Foreign exchange (gain) loss	174	680
Derivative instruments unrealized (gain) loss (note 20)	(43,295)	20,993
	38,685	33,276
Changes in non-cash working capital		
Concentrate and doré sales receivables	4,882	(7,370)
Value added taxes and other receivables and prepaids	284	(1,105)
Inventory	(2,750)	2,067
Accounts payable and accrued liabilities	(5,938)	9,628
Income taxes payable	(2,594)	5,209
Cash provided by operating activities	32,569	41,705
Financing activities		
Increase in bank debt	2,275	1,164
Proceeds from short-term debt (note 17)	2,000	6,500
Proceeds from long-term debt (note 17)	-	13,000
Financing fees	-	(373)
Repayment of short and long-term debt (note 17)	(15,364)	(6,817)
Repayment of finance leases	(1,372)	-
Exercise of stock options	36	147
Settlement of long-term compensation	-	(430)
Cash provided by (used in) financing activities	(12,425)	13,191
Investing activities		
Capital expenditures	(21,157)	(37,718)
Restricted cash	850	(16,155)
Cash used in investing activities	(20,307)	(53,873)
Change in cash	(163)	1,023
Cash, beginning of the period	13,200	12,244
Effect of exchange rate change on cash held in foreign currencies	2	(67)
Cash, end of period	$ 13,039	$ 13,200

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

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

		As at September 30, 2013		As at September 30, 2012
Assets				
Current assets				
Cash and cash equivalents (note 10)	$	13,039	$	13,200
Restricted cash (note 11)		16,095		16,783
Concentrate and doré sales receivables		5,170		10,052
Value added taxes and other receivables and prepaid expenses		11,427		13,035
Inventory (note 12)		17,672		14,896
Derivative instruments (note 20)		4,519		-
		67,922		67,966
Non-current assets				
Value-added taxes and other receivables		8,878		7,554
Restricted cash (note 11)		1,744		1,616
Reclamation bonds (note 11)		10,160		9,647
Inventory (note 12)		1,678		1,508
Property, plant and equipment (note 13)		190,823		197,843
Derivative instruments (note 20)		7,134		-
	$	288,339	$	286,134
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 15)	$	26,205	$	34,873
Income taxes payable (note 22)		2,650		5,244
Bank debt (note 16)		9,856		7,581
Short-term debt (note 17)		2,731		4,171
Long-term debt (note 17)		14,844		11,917
Obligations under finance leases (note 18)		627		1,486
Derivative instruments (note 20)		672		9,482
		57,585		74,754
Non-current liabilities				
Long-term debt (note 17)		31,211		44,706
Obligations under finance leases (note 18)		-		558
Decommissioning liabilities (note 19)		15,639		7,851
Derivative instruments (note 20)		1,015		23,847
Provision for statutory labour obligations (note 21)		2,376		2,832
Deferred income tax liability (note 22)		20,620		5,432
Other liabilities		831		-
Long-term compensation (note 24 (b))		135		173
Warrants (note 23)		159		167
		129,571		160,320
Shareholders' equity				
Share capital (note 23)		116,206		116,148
Contributed surplus		3,226		2,953
Retained earnings		39,336		6,713
		158,768		125,814
	$	288,339	$	286,134

Commitments and contingencies (note 26)

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

Approved by the Board of Directors:

[signed] Michael Winship, Director

[signed] Robert Mitchell, Director

ORVANA MINERALS CORP.
Consolidated Statements of Changes in Shareholders' Equity
(in thousands of United States dollars)

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2012	$	116,148	$	2,953	$	6,713	$	125,814
Exercise of stock options		58		(22)		-		36
Stock-based compensation		-		295		-		295
Net income		-		-		32,623		32,623
Balance, September 30, 2013	$	116,206	$	3,226	$	39,336	$	158,768

		Share Capital		Contributed Surplus		Retained Earnings		Total
Balance, October 1, 2011	$	115,930	$	2,466	$	9,066	$	127,462
Exercise of stock options		218		(71)		-		147
Stock-based compensation		-		558		-		558
Net loss		-		-		(2,353)		(2,353)
Balance, September 30, 2012	$	116,148	$	2,953	$	6,713	$	125,814

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

1. Nature of operations and corporate information

Orvana Minerals Corp. (the "Company" or "Orvana") is a Canadian mining and exploration company involved in the evaluation, development and mining of precious and base metal deposits. The Company owns and operates the El Valle-Boinás Mine and the Carlés Mine (the "EVBC Mines") in Spain, which are held indirectly through its wholly-owned subsidiary Kinbauri España S.L.U. ("Kinbauri") and the Don Mario Upper Mineralized Zone Mine (the "UMZ Mine") in eastern Bolivia which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). In addition, the Company holds mineral leases in the state of Michigan, USA, referred to as the Copperwood Project which is held indirectly through its wholly-owned subsidiary, Orvana Resources US Corp. ("Orvana Resources").

The Company is controlled by Fabulosa Mines Limited ("Fabulosa") which holds 51.9% of the Company's common shares. The Company's ultimate controlling party is the Oslo Trust, which controls Fabulosa.

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

2. Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and including interpretations by the International Financial Reporting Interpretations Committee ("IFRIC").

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

These consolidated financial statements for the period ended September 30, 2013 were approved by the Board of Directors of the Company on December 6, 2013.

3. Summary of Significant Accounting Policies

(a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments including derivative instruments, warrants and stock options, which are measured at fair value.

(b) Principles of consolidation

The financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

Wholly-owned subsidiaries:

Operating companies:
- Empresa Minera Paititi S.A.
- Kinbauri España S.L.
- Orvana Resources US Corp.

Non-operating companies:
- Orvana Minerals Asturias Corp.
- Orvana Cyprus Limited
- Orvana Sweden International AB
- Orvana Pacific Minerals Corp.

Minera El Alto S.A.
Minera Orvana Peru S.A.
Clarendon Mining Limited
Minera Orvana Mexico S.A. de C.V.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of the Company.

(d) Foreign currency translation

i. Functional and presentation currency

The Company's functional and presentation currency is the United States dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. The functional currency of all of the Company's subsidiaries has also been determined to be the United States dollar.

ii. Transactions and balances

Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Significant transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction, other income and expense transactions in currencies other than the functional currency are translated into the functional currency using the average exchange rates from the previous month. Foreign exchange gains and losses are recognized in the statement of income.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short-term highly liquid deposits with original maturities of 90 days or less. Cash that is held in escrow, or otherwise restricted from use, is excluded and is reported separately from cash and cash equivalents.

(f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

i. Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified in this category if acquired principally for the purpose of trading in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within "derivative instruments (gains) and losses" in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, restricted cash, concentrate and doré receivables, and reclamation bonds and are included in assets. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

iii. Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities, bank debt, short-term debt, long-term debt and obligations under finance leases. Accounts payable are recognized at the amount required to be paid. Bank debt, short-term debt, long-term debt and obligations under finance leases are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument to the net carrying amount on initial recognition.

(g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss include:

i. Significant financial difficulty of the obligor;
ii. Delinquencies in interest or principal payments; and
iii. It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets could be impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

i. Financial assets carried at amortized cost:

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii. Available-for-sale financial assets:

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is re-classified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(h) Inventories

Gold inventory, which consists of gold bullion and gold in circuit, gold-copper concentrate inventory and ore stock pile inventory are stated at the lower of cost and net realizable value. Material and supplies inventory is stated at the lower of average cost and replacement cost.

(i) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they occur.

Effective from the point that they are ready for their intended use, plant and equipment; furniture and equipment; equipment under finance leases; corporate equipment and mineral properties 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, an ore body where a 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. Changes in the estimate of mineral reserves and resources will result in changes to depreciation and will be accounted for on a prospective basis over the remaining life of the operation.

