ORVANA

MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

(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]	[signed]
Michael Winship	Daniella Dimitrov
President and Chief Executive Officer	Chief Financial Officer

Toronto, Canada

December 9, 2014

December 9, 2014

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, 2014 and 2013 and the consolidated statements of net 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, 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, 2014 and 2013 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

ORVANA MINERALS CORP.

Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income
(in thousands of United States dollars)

	Years ended September 30,			
		2014		**2013**
Revenue	$	142,407	$	162,199
Cost of sales				
Mining costs (note 6)		102,231		101,063
Depreciation and amortization		30,908		23,865
Impairment charge (note 7)		29,228		6,273
		162,367		131,201
Gross margin		(19,960)		30,998
Expenses				
General and administrative (note 8)		6,043		8,329
Exploration		789		83
Community relations		556		517
Other expenses (note 9)		2,808		5,742
Finance costs (note 10)		5,414		6,389
Expenses before derivative instruments gain		15,610		21,060
Derivative instruments gain (note 21)		(1,859)		(42,140)
(Loss) income before income taxes		(33,711)		52,078
Provision for income taxes				
Current income taxes (note 23)		3,264		4,452
Deferred income (recovery) taxes (note 23)		(8,118)		14,788
		(4,854)		19,240
(Loss) income from continuing operations		(28,857)		32,838
Loss from discontinued operations (note 5)		(886)		(215)
Net (loss) income and comprehensive (loss) income	$	(29,743)	$	32,623
Net (loss) earnings per share (note 11)				
(Loss) earnings per share from continuing operations				
Basic and diluted	$	(0.21)	$	0.24
Loss per share from discontinued operations				
Basic and diluted	$	(0.01)	$	-
Net (loss) earnings per share				
Basic and diluted	$	(0.22)	$	0.24

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

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

	Years ended September 30, 2014	2013
Operating activities		
Net (loss) income from continuing operations	$ (28,857)	$ 32,838
Adjustments for:		
Depreciation and amortization	31,027	24,083
Impairment charge (note 7)	29,228	6,273
De-recognition of assets	1,822	2,244
Loss on disposal of assets	566	899
Accretion	492	322
Interest on Copperwood note (note 5)	(274)	-
Amortization of deferred financing fees	1,664	764
Stock-based compensation	175	295
Warrants	(91)	-
Long-term compensation	602	(29)
Deferred income (recovery) taxes	(8,118)	14,788
Provision for statutory labour obligations	(82)	(456)
Foreign exchange (gain) loss	(197)	174
Derivative instruments unrealized loss (gain) (note 21)	9,966	(43,295)
	37,923	38,900
Changes in non-cash working capital		
Concentrate and doré sales receivables	493	4,882
Value added taxes and other receivables and prepaids	(3,500)	301
Inventory	(2,078)	(2,750)
Accounts payable and accrued liabilities	3,585	(5,860)
Income taxes payable	(1,041)	(2,594)
	(2,541)	(6,021)
Cash provided by operating activities from continuing operations	35,382	32,879
Cash (used in) provided by operating activities from discontinued operations	(651)	(310)
Cash provided by operating activities	34,731	32,569
Financing activities		
(Repayment) proceeds from bank debt	(492)	2,275
(Repayment) proceeds from Fabulosa Loan (note 18)	(2,731)	2,000
Repayment of EVBC Loan (note 19)	(31,820)	(15,364)
Repayment of finance leases	(627)	(1,372)
Exercise of stock options	-	36
Cash used in financing activities	(35,670)	(12,425)
Investing activities		
Capital expenditures	(14,465)	(17,964)
Restricted cash	6,104	850
Proceeds from sale of Copperwood (note 5)	13,000	-
Cash provided by (used in) investing activities from continuing operations	4,639	(17,114)
Cash used in investing activities from discontinued operations	(460)	(3,193)
Cash provided by (used in) investing activities	4,179	(20,307)
Change in cash	3,240	(163)
Cash, beginning of the period	13,039	13,200
Effect of exchange rate changes on cash	266	2
Cash, end of period	$ 16,545	$ 13,039