(j) Exploration and development

Acquired mineral properties are recognized at cost, or if acquired as part of a business combination, at fair value at the date of acquisition. Exploration expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. Mineral properties under exploration are reclassified to mineral properties under development when technical feasibility and commercial viability of the property can be demonstrated. Expenditures directly attributable to the development of the property are capitalized.

(k) Mineral properties in development and production

Mineral properties in development and production are classified as property, plant and equipment. The Company assesses each mine development project to determine when a mine has advanced to the production stage. The criteria used to assess the start date are determined based on the nature of each mine development project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when a mine is substantially complete and ready for its intended use and has advanced to the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce materials in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project has advanced into the production stage, the capitalization of certain mine construction costs cease and costs are either included in inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

(l) Impairment of non-financial assets

Property, plant and equipment, including intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are group at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset of CGU, as determined by management). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of income.

At each financial position reporting date the carrying amounts of the Company's assets, including mineral properties under exploration and mineral properties under development, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

An impairment loss, excluding those recognized in goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Other liabilities

Provisions for restructuring costs and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted when the effect is material.

(n) Decommissioning liabilities

The Company recognizes a decommissioning liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Decommissioning liabilities are recognized as incurred. Decommissioning liabilities are discounted using a rate reflecting risks specific to the liability, and the unwinding of the discount is included in finance costs. At the time of establishing the liability, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The liabilities are reviewed on a regular basis for changes in cost estimates, discount rates and operating lives.

(o) Revenue recognition

For the sale of gold-copper concentrate, the revenue recognition criteria are typically met upon notification of payment of the provisional invoice by the buyer. Provisionally priced contracts contain embedded derivatives meeting separate recognition criteria. Sales of gold-copper concentrate are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, assays and metal prices, including provisions where final metal prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded provisionally based on spot prices or average market prices, depending on the sales contract. Subsequent variations to weights, assays and metal prices are recognized in revenue each period end and in the period of final settlement. Refining and treatment charges and freight in respect of certain contracts are netted against revenues from concentrate sales. The Company's revenue is dependent on three contracts with off-take customers, each of whom comprise more than 10% of revenue.

Revenue from gold doré is recognized upon notification of payment from the buyer based on spot prices. Sales of gold doré are based on specific sales agreements and are subject to adjustment upon final settlement of shipment weights, and assays.

(p) Cost of sales

Cost of sales consists of mining costs, which include personnel costs; energy cost (principally diesel fuel and electricity); maintenance and repair costs; operating supplies; external services; costs associated with delivery of the concentrate and doré to the point of sale; an allocation of site general and administrative costs; costs related to royalty expenses for the period; and depreciation and amortization. All costs include any impairment to reduce inventory to net realizable value.

(q) Share-based payments

Directors and senior executives of the Company participate in long-term compensation plans under which they are eligible to purchase or receive Company common shares or the equivalent cash amount. The plans consist of a stock option plan, a restricted share unit plan and a deferred share unit plan.

Awards under the compensation plans are measured at fair value on the date of grant and recorded as compensation expense in the statements of loss over the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. The Company re-assesses, at the end of each reporting period, its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of income.

i. Stock options

As stock option awards are settled in common shares of the Company, the obligations under the stock option plan are included in contributed surplus within shareholders' equity. The fair value of stock options is determined using a Black-Scholes option pricing model.

ii. Restricted share units ("RSUs") and deferred share units ("DSUs")

RSUs and DSUs are settled in cash, and therefore, the obligations under these plans are recorded as a liability. The liability for the cash-settled awards is adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under general and administrative expense. The fair value of RSUs and DSUs is determined based on the quoted market price of Company's common shares at the reporting date.

(r) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is computed using the "treasury stock method". The treasury stock method assumes that all "in the money" option proceeds are used to purchase common shares of the Company at the average market price during the period.

(s) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to the statement of income, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(t) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for its intended use or sale. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

(u) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants related to additions or betterments to property, plant and equipment are recognized as credits against the carrying values of the related assets, and subsequently recognized in net earnings over the useful lives of the related assets as reductions to the resulting depreciation expense.

(v) Future changes to accounting standards

i. IFRS 9 Financial Instruments

In November 2009, the International Accounting Standards Board issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments ("IFRS 9") as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2016.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Company has not yet determined the potential impact the adoption of IFRS 9 will have on its financial statements.

ii. IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13"). IFRS 13, which is to be applied prospectively, is effective beginning with the Company's interim financial statements for the quarter ended December 31, 2013. IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. The Company has assessed the application of IFRS 13 and concluded that the adoption of IFRS 13 will not have a significant impact on its financial statements.

iii. IAS 19 Employee Benefits

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

iv. IAS 36 Impairment of Assets

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets ("IAS 36"). The amendments to IAS 36, which are to be applied retrospectively, are effective beginning with the Company's interim financial statements for the quarter ended December 31, 2014. The amendments to IAS 36 relate to disclosure changes, specifically: (i) removing the requirement to disclose the recoverable value of a CGU when the CGU contains goodwill or long lived intangible assets not currently subject to impairment, (ii) adding a requirement to disclose the recoverable amount of an asset or CGU when an impairment loss is recognized or reversed, and (iii) adding a requirement to disclose how fair value less disposal costs are measured when an impairment loss is recognized or reversed. The Company has not yet determined the potential impact that the adoption of the amendments to IAS 36 will have on its financial statements.

v. IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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

vi. IFRIC 21 Levies

In May 2013, the IASB issued IFRIC 21 Levies ("IFRIC 21"). IFRIC 21 provides guidance on when an obligating event occurs that gives rise to a liability to pay a government levy that is not income tax. IFRIC 21 must be applied retrospectively starting with the Company's interim financial statements for the quarter ended December 31, 2014. The Company has not yet determined the potential impact that the adoption of IFRIC 21 will have on its financial statements.

vii. Other

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, and amended IAS 27 Separate Financial Statements and IAS 28 Associates and Joint Ventures. IFRS 10, 11, and 12 were revised in July 2012 IFRS 10, 12, and IAS 27 were revised in October 2012. The published standards at May 2011 and subsequent amendments in July 2012 are effective for the Company's interim financial statements for the quarter ended December 31, 2013. The amendments issued in October 2012 are effective for the Company's interim financial statements for the quarter ended December 31, 2014. The Company does not believe the changes resulting from these new standards are relevant to its financial statements.

In December 2011, the IASB issued amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures related to offsetting of financial assets and financial liabilities. These amendments are effective for the Company's interim financial statements for the quarter ended December 31, 2014. The Company does not believe the changes resulting from these amendments will have a significant impact on its financial statements.

In May 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement related to the novation of derivatives and hedge accounting. The amendment to IAS 39 is effective for the Company's interim financial statements for the quarter ended December 31, 2014. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

4. Critical accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. For the year ended September 30, 2013, the Company recorded an impairment of $6,273 resulting from the suspension of the operations of EMIPA's Leach-Precipitation-Flotation ("LPF") Plant (see note 14).

(b) Decommissioning liabilities

Management is required to make significant estimates and assumptions in determining the Company's ultimate obligation for decommissioning liabilities. There are numerous factors that will affect the ultimate liability payable including the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Management is also required to apply judgment in determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties.

As at September 30, 2013, the Company had recognized $15,639 of decommissioning liabilities (September 30, 2012 - $7,851). Refer to note 19 – Decommissioning Liabilities.

(c) Depreciation and amortization

In order to determine the amount of depreciation and amortization of property, plant and equipment to be charged to income, management must make estimates of the useful life of the asset and, for the units-of-production method of depreciation, the ore tonnage available for processing for the mineral properties in production or a portion thereof. As at September 30, 2013, the Company had $164,643 (September 30, 2012 - $160,319) of property, plant and equipment subject to depreciation and amortization. Refer to note 13 – Property, Plant, and Equipment.

(d) Share-based payments

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. The fair value of stock options is determined using a Black-Scholes option pricing model, incorporating assumptions regarding interest rates, expected life of the options and expected volatility of the market price of the Company's common shares. These estimates affect the amount recognized as stock-based compensation in the statement of income. For the year ended September 30, 2013 the Company recognized approximately $295 of stock-based compensation expense (September 30, 2012 - $558). Refer to note 24 – Share-based payments.

(e) Warrants

The Company's outstanding warrants are comprised of warrants exercisable upon the exercise of certain outstanding options to purchase common shares of the Company as well as warrants that are exercisable over a period of time. Management is required to make certain estimates when determining the fair value of warrants. The fair value of the warrants are determined using a Black-Scholes pricing model, incorporating assumptions regarding interest rates, expected life of the options and expected volatility of the market price of the Company's common shares. These estimates affect the amount recognized as warrant expense in the statement of income. For the year ended September 30, 2013, the Company recognized approximately $159 for the fair value of exercisable warrants (September 30, 2012 - $167). Refer to note 23 – Share capital and warrants.

(f) Mineral properties

Exploration expenditures are capitalized once management has determined that there is a reasonable expectation of economic extraction of minerals from the property. Management is required to apply judgment in determining the appropriate time to commence capitalization of exploration expenditures.

(in thousands of United States dollars unless otherwise noted)

Management is also required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties under exploration to mineral properties under development.

(g) Income taxes

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. As at September 30, 2013, the Company recognized $20,620 of net deferred tax liabilities (September 30, 2012 - $5,432). Refer to note 22 – Income taxes.

(h) Functional currency

Management applies judgment in assessing the functional currency of its subsidiaries, particularly where labour and mining costs are paid in more than one currency.

5. Mining costs

Mining costs include mine production costs, transport costs, royalty expenses, site administration costs, applicable stripping costs and other related costs, but not the primary mine development costs, incurred at the EVBC Mines, which are capitalized and depreciated over the specific useful life or reserves related to that development. The mining costs for the year ended September 30, 2013 relate to the EVBC and UMZ Mines. The UMZ Mine went into commercial production in January 2012, therefore the mining costs for the year ended September 30, 2012 reflect only nine months of production compared to twelve months of production for the year ended September 30, 2013.

During 2013, the Company reclassified certain transportation and treatment costs previously deducted from revenue in respect of fiscal 2013 and 2012 into direct mining costs. For the year ended September 30, 2012, a deduction of $4,657 was reclassified from revenue into direct mining costs.

For the years ended September 30,		2013		2012
Direct mining costs	$	90,746	$	79,360
Royalties and mining rights (1)		4,829		4,307
Mining royalty taxes (1)		5,488		4,564
Total mining costs	$	101,063	$	88,231

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

6. General and administrative expenses

For the years ended September 30,		2013		2012
Salaries, directors fees and office administration and other	$	8,385	$	6,195
Depreciation		218		205
Stock-based compensation expense		295		558
Warrants		(8)		167
Long-term compensation		(316)		(214)
Foreign exchange		(30)		173
Total general and administrative expenses	$	8,544	$	7,084

(in thousands of United States dollars unless otherwise noted)

7. Other expenses

For the years ended September 30,		2013		2012
Loss on disposal of fixed assets	$	760	$	-
Union payments – EMIPA[1]		1,384		-
Provision for uncollectible VAT – EMIPA[2]		1,387		-
De-recognition of assets – Kinbauri[3]		2,244		-
Miscellaneous other (income) expense		(33)		225
Total other expenses	$	5,742	$	225

(1) During the year ended September 30, 2013, the Company settled with union employees at the UMZ Mine in Bolivia for certain payments in respect of two periods between 2002 and 2012. Payments of $670 and $714 were made in June and July, respectively.

(2) As a result of recently completed audits conducted by the Bolivian National Tax Services with respect to VAT claims, the Company recognized a provision of $1,387 for certain VAT amounts received or receivable that were unaudited by the Bolivian National Tax Services as of September 30, 2013.

(3) An incident occurred at one of the EBVC Mines resulting in material damage to the hoist/shaft system. A fully loaded skip overran the safety interlocks in the head frame, the hoisting rope broke, and the skip dropped to the shaft bottom damaging the loading pocket. The Company has de-recognized a portion of the asset for the estimated cost to repair the damaged components. The repair costs will be capitalized to property, plant and equipment when incurred and any future insurance proceeds will be recorded in other expenses once received.

8. Finance costs

For the years ended September 30,		2013		2012
Interest on credit facilities	$	3,858	$	3,483
Other interest (income) expense		1,445		349
Amortization of financing fees		764		884
Accretion		322		604
Total finance costs	$	6,389	$	5,320

9. Net earnings (loss) per share

For the years ended September 30		2013		2012
Earnings (loss) per share				
Basic and diluted	$	0.24	$	(0.02)
Weighted average number of common shares outstanding – basic		136,604,404		136,521,941
Dilutive effect of stock options		27,508		243,364
Dilutive effect of warrants		20,029		86,268
Weighted average number of common shares outstanding – diluted		136,651,940		136,851,573

10. Cash and cash equivalents

Cash and cash equivalents at September 30, 2013 were $13,039 (September 30, 2012 - $13,200). The terms of a loan agreement (the “EVBC Loan”) with a third-party lender (the “EVBC Lender”) require the deposit of certain amounts of cash generated from operating activities of Kinbauri into restricted cash accounts and also restricts the distribution of cash outside of Kinbauri in certain circumstances. Refer to note 11 – Restricted Cash.

11. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at September 30, 2013 was $16,095 (September 30, 2012 - $16,783), and included restricted cash on deposit with (i) the EVBC Lender for approximately $8,225 (September 30, 2012 - $8,806) for a debt service reserve for future principal and interest loan payments; a potential future reclamation bond payment of €5,000,000 or approximately $6,756 (September 30, 2012 - $6,465); a reserve for future royalty payments of $32 (September 30, 2012 - $884); and €30,000 or approximately $41 on deposit with a local bank as a damage deposit on rental equipment at the EVBC Mines, and (ii) a local Bolivian bank for approximately $1,041 related to labour claims under appeal.

(in thousands of United States dollars unless otherwise noted)

Long-term restricted cash includes approximately $1,744 (September 30, 2012 - $1,616) on deposit with a local bank in favour of the Bolivian government pending the appeal of a value added taxes ("VAT") audit. The VAT audit relates to an audit by the Bolivia National Tax Service, for which EMIPA filed a tax lawsuit in January 2011 before the Bolivian Supreme Court. As of the date of these statements, the matter remains unresolved.

Reclamation bonds

At September 30, 2013, cash backing these reclamation bonds held in a Spanish financial institution is $10,160 (September 30, 2012 - $9,647) and is expected to be released after all reclamation work has been completed. Prior to its acquisition by Kinbauri, the EVBC Mines had been shut down by its then owner and remediation measures required were completed. On Kinbauri's acquisition of the EVBC Mines a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by Kinbauri relating to its tailings facility, with an additional €5,000,000 which may have to be deposited by Kinbauri and which is available for this purpose under restricted cash. Refer to note 26 – Commitments and contingent liabilities.