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, 2014	As at September 30, 2013
Assets		
Current assets		
Cash and cash equivalents (note 12)	$ 16,545	$ 13,039
Restricted cash (note 13)	9,897	16,095
Concentrate and doré sales receivables	4,677	5,170
Value added taxes and other receivables and prepaid expenses	19,377	11,427
Copperwood note (note 5)	7,274	-
Inventory (note 14)	18,537	17,672
Derivative instruments (note 21)	-	4,519
	76,307	67,922
Non-current assets		
Value-added taxes and other receivables	6,234	8,878
Restricted cash (note 13)	1,838	1,744
Reclamation bonds (note 13)	9,466	10,160
Inventory (note 14)	-	1,678
Property, plant and equipment (note 15)	127,273	190,823
Derivative instruments (note 21)	-	7,134
	$ 221,118	$ 288,339
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	$ 29,495	$ 26,205
Income taxes payable (note 23)	1,609	2,650
Bank debt (note 17)	9,364	9,856
Fabulosa Loan (note 18)	-	2,731
EVBC Loan (note 19)	15,900	14,844
Obligations under finance leases	-	627
Derivative instruments (note 21)	-	672
	56,368	57,585
Non-current liabilities		
EVBC Loan (note 19)	-	31,211
Decommissioning liabilities (note 20)	19,316	15,639
Derivative instruments (note 21)	-	1,015
Provision for statutory labour obligations (note 22)	2,294	2,376
Deferred income tax liability (note 23)	11,840	20,620
Other liabilities	1,239	831
Long-term compensation (note 25 (b))	784	135
Warrants (note 24)	77	159
	91,918	129,571
Shareholders' equity		
Share capital (note 24)	116,206	116,206
Contributed surplus	3,401	3,226
Retained earnings	9,593	39,336
	129,200	158,768
	$ 221,118	$ 288,339

Commitments and contingencies (note 27)

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

Approved by the Board of Directors:

[signed] Ed Guimaraes, Director

[signed] Michael Winship, 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, 2013	$	116,206	$	3,226	$	39,336	$	158,768
Stock-based compensation		-		175		-		175
Net loss		-		-		(29,743)		(29,743)
Balance, September 30, 2014	$	116,206	$	3,401	$	9,593	$	129,200

		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

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 “Don Mario Mine”) in eastern Bolivia, which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA").

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

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

2. Basis of preparation

The Company prepares its 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 – Critical accounting estimates and judgements. Certain comparative amounts have been reclassified to conform to the current year’s presentation.

These consolidated financial statements for the period ended September 30, 2014 were approved by the Board of Directors of the Company on December 9, 2014.

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.U.

- Non-operating companies:
  - Orvana Minerals Asturias Corp.
  - Orvana Cyprus Limited
  - Orvana Sweden International AB
  - Orvana Pacific Minerals Corp.
  - Minera El Alto S.A.

(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 statement of income. Gains and losses arising from changes in fair value are presented in the 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, reclamation bonds, and the Copperwood Note 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, the Fabulosa Loan, the EVBC Loan, and obligations under finance leases. Accounts payable are recognized at the amount required to be paid. Bank debt, the Fabulosa Loan, the EVBC Loan, 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.

Estimated useful lives of major asset categories are as follows:

Plant and equipment	3 to 10 years
Furniture and equipment	3 to 5 years

(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 grouped 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 or 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) 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.

(n) 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.

(o) 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.

(p) 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 the obligations under these plans are recorded as liabilities. The liabilities are 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.

iii. Stock appreciation rights ("SARs")

As SARs are settled in cash, the obligations under these plans are recorded as liabilities. The liabilities are adjusted to fair value each reporting date with the changes recorded as long-term compensation expense under *general and administrative expenses*. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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. 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 does not believe the changes resulting from the adoption of the amendments to IAS 36 will have a significant impact on its financial statements.

iii. Other accounting pronouncements

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 ending 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.

iv. New accounting pronouncements

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

4. 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, 2014, the Company recorded an impairment of $25,485 in respect of property, plant and equipment at the EVBC Mines and an impairment in respect of oxide ore inventory of $3,743 at the Don Mario Mine. Refer to note 7 – Impairment charges.