12. Inventory

As at September 30,		2013		2012
Ore in stockpiles	$	759	$	643
Ore in-process		-		37
Gold doré		1,950		145
Copper concentrates		5,276		2,657
Materials and supplies		9,687		11,414
	$	17,672	$	14,896
Long-term ore in stockpiles (EMIPA oxides)		1,678	$	1,508
	$	19,350	$	16,404

13. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Equipment under finance lease	Mineral properties in production	Mineral properties in exploration and evaluation	Total
Net book value, October 1, 2012	$3,629	$68,728	$1,608	$7,021	$100,432	$16,425	$197,843
Additions	-	12,387	60	-	10,736	3,178	26,361
Capitalized finance fees	-	-	-	-	276	-	276
Capitalized depreciation	-	-	-	-	-	38	38
Disposals[2]	-	(7,858)	-	-	-	-	(7,858)
Depreciation[1]	-	(7,417)	(964)	(852)	(16,604)	-	(25,837)
Net book value, September 30, 2013	$3,629	$65,840	$704	$6,169	$94,840	$19,641	$190,823
Total cost	$3,629	$111,368	$2,068	$8,515	$121,702	$19,641	$266,932
Total accumulated depreciation	-	(45,528)	(1,364)	(2,346)	(26,862)	-	(76,100)
Net book value, September 30, 2013	$3,629	$65,840	$704	$6,169	$94,840	$19,641	$190,823

(in thousands of United States dollars unless otherwise noted)

	Land	Plant and equipment	Furniture and equipment	Equipment under finance lease	Mineral properties in production	Mineral properties in exploration and evaluation	Total
Net book value, October 1, 2011	$2,587	$64,776	$1,610	$7,873	$99,094	$11,628	$187,568
Additions	1,042	9,567	203	-	16,951	4,797	32,560
Government grant	-	-	-	-	(6,459)	-	(6,459)
Depreciation(1)	-	(5,615)	(205)	(852)	(9,154)	-	(15,826)
Net book value, September 30, 2012	$3,629	$68,728	$1,608	$7,021	$100,432	$16,425	$197,843
Total cost	$3,629	$112,858	$2,008	$8,515	$110,690	$16,425	$254,125
Total accumulated depreciation	-	(44,130)	(400)	(1,494)	(10,258)	-	(56,282)
Net book value, September 30, 2012	$3,629	$68,728	$1,608	$7,021	$100,432	$16,425	$197,843

(1) Depreciation includes amounts included in inventory.
(2) Disposals include the impairment charge of $4,715 relating to the discontinuance of the EMIPA LPF Plant as disclosed in note 14, the de-recognition of a portion of the hoist at one of the EVBC Mines of $2,244 as disclosed in note 7 and the write-off of miscellaneous assets of $899 from EMIPA and the EVBC Mines.

Mineral properties in production

(a) UMZ Mine (Bolivia)

Through its wholly-owned subsidiary, EMIPA, the Company owns and operates the UMZ Mine. The UMZ Mine is part of the Don Mario District comprising ten mineral concessions located in south eastern Bolivia.

The Company developed the UMZ Mine as an open pit copper-gold-silver deposit. Certain previously installed mine equipment is being utilized for the UMZ Mine. Commercial production commenced on January 1, 2012.

(b) EVBC Mines (Spain)

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

The EVBC mineral properties in production were reduced by $6,459 (€4,995,378) with respect to a government subsidy grant, recorded during the fourth quarter of fiscal 2012. This grant was awarded by the Economic Development Institute of the Principality of Asturias for business projects generating employment that promote alternative development of mining areas for the periods of 2007 through 2012. Kinbauri has completed the required investment and has submitted its application for the receipt of this grant. The first payment was received in January 2013 for €1,399,706 and subsequent to September 30, 2013, the Company received a second payment of €1,098,983. The remainder of the grant receivable is collectable by Kinbauri over a two year period from the Spanish government in respect of the completed development of the EVBC Mines.

(in thousands of United States dollars unless otherwise noted)

Mineral properties in exploration and evaluation

Copperwood Project (Michigan, USA)

The Company is currently evaluating the Copperwood Project in Michigan and the costs associated with this evaluation are included in mineral properties under exploration and evaluation. Orvana Resources, entered into mineral leases within the "Western Syncline" which is located in the Upper Peninsula of the State of Michigan. Under the mineral leases, in consideration for annual lease payments, Orvana Resources will have mineral rights until the later of the 20th anniversary of the date of the lease or the date Orvana Resources ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by Orvana Resources on 60 days' notice.

Orvana Resources also entered into an agreement on August 23, 2010 to purchase land adjacent to the Copperwood Project to facilitate road access to the site and additional space for mining infrastructure. The purchase price was $1,900 which was fully paid at September 30, 2012.

14. Impairment charge

During the year ended September 30, 2013, the Company wrote down property, plant and equipment of $4,715 and consumable inventory of $1,558 as a result of the suspension of EMIPA's LPF operations. The recoverable amount represents the Company's estimate of fair value less costs to sell.

15. Accounts payable and accrued liabilities

As at September 30,		2013		2012
Accounts payable	$	21,525	$	23,591
Provision for debenture conversion (note 8)		-		3,132
Accrued liabilities		4,680		8,150
Total accounts payable and accrued liabilities	$	26,205	$	34,873

16. Bank debt

EMIPA has short-term credit facilities with certain Bolivian banks for up to approximately $10,000 payable in 60 to 180 days from the date of advance with annual interest rates ranging from 6.5% to 7.5%. Certain of EMIPA's assets are pledged as security against these loans. As at September 30, 2013, approximately $9,856 (September 30, 2012 - $7,581) was drawn under these facilities.

In addition, at September 30, 2013, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $465 (September 30, 2012 - $633), related to refunded amounts of VAT and natural gas and chemical purchases. The bank guarantees on the VAT credit notes expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. EMIPA also has provided guarantees for the purchase of natural gas from government suppliers that are for one year and are renewed annually and would only be executed by the government suppliers if EMIPA failed to pay the invoices related to these purchases.

17. Short-term and Long-term debt

Short-term debt

The Company has a secured loan facility (the "Fabulosa Loan") with Fabulosa Mines Limited, the Company's 51.9% shareholder, in the amount of $11,500. The Company has used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate per annum of 12% and is payable monthly and the Company pays withholding taxes imposed by applicable taxing authorities. During the second quarter of fiscal 2013, the repayment terms were amended and principal amounts outstanding under the Fabulosa Loan were required to be repaid in the minimum amount of $1,000 per month commencing on June 1, 2013. The Fabulosa Loan also contains covenants that, among other things, require principal repayment in the event of the sale of certain assets. The Company repaid $3,000 of the outstanding principal of this loan in June and August, representing its principal repayments for June, July, and August and the outstanding balance of the loan at September 30, 2013 was $2,731 (September 30, 2012 - $4,141).

The Fabulosa Loan was subsequently amended in the fourth quarter of fiscal 2013. The availability period was extended from August 31, 2013 and the maturity period was extended from December 31, 2013 until September 30, 2014. Principal amounts outstanding under the Fabulosa Loan are now required to be repaid in the minimum amount of $500 per month commencing on April 1, 2014, compared to $1,000 per month prior to this amendment, provided that the entire principal and interest will be repaid by September 30, 2014. In connection with such extension and amendment, the Company agreed to issue warrants to purchase 500,000 common shares of the Company, exercisable for five years at an exercise price of C$0.49. Refer to note 23 – Share capital and warrants.

The Fabulosa Loan is secured by, among other things, a general security assignment over present and future assets of Orvana excluding Kinbauri. The Company has entered into an agreement with Fabulosa pursuant to which, for so long as it owns at least 10% of the outstanding common shares of the Company, Fabulosa has the right to designate, at any shareholders' meeting at which directors are to be elected, that number of management's nominees for election as directors of the Company that is the same proportion as its ownership interest of the outstanding common shares of the Company.

Long-term debt

In October 2010, Kinbauri entered into the $50,000 five-year term EVBC Loan. The funds were primarily used to complete the construction of the EVBC Mines. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844 including $6,500 (€5,000) currently held in restricted cash to fund an environmental bond which may be required to be posted with governmental authorities in Spain. To the extent that the environmental bond is less than $6,500, these funds may be used for general corporate purposes.

The EVBC Loan contains covenants that restrict, among other things, Orvana's ability to incur additional indebtedness and make distributions in certain circumstances, to sell material assets or to carry on business other than one related to the mining business. Prior to September 30, 2013, the Company obtained waivers with respect of compliance with certain financial covenants and compliance with certain environmental non-compliance matters. The Company is currently negotiating certain amendments to the EVBC Loan.

The EVBC Loan required gold, copper and Euro/US dollar derivative instruments which have already been put in place. Refer to Note 20 – Derivative Instruments. Orvana is required to maintain certain financial ratios, of which their calculations exclude the unrealized adjustments resulting from the mark-to-market of the metals and currency derivative instruments required under the terms thereof. The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri's obligations under the EVBC Loan are subject to an unsecured guarantee from Orvana. The interest on the EVBC Loan is Libor plus 4% per annum and management expects the cost of the EVBC Loan, including fees but excluding the costs associated with the required derivative instruments, to average approximately 5% to 6% per annum, based on current interest rates.

The balance outstanding at September 30, 2013 was $48,433 (September 30, 2012 - $60,438). During fiscal 2013, $14,367 was paid in principal and interest on this loan and the Company placed on deposit the next two quarter's principal and interest payments of $8,225 as restricted cash. Subsequent to the end of the year on October 2, 2013, the Company repaid $3,403 in principal and interest against this loan from the amount included in restricted cash at September 30, 2013. The total annual principal repayment required in each fiscal year ending September 30, expressed as a percentage of the total amount of the EVBC Loan are: 2014-23.3%; 2015-27.6%; and 2016-25.1%.

(in thousands of United States dollars unless otherwise noted)

Minimum long-term debt repayments are as follows:

As at September 30,		2013		2012
2013	$	-	$	11,917
2014		14,844		14,843
2015		17,637		17,637
2016		15,952		16,041
		48,433		60,438
Less: current portion		(14,844)		(11,917)
		33,589		48,521
Financing fees		(2,378)		(3,815)
Total long-term debt	$	31,211	$	44,706

Cash interest paid for the year ended September 30, 2013 was $3,912 (year ended September 30, 2012 - $3,839).

Subsequent to September 30, 2013, the Company repaid $3,403 of principal and interest under the EVBC Loan.

18. Obligations under finance leases

During fiscal 2010 and fiscal 2011, the Company entered into leases with three-year terms to purchase certain mining equipment at a total cost of approximately $8,515 including deposits of $2,255 paid at the time of purchase. The leases are repayable in quarterly instalments at annual interest rates of 5.5% to 6.6%. At September 30, 2013, the obligation outstanding was $627 (September 30, 2012 - $2,044). During the year ended September 30, 2013, the Company made lease payments of approximately $1,372 (September 30, 2012 - $1,598). Each lease contract contains a bargain purchase option of €10 per contract.

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

As at September 30,			2013		2012
Fiscal	2013	$	-	$	1,550
	2014		635		565
			635		2,115
Amount representing interest at 5.95%			(8)		(71)
			627		2,044
Less: current portion			(627)		(1,486)
Total long-term obligations under finance leases		$	-	$	558

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

19. Decommissioning liabilities

Decommissioning liabilities relate to the dismantling of the mine facilities and environmental reclamation of the areas affected by mining operations. Mine facilities include structures and the tailings dam. Environmental reclamation requirements include mine water treatment, reforestation and dealing with soil contamination. It is possible that the Company’s estimates of the ultimate amounts required to decommission its mines could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

(in thousands of United States dollars unless otherwise noted)

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

As at September 30,		2013		2012
Balance, beginning of period	$	7,851	$	7,900
Revision in estimated cash flows, timing of payments and discount rates				
– EVBC Mines		6,649		(1,383)
– UMZ Mine		817		730
		15,317		7,247
Accretion expense		322		604
Total decommissioning liabilities	$	15,639	$	7,851

For the EVBC Mines, the revision in estimated cash flows includes the impact of the change in discount rate, the additional expected remediation costs related to the tailings dam, the inclusion of certain costs for remediation activities in respect of which the EVBC Mines have provided a reclamation bond to Spanish authorities fully cash-backed (see Note 11 – Restricted cash and reclamation bonds), and the impact of the foreign exchange rate of Euros versus the US dollar.

For the UMZ Mine, the revision in estimated cash flows includes the impact of the change in discount rate as well as the impact of the shorter expected mine life.

The decommissioning liability balance consists of:

As at September 30,		2013		2012
EVBC Mines	$	10,562	$	3,691
UMZ Mine		5,077		4,160
Total decommissioning liabilities	$	15,639	$	7,851

As at September 30, 2013, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mines(1)	$	15,938	4.2%	$	10,562
UMZ Mine		5,556	2.0%		5,077
Total	$	21,494		$	15,639

(1) Accretion expense is recorded using the discount interest rates set out above. It is expected that these amounts will be incurred in 2016 through 2026 in respect of the UMZ Mine and the EVBC Mines. The discount rate used to measure decommissioning liabilities under IFRS is based on current interest rates of government bonds of the applicable country and of term that matches the time period to the commencement of the decommissioning liability being incurred.

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately $10,160 at September 30, 2013 (September 30, 2012 - $9,674) and is expected to be released after all reclamation work has been completed. Refer to note 11 – Restricted cash and reclamation bonds.

20. Derivative instruments

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

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

The gain resulting from the mark-to-market fair valuation of these contracts for the year ended September 30, 2013 was $42,140 (a loss at September 30, 2012 - $26,095). The related deferred income tax expense on the unrealized gains for the year ended September 30, 2013 was $12,642 (recovery at September 30, 2012 - $7,829). The Company recorded losses for the cash settlement of contracts that matured during the year ended September 30, 2013 of $1,155 (losses at September 30, 2012 – $5,102).

For the year ended September 30,		2013		2012
Change in unrealized fair value during the period	$	(43,295)	$	20,993
Realized (gain) loss on cash settlements of derivative instruments		1,155		5,102
Derivative instruments (gain) loss	$	(42,140)	$	26,095

As at September 30, 2013, derivative instruments included in the balance sheet are comprised of:

Derivative instrument assets	Spot Rate/Price	Contract Rate/Price	Average Forward Rate/Price		Fair Value
Gold forwards	$1,336/oz	$1,334/oz	$1,332/oz	$	35
Gold collars	$1,336/oz	-	-		11,618
Total fair value of derivative instruments assets				$	11,653
Less: current portion					4,519
Total non-current derivative instruments assets				$	7,134

Derivative instrument liabilities	Spot Rate/Price	Contract Rate/Price	Average Forward Rate/Price		Fair Value
Currency contracts (EUR/USD)	$1.35	$1.38	$1.36	$	1,135
Copper forwards	$7,291/tonne	$7,260/tonne	$7,350/tonne		552
Total fair value of derivative instruments liabilities				$	1,687
Less: current portion					672
Total non-current derivative instruments liabilities				$	1,015

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

As at September 30,	2013	2012
Gold forwards:		
Ounces	21,093.75	30,468.75
Price per ounce	$1,333.70	$1,333.70
Copper forwards:		
Tonnes	6,322.25	9,825.75
Price per tonne	7,260.00	7,260.00
Price per pound	$3.29	$3.29
US dollar/Euro forwards:		
Amount in US ($ 000's)	45,000	65,000
Contracted average Euro/US dollar exchange rate	$1.38	$1.38

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

As at September 30,	2013	2012
Gold puts (October 2012 to September 2015):		
Ounces	38,400	57,600
Price per ounce	$1,550.00	$1,550.00
Gold calls (October 2012 to September 2015):		
Ounces	38,400	57,600
Price per ounce	$1,855.00	$1,855.00
Gold puts (October 2015 to September 2016):		
Ounces	19,200	19,200
Price per ounce	$1,250.00	$1,250.00
Gold calls (October 2015 to September 2016):		
Ounces	19,200	19,200
Price per ounce	$2,270.00	$2,270.00

(in thousands of United States dollars unless otherwise noted)

21. Statutory labour obligations

Under Bolivian law, EMIPA has an obligation to make payments to employees in the amount of one month's wages for each year of service. The employee can elect to receive payment after five years of service in the amount of five months of wages while continuing employment with EMIPA. At September 30, 2013, the obligation outstanding for these payments was $2,376 (September 30, 2012 - $2,832). This obligation was actuarially valued to determine the present value of the future payments on this obligation using the projected unit credit method, taking into consideration employee turnover; historical record of employees cashing out; projected salary increases of 3.59%; and a discount rate of 4.5%.