(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, 2014, the Company had recognized $19,316 of decommissioning liabilities (September 30, 2013 – $15,639). Refer to note 20 – 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, 2014, the Company had $124,411 (September 30, 2013 – $164,643) of property, plant and equipment subject to depreciation and amortization. Refer to note 15 – Property plant and equipment.

(d) 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.

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.

(e) 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, 2014, the Company recognized $11,840 of net deferred tax liabilities (September 30, 2013 – $20,620). Refer to note 23 – Income taxes.

5. Divestiture of Copperwood

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

On June 17, 2014, the Company closed the sale of Copperwood to Highland Copper Company Inc. (“Highland”) through the sale of all of the outstanding shares of Orvana Resources for total consideration of up to $25,000 consisting of base consideration of $20,000 and additional consideration of up to $5,000. On closing, Orvana received a cash payment of $13,000 and a secured promissory note in the amount of $7,000 (the "Copperwood Note") in respect of the remainder of the base consideration included under *Copperwood note* on the Company’s balance sheet at September 30, 2014. Amounts outstanding under the Copperwood Note bear interest at an annualized rate of 13.5% until September 30, 2014 and thereafter at an annualized rate of 17.5%, may be prepaid at any time and must be repaid no later than December 15, 2014, subject to certain mandatory prepayments. The full amount of the outstanding balance of the Copperwood Note, and the interest accrued thereon, are immediately due and payable, among other things, upon a change of control of Highland. The Copperwood Note is secured by, among other things, a first priority security interest over all of the assets of Orvana Resources, a pledge by Highland of all of the shares of Orvana Resources and a guarantee from Highland.

The additional consideration of up to $5,000 will be paid by Highland in cash or shares of Highland, at Orvana’s option, upon occurrence of the events described below:

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

The results from operations have been presented separately as *gain (loss) from discontinued operations* on the statement of income. Based on consideration received from the Copperwood sale, the assets and liabilities of Orvana Resources were written down to their fair value less costs to sell, resulting in a loss of $403 at September 30, 2014.

(in thousands of United States dollars unless otherwise noted)

The condensed statements of net income (loss) for Orvana Resources for the year ended September 30, 2014 and 2013 are as follows:

For the years ended September 30,		2014		2013
General and administrative	$	(611)	$	(215)
Other income		128		-
Recovery (loss) on impairment		(403)		-
Net income (loss) from discontinued operations	$	(886)	$	(215)

6. 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, 2014 and 2013 relate to the EVBC and Don Mario Mines.

The Company reclassified certain transportation and treatment costs previously deducted from revenue in respect of fiscal 2013 into direct mining costs. For the year ended September 30, 2013, a deduction of $4,481 was reclassified from revenue into direct mining costs.

For the years ended September 30,		2014		2013
Direct mining costs	$	93,577	$	90,746
Royalties and mining rights (1)		4,267		4,829
Mining royalty taxes (1)		4,387		5,488
Total mining costs	$	102,231	$	101,063

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

7. Impairment charges

(a) Impairment of EVBC Mines

Impairment indicators were specifically identified for the EVBC Mines as a result of a mineral resources and mineral reserve estimate update effectively as at September 30, 2014. In accordance with the Company's accounting policy, an impairment assessment was performed for the Kinbauri cash generating unit as at June 30, 2014, during which management determined that the carrying value of Kinbauri exceeded its fair value less costs to sell ("FVLCS"). Estimates used in the FVLCS model include future production levels, operating costs, and capital expenditures as well as long-term commodity prices, foreign exchange rates, and discount rates. In determining the FVLCS as at June 30, 2014 and updated at September 30, 2014, management used a discount rate of 6% and a long-term gold price per ounce of between $1,250 and $1,300. Management's estimate of the FVLCS is classified as Level 3 under the fair value hierarchy. As a result of this assessment, the Company recorded a non-cash impairment charge of $25,485 in respect of *property, plant and equipment*. To the extent that management estimates used in the FVLCS model are updated, further adjustments to the impairment charge may be recognized.

(b) Impairment of LPF Plant and Oxide Inventory

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

(in thousands of United States dollars unless otherwise noted)

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

8. General and administrative expenses

For the years ended September 30,		2014		2013
Salaries, directors fees and office administration	$	5,024	$	8,170
Depreciation		119		218
Stock-based compensation expense		175		295
Warrants		(82)		(8)
Long-term compensation		565		(316)
Foreign exchange		242		(30)
Total general and administrative expenses	$	6,043	$	8,329

9. Other expenses

For the years ended September 30,		2014		2013
(Gain) loss on disposal of fixed assets	$	(98)	$	760
Union payments – EMIPA (1)		-		1,384
Provision for uncollectible VAT – EMIPA (2)		545		1,387
De-recognition of assets (3)		1,822		2,244
Miscellaneous other (income) expense		539		(33)
Total other expenses	$	2,808	$	5,742

(1) During the year ended September 30, 2013, the Company settled with union employees at the Don Mario 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 $1,932 for certain VAT amounts received or receivable that were unaudited by the Bolivian National Tax Services as at September 30, 2014 (September 30, 2013 – $1,387).

(3) During 2013, an incident occurred at one of the EBVC Mines resulting in material damage to the hoist/shaft system. The Company de-recognized $2,244 of the hoist asset in respect of the estimated cost to repair the damaged components. During 2014, the Company de-recognized an additional $970 of assets in respect of the repair costs exceeding the initial estimate. The Company also wrote down $852 of assets at EMIPA associated with previously terminated activities.

10. Finance costs

For the years ended September 30,		2014		2013
Interest on credit facilities	$	2,312	$	3,858
Other interest expense		606		1,445
Financing fees		340		-
Amortization of financing fees		1,664		764
Accretion expense on decommissioning obligations		545		322
Accretion gains on Copperwood deferred payments		(53)		-
Total finance costs	$	5,414	$	6,389

(in thousands of United States dollars unless otherwise noted)

11. Net earnings (loss) per share

For the years ended September 30,		2014		2013
(Loss) income from continuing operations	$	(28,857)	$	32,838
Loss from discontinued operations		(886)		(215)
Net (loss) income	$	(29,743)	$	32,623
Weighted average number of common shares outstanding – basic		136,623,171		136,604,404
Dilutive effect of stock options		-		27,508
Dilutive effect of warrants		-		20,029
Weighted average number of common shares outstanding – diluted		136,623,171		136,651,941
Net (loss) earnings per share from continuing operations – basic and diluted	$	(0.21)	$	0.24
Net earnings (loss) per share from discontinued operations – basic and diluted		(0.01)		-
Net (loss) earnings per share – basic and diluted	$	(0.22)	$	0.24

12. Cash and cash equivalents

Cash and cash equivalents at September 30, 2014 were $16,545 (September 30, 2013 – $13,039). 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 13 – Restricted cash and reclamation bonds.

13. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at September 30, 2014 was $9,897 (September 30, 2013 – $16,095), and primarily includes restricted cash on deposit with the EVBC Lender for approximately $9,084 (September 30, 2013 – $8,225) for a debt service reserve for future principal payments. Subsequent to year end, the Company repaid the EVBC Loan in full, and released the allocated amount included in its restricted cash at September 30, 2014. Refer to note 19 – EVBC Loan.

Long-term restricted cash of $1,838 (September 30, 2013 – $1,744) represents cash 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 September 30, 2014, the matter remained unresolved.

Subsequent to year end, $2,400 of restricted cash was placed on deposit with a Bolivian bank in favour of the Bolivian government pending the result of an ongoing labour claim. Refer to note 27 – Commitments and contingent liabilities.