22. Income tax

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

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

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

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

For the year ended September 30,		2013		2012
Current income taxes:				
Current tax on income for the year	$	4,452	$	5,717
Total current income taxes		4,452		5,717
Deferred income tax:				
Origination and reversal of temporary differences in Kinbauri		14,788		(3,582)
Total deferred income taxes (recoveries)		14,788		(3,582)
Total income taxes	$	19,240	$	2,135

(in thousands of United States dollars unless otherwise noted)

The tax on the Company's income before tax differs from the amount that would arise using the Canadian statutory income tax rate applicable to income of the consolidated entities as follows:

For the year ended September 30,		2013		2012
Income (loss) before income taxes	$	51,863	$	(218)
Statutory income tax rates		26.5%		26.5%
Income tax provision calculated using the combined Canadian federal and provincial statutory income tax rates		13,744		(58)
Tax effects of:				
Higher foreign tax rates		2,144		1,088
Non-deductible expenses		378		792
Tax deductions not recognized		2,974		313
Income tax expense	$	19,240	$	2,135

The sources of deferred income tax assets and liabilities were as follows:

For the year ended September 30,		2013		2012
Deferred tax assets:				
Tax loss carry forwards	$	8,195	$	7,148
	$	8,195	$	7,148
Deferred tax liabilities:				
Property, plant and equipment	$	(28,815)	$	(12,580)
Deferred tax liabilities		(28,815)		(12,580)
Deferred tax liabilities (net)	$	(20,620)	$	(5,432)

At September 30, 2013, the Company has non-capital losses of $21,378 (2012 - $20,372) that expire over the periods of 2026 to 2033 and other deductible temporary differences of $810 (2012 - $1,778). EMIPA has deductible temporary differences of $14,512 (2012 - $6,445). The Company has not recognized the benefit of these items in the financial statements. Deferred tax of $3,072 has not been provided on the unremitted earnings of foreign subsidiaries, for which the Company can control the timing of the remittance and from which it is probable that there will be no remittance in the foreseeable future.

All deferred tax assets and liabilities are expected to settle after September 30, 2014.

The movement of the deferred income tax account is as follows:

For the year ended September 30,		2013		2012
At October 1	$	5,432	$	8,634
Charge to the statement of income		14,788		(3,582)
Exchange differences		400		380
At September 30	$	20,620	$	5,432

Cash taxes paid for the year ended September 30, 2013 totaled $6,792 (September 30, 2012 - $167).

(in thousands of United States dollars unless otherwise noted)

23. Share capital and warrants

The Company's authorized capital stock contains an unlimited number of common shares.

A summary of our capital stock transactions is as follows:

	Number of common shares		Stated Value
Balance, October 1, 2011	136,323,171	$	115,930
Exercise of stock options	250,000		147
Transfer of fair value from contributed surplus	-		71
Balance, September 30, 2012	136,573,171	$	116,148
Exercise of stock options	50,000		36
Transfer of fair value from contributed surplus	-		22
Balance, September 30, 2013	136,623,171	$	116,206

Warrants

During 2011, the Company issued to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. The warrants will be exercisable only upon the issuance of, and in numbers equal to the number of common shares issuable upon the exercise of any of Orvana's outstanding stock options as of May 16, 2011. On September 6, 2011 the Company issued the first tranche of 1,300,000 warrants with an exercise price of C$1.90 with the second tranche of 1,425,000 warrants issued on March 5, 2012 with an exercise price of C$0.97. At September 30, 2013, 450,000 stock options were exercised that were outstanding as of May 16, 2011 and accordingly 450,000 warrants were exercisable.

During August 2013, the Company, as part of its amendment of the Fabulosa Loan, issued to Fabulosa warrants to purchase an additional 500,000 common shares at a purchase price of C$0.49 until August 9, 2018. Refer to note 17 – Short-term and long-term debt.

Warrants outstanding were valued using the Black-Scholes model and $159 was accrued at September 30, 2013 (September 30, 2012 – $167).

24. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C$
Balance, October 1, 2011	2,575,000	$1.97
Granted	1,641,667	0.93
Exercised	(250,000)	0.60
Expired	(25,000)	0.69
Forfeited	(489,998)	1.50
Balance, September 30, 2012	3,451,669	$1.66
Granted	550,000	$1.01
Exercised	(50,000)	0.75
Expired	(880,002)	1.30
Forfeited	(199,998)	0.94
Balance, September 30, 2013	2,871,669	$1.68

Stock options have been expensed as follows:

	Cumulative expense to September 30, 2013	Remainder to be expensed	Total stock-based compensation
Stock-based compensation expense	$ 3,732	$ 120	$ 3,852

As at September 30, 2013, outstanding and exercisable stock options were as follows:

Grant date	Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
March 5, 2009	$ 40	-	0.43	150,000	$ 0.64	March 4, 2014
October 23, 2009	65	-	1.06	150,000	0.88	October 23, 2014
February 26, 2010	61	-	1.41	125,000	1.01	February 26, 2015
May 17, 2010	12	-	1.63	20,000	1.31	May 17, 2015
December 10, 2010	1,218	-	2.19	710,000	3.65	December 10, 2015
April 1, 2011	163	-	2.50	100,000	3.01	April 1, 2016
December 20, 2011	218	41,667	3.22	375,000	1.03	December 20, 2016
March 28, 2012	129	83,334	3.49	208,333	0.88	March 28, 2017
June 1, 2012	142	99,998	3.67	216,669	0.86	June 1, 2017
August 30, 2012	4	-	3.92	8,334	0.92	August 30, 2017
September 1, 2012	16	-	0.25	33,334	0.86	September 1, 2017
October 2, 2012	46	66,666	4.01	33,334	0.93	October 2, 2017
March 7, 2013	141	166,666	4.44	83,334	1.02	March 7, 2018
March 29, 2013	107	133,334	4.50	66,666	1.05	March 29, 2018
	$ 2,362	591,665	2.86	2,280,004		
Total vested and unvested stock options				2,871,669		

The Company uses the fair value method of accounting for stock options and, during the year ended September 30, 2012, recognized stock-based compensation expense of $295 (September 30, 2012 - $558).

The fair value of the options granted during the year ended September 30, 2013 were estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date:	March 29, 2013	March 7, 2013	October 2, 2012
Options granted:	200,000	250,000	100,000
Exercise price (C$ per share)	$1.05	$1.02	$0.93
Risk-free interest rate:	1.21%	1.25%	1.22%
Expected life in years:	5.00	5.00	5.00
Expected volatility:	59.6%	59.4%	59.4%
Expected dividend yield:	Nil	Nil	Nil
Expected forfeiture rate	10%	10%	10%
Fair value per option granted C$	$0.54	$0.58	$0.45
Weighted average grant date fair value US$000's	$107	$141	$46

The compensation expense associated with the stock options for the year ended September 30, 2013 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (2012 - 10%).

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

As at September 30, 2013, the fair value associated with unvested options is $300 (September 30, 2012 - $852).

(in thousands of United States dollars unless otherwise noted)

(b) Long-term compensation

(i) DSU plan

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

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

	Number of DSUs		Fair value
October 1, 2011	216,586	$	317
Issued	66,710		103
Redeemed	(56,897)		(50)
Gain on redemptions	-		(37)
Mark-to-market adjustment	-		(128)
Less current portion	(130,807)		(118)
Balance, September 30, 2012	95,592	$	87
Issued	59,480		54
Redeemed	(56,897)		(51)
Mark-to-market adjustment	-		(47)
Changes in current portion	14,465		6
Balance, September 30, 2013	112,640	$	49

(ii) RSU plan

The Company established a RSU plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008, with awards made as determined by the Board of Directors of the Company. RSUs are settled in cash and are valued using the market value of the underlying common shares of the Company at the grant date. The fair value of the RSUs is marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are recorded in long-term compensation expense under general and administrative expenses.

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

	Number of RSUs		Fair Value
Balance October 1, 2011	476,372	$	733
Issued	200,984		324
Redeemed	(323,684)		(380)
Gain on redemptions	-		(109)
Forfeited	(43,627)		(67)
Mark-to-market adjustment	-		(220)
Less current portion	(215,251)		(195)
Balance, September 30, 2012	94,794	$	86
Issued	314,485		284
Redeemed	(53,481)		(48)
Forfeited	(147,433)		(132)
Mark-to-market adjustment	-		(98)
Changes in current portion	(12,679)		(6)
Balance, September 30, 2013	195,686	$	86
Balance, September 30, 2013 – Long-term compensation ((i) DSUs and (ii) RSUs)		$	135

(in thousands of United States dollars unless otherwise noted)

25. Compensation of key management

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

For the years ended September 30,		2013		2012
Salaries and short term employee benefits	$	1,902	$	1,726
Share-based payments(1)		71		344
Termination benefits(2)		340		320
Total compensation of key management	$	2,313	$	2,390

(1) Share-based payments include the mark-to-market adjustments on RSUs and DSUs.
(2) For the year ended September 30, 2013, termination benefits include contractual severance payments for two officers of the Company who ceased to be employees of the Company.

26. Commitments and contingent liabilities

(a) The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations may change and are generally becoming more restrictive. The Company records provisions for decommissioning liabilities based on management's estimate of such costs. These estimates are, however, subject to changes in laws and regulations.

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

(c) On June 27, 2011, as a condition of operating an environmental permit on that date, the Government of the Principality of Asturias, required the Company to commit to post an additional reclamation bond in the amount of €10,000,000 (approximately $13,505). The Company deposited €5,000,000 (approximately $6,756) in September 2011 with a local bank in favour of the Spanish regulatory authorities and may have to deposit another instalment of €5,000,000 (approximately $6,756) which the Company is challenging based on technical considerations. The Company has such funds available as restricted cash in the event that it has to meet this potential obligation.

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

As the rate of production from the EVBC Mines was less than a specified amount within the 2012 calendar year, the royalty holder exercised its conversion right under the debenture in respect of the outstanding principal amount of the debenture at December 31, 2012. The royalty holder converted the debenture resulting in the “EVBC Debenture Conversion Amount” of $3,105 (recorded at September 30, 2012 at $3,132). The Company is financing the EVBC Debenture Conversion Amount at a rate of 12% over six equal installments commencing on January 31, 2013 and ending on June 30, 2013. As of June 30, 2013, this amount had been repaid.

In addition, as the aggregate amount paid as at December 31, 2012 under the EVBC Royalty was less than C$7,500,000, the royalty holder exercised its right for a required pre-payment of future EVBC Royalty payments. The prepayment amount is based on the C$7,500,000 less the royalty payments made to December 31, 2012. This pre-payment right is being financed until July 1, 2014 at a rate of 12%, with all royalty payments made between January 1, 2013 and December 31, 2013 serving to reduce such amount. To the extent that any pre-payment is due and paid on July 1, 2014, it will serve to reduce future royalty payments. Royalty expense under this NSR reducing the pre-payment amount was $3,059 for the year ended September 30, 2013 ($2,471 for the year ended September 30, 2012).

(in thousands of United States dollars unless otherwise noted)

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

(f) Production from the UMZ Mine is subject to a 3% NSR royalty payable to a third party quarterly. Royalty expense under this NSR totaled $1,553 for fiscal 2013 (2012 - $1,634). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the UMZ Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $5,488 for fiscal 2013 (2012 - $4,564).

(g) Minerals leases entered into by Orvana Resources are subject to quarterly NSR royalty payments and will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. The mineral leases may be terminated by Orvana Resources on 60 days' notice.

(h) On June 16, 2013, an incident occurred at one of the EVBC Mines resulting in material damage to the hoist/shaft system. A fully loaded skip overran the safety interlocks in the head frame, the hoisting rope broke, and the skip dropped to the shaft bottom damaging the loading pocket. The Company is committed to approximately $4,100 for the reconstruction and upgrade of the hoist, with approximately $1,116 spent during the quarter ended September 30, 2013.

(i) The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Company's financial position, results of operations or cash flows. The Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse effect.

27. Segmented information

The Company primarily operates in the gold and copper mining industry and its major products are gold doré and gold and copper concentrates. Its activities include gold and copper concentrate production and exploration and development of gold and copper properties. The Company's primary mining operations are EMIPA in Bolivia, the EVBC Mines in Spain and the Copperwood project in the United States. The reported segments are those operations whose operating results are reviewed by the Chief Executive Officer and that pass certain quantitative measures. Operations whose revenue, earnings or losses or assets exceed 10% of the total consolidated revenues, earnings or losses, or assets are reportable segments. The Company has administrative offices in Toronto, Canada; Stockholm, Sweden; and Nicosia, Cyprus. The following tables set forth the information by segment:

As at September 30, 2013:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets(1)	Total assets
EMIPA	$ 4,393	$ 24,929	$ 2,786	$ 23,959	$ 56,067
Kinbauri(1)	6,655	143,834	25,213	32,312	208,014
Copperwood	158	21,714	-	17	21,889
Canada and other	1,833	346	-	189	2,368
	$ 13,039	$ 190,823	$ 27,999	$ 56,477	$ 288,338

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

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2012:

		Cash and cash equivalents		Property, plant and equipment		Reclamation bonds and restricted cash		Other assets		Total assets
EMIPA	$	3,146	$	32,659,	$	1,616	$	30,410	$	67,831
Kinbauri		3,952		146,102		26,430		16,281		192,765
Copperwood		75		18,521		-		-		18,596
Canada and other		6,027		561		-		354		6,942
	$	13,200	$	197,843	$	28,046	$	47,045	$	286,134

For the year ended September 30, 2013:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs(3)		Income (loss) before taxes
EMIPA	$	59,890	$	38,196	$	5,395	$	-	$	11,754	$	4,545
Kinbauri		102,309		62,867		18,470		(42,140)		7,842		55,270
Copperwood		-		-		-		-		79		(79)
Canada and other		-		-		218		-		7,655		(7,873)
	$	162,199	$	101,063	$	24,083	$	(42,140)	$	27,330	$	51,863

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 5 – Mining costs.
(2) Depreciation is included under General and Administrative expenses for non-operating companies.
(3) Other costs include: (i) under EMIPA, the provision for union payments of $1,384; the provision for uncollectible VAT of $1,387; and the impairment charge of $6,273, and (ii) under Kinbauri, the de-recognition of assets related to the damaged hoist of $2,244. Refer to note 7 – Other expenses.

For the year ended September 30, 2012:

		Revenue		Mining costs(1)		Depreciation Amortization(2)		Derivative instrument loss		Other costs		Income (loss) before taxes
EMIPA	$	62,824	$	40,105	$	3,263	$	-	$	2,396	$	17,060
Kinbauri		82,750		48,126		11,754		26,095		3,281		(6,506)
Copperwood		-		-		-		-		622		(622)
Canada and other		-		-		205		-		9,945		(10,150)
	$	145,574	$	88,231	$	15,222	$	26,095	$	16,244	$	(218)

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

28. Financial instruments and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in to the fair value hierarchy based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value options contracts.
- Level 3 - Inputs for the asset or liability that are based on unobservable market data (supported by little or no market data or other means).

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
Financial assets:				
Derivative instruments	-	11,653	-	11,653
Total	$ -	$ 11,653	$ -	$ 11,653
Financial liabilities:				
Derivative instruments	-	$ 1,687	$ -	$ 1,687
Long-term compensation	135	-	-	135
Warrants	-	159	-	159
Total	$ 135	$ 1,846	$ -	$ 1,981

Valuation techniques for Level 2 financial instruments:

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

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

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

At September 30, 2013 and September 30, 2012, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes, other receivables and prepaids; bank debt; accounts payable and accrued liabilities; short-term debt; and obligations under finance leases are approximate their fair value due to their short-term maturities.

The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. Refer to note 17 – Short-term and long-term debt.

Financial Risks Factors

The Company's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk, and commodity price risk), credit risk and liquidity risk. Enterprise risk management is carried out by management 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 reviews management's risk management programs and provides oversight on specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Currency risk

Orvana's functional currency is the US dollar. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Currency risk arises when future recognized assets or liabilities are denominated in a currency that is not the Company's functional currency and may impact the fair values thereof or future cash flows of the Company's financial instruments. Exchange rate fluctuations may also affect the costs that the Company incurs in its operations. The Company does hedge a portion of its foreign currency exposure as a requirement under the EVBC Loan.

For the outstanding US Dollar/Euro hedge contracts at September 30, 2013, if the forward rates of the US dollar against the Euro weakened or strengthened by 10%, than those used in the US dollar/Euro derivative instrument loss calculation while all other variables remained constant, the Company's net income for the year would have been $3,071 higher or lower as a result of changes in the fair value of the US dollar/Euro forward contracts.

(ii) Price risks

The Company is primarily exposed to gold and copper commodity price risk. The Company, in accordance with the requirements of the EVBC Loan, has hedged a portion of its gold and copper production which facilitates the management of certain of its price risk.

Gold prices

The net income of $32,156 for the 2013 fiscal year would be impacted by changes in average realized gold prices on gold ounces sold. A 10% increase/decrease in average realized gold prices would affect the net income by an increase/decrease of approximately $7,333. This excludes the impact of changes in the mark-to-market of outstanding gold forward contracts.

For the outstanding gold forward contracts at September 30, 2013, if the forward market prices of gold had been 10% lower or higher than those used in the gold forward derivative gain calculation while all other variables remained constant, the net income for the year would have decreased or increased by $1,967 as a result of changes in the fair value of these outstanding gold forward contracts.

At September 30, 2013, if the forward market prices of gold had been 10% lower than those used in the gold collar derivative gain calculation while all other variables remained constant, the net income for the year would have increased by approximately $13,194 as a result of changes in the fair value of these outstanding gold collar contracts. If the forward market prices of gold had been 10% higher than those used in the gold collar derivative gain calculation while all other variables remained constant, the net loss for the year would have decreased by approximately $10,835 as a result of changes in the fair value of these outstanding gold collar contracts.

Copper prices

The net income of $32,156 for the 2013 fiscal year would be impacted by changes in average realized copper prices. A 10% increase/decrease in average realized copper prices would affect net income by an increase/decrease of approximately $3,554. This excludes the impact of changes in the mark-to-market of outstanding copper forward contracts.

For the outstanding copper forward contracts at September 30, 2013, if the forward market prices of copper had been 10% lower or higher than those used in the derivative loss calculation while all other variables remained constant, the net income for the year would have decreased or increased by $3,252 as a result of changes in the fair value of these copper forward contracts.

(iii) Interest rate risk

The Company's cash flow interest rate risk arises from short and long-term borrowings. During fiscal 2013 and 2012, a significant portion of the Company's borrowings and investments were at variable rates. The EVBC Loan is the most significant loan and is based on Libor plus 4%.

At September 30, 2013, if interest rates had been 10 basis points higher/lower with all other variables held constant, the net income for the year would have been $36 lower/higher, primarily as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to gold-copper concentrate, gold doré sales and value-added tax receivables and a government subsidy receivable from the Spanish government in connection with the completed development of the EVBC Mines. The Company has a concentration of credit risk with three customers to which gold-copper concentrate and gold doré are sold under agreements and who provide provisional payments to the Company upon each shipment to the customer. These institutions are international and are large with strong credit ratings. Value-added taxes receivables are collectable from the Bolivian and Spanish governments. Management believes that the credit risks with respect to financial instruments attributable to concentrate and gold sales receivable and value-added taxes receivable is minimal. The government subsidy receivable is collectible by the Company over a one year period from the Spanish government.

The Company has entered into its derivative instruments pursuant to the EVBC Loan with one counterparty that is a large international financial institution with a strong credit rating.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the Company and aggregated at the Orvana corporate level to monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing and compliance with debt covenants among other factors.

As at September 30, 2013, the Company had (i) cash and cash equivalents of $13,039, (ii) restricted cash of $16,095 designated to cover a portion of the Company's commitments due in less than one year, including two quarters of principal and interest payments under the EVBC Loan and the reclamation bond for the EVBC Mines which may have to be deposited; and (iii) $8,769 available to be drawn down under the Fabulosa Loan. The Company expects to meet the remainder of its contractual obligations due in less than one year from cash flow from operating activities. In fiscal 2013, the Company generated cash flow from operating activities of $32,569 and cash flow from operating activities before changes in non-cash working capital of $38,685.

If unanticipated events occur that may impact the operations of the EVBC Mines and the UMZ Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on Orvana's results of operations or financial condition.

Surplus cash held by the operating entities over and above balances required for working capital management are invested in interest bearing short-term deposits.

(in thousands of United States dollars unless otherwise noted)

(d) Financing risk

Financing risk is the risk that if unanticipated events occur that may impact the operations of the EVBC Mines and the UMZ Mine and/or if the Company does not have adequate access to financing on terms acceptable to the Company, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated.

29. Capital management

At September 30, 2013, the Company had cash and cash equivalents of $13,039, restricted cash of $17,839 including $8,225 set aside for debt repayment and $8,769 available to be drawn down under the Fabulosa Loan; and total debt of $61,020. The Company considers its capital employed to consist of shareholders' equity (including share capital, contributed surplus and retained earnings), total debt and obligations under finance leases, net of cash and cash equivalents as follows:

As at September 30,		2013		2012
Shareholders' equity	$	158,768	$	125,814
Bank debt[(1)]		9,856		7,581
Short-term debt[(1)]		2,731		4,171
Long-term debt[(1)]		48,433		60,438
Obligations under finance leases		627		2,044
		220,415		200,048
Less: Cash and cash equivalents		(13,039)		(13,200)
	$	207,376	$	186,848

(1) Bank debt represents various credit facilities associated with the UMZ Mine. Short-term debt represents the Fabulosa Loan. Long-term debt represents the EVBC Loan. The Company's recorded long-term debt under the EVBC Loan at September 30, 2013 was $31,211 and the current portion thereof was $14,844 for a total of $46,055. This represents the balance outstanding under the EVBC Loan at September 30, 2013 of $48,433 net of financing fees.

The Company's financial objective when managing capital is to make sure 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 sell assets to reduce debt.

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, adjustments to capital spending, or sale of assets. 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 EVBC Mines, the UMZ Mine and the Copperwood Project. Information is regularly provided to the board of directors of the Company.