Reclamation bonds

At September 30, 2014, cash backing reclamation bonds held in a Spanish financial institution was $9,466 (September 30, 2013 – $10,160) and is expected to be released after all reclamation work at the EVBC Mines has been completed. Prior to its acquisition by Kinbauri, the EVBC Mines had been shut down by the owner thereof and remediation measures required were completed. On Kinbauri’s acquisition of the EVBC Mines a reclamation bond of €894,684 was deposited, as required by Spanish mining regulations. In fiscal 2010 and 2011, additional reclamation bonds in the amounts of €1,521,960 and €5,000,000, respectively were deposited by Kinbauri relating to its tailings facility. Refer to note 27 – Commitments and contingent liabilities.

(in thousands of United States dollars unless otherwise noted)

14. Inventory

As at September 30,		2014		2013
Ore in stockpiles	$	79	$	759
Gold doré		717		1,950
Copper concentrates		9,974		5,276
Materials and supplies		7,767		9,687
	$	18,537	$	17,672
Long-term ore in stockpiles (EMIPA oxides) (1)		-	$	1,678
	$	18,537	$	19,350

(1) During the third quarter of fiscal 2014, the Company recognized an impairment of the oxide ore stockpile at EMIPA. Refer to note 7 – Impairment charges.

15. Property, plant and equipment

	Land	Plant and equipment	Furniture and equipment	Equipment under finance lease	Mineral properties in production	Mineral properties in exploration and evaluation	Total
Net book value, October 1, 2013	$3,629	$65,840	$704	$6,169	$94,840	$19,641	$190,823
Additions	-	11,123	24	-	6,768	-	17,915
Transfers	-	5,500	-	(5,500)	-	-	-
Disposals	-	(1,209)	(2)	(325)	-	-	(1,536)
Depreciation (1)	-	(11,121)	(274)	(344)	(20,992)	-	(32,731)
Copperwood assets sold (2)	(2,029)	(31)	(12)	-	-	(19,641)	(21,713)
Impairment of EVBC Mines (3)	-	(16,929)	-	-	(8,556)	-	(25,485)
Net book value, September 30, 2014	1,600	53,173	440	-	72,060	-	127,273
Total cost	1,600	106,323	2,058	-	117,231	-	227,212
Total accumulated depreciation	-	(53,150)	(1,618)	-	(45,171)	-	(99,939)
Net book value, September 30, 2014	1,600	53,173	440	-	72,060	-	127,273

(1) Depreciation includes amounts included in inventory.
(2) On June 17, 2014, the Company closed the sale of its wholly-owned subsidiary, Orvana Resources. Refer to note 5 – Divestiture of Copperwood.
(3) During the third quarter of fiscal 2014, the Company recognized an impairment in respect of the EVBC Mines. Refer to note 7 – Impairment charges.

(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, 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 (1)	-	(7,858)	-	-	-	-	(7,858)
Depreciation (2)	-	(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	$266,923
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

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

(2) Depreciation includes amounts included in inventory.

Mineral properties in production

(a) Don Mario Mine (Bolivia)

Through EMIPA, the Company owns and operates the open pit copper-gold-silver Don Mario Mine. The Don Mario Mine is part of the Don Mario District comprising ten mineral concessions located in south eastern Bolivia. Commercial production commenced on January 1, 2012.

(b) EVBC Mines (Spain)

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

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

On the statement of cash flow for the year ended September 30, 2014, capital expenditures exclude approximately $1,507 of capital expenditures incurred but unpaid in fiscal 2014, and include $1,209 of capital expenditures incurred in fiscal 2013 but paid in fiscal 2014 (September 30, 2013 – $1,209 and $3,234, respectively).

(in thousands of United States dollars unless otherwise noted)

16. Accounts payable and accrued liabilities

As at September 30,		2014		2013
Accounts payable	$	23,931	$	21,525
Accrued liabilities		5,043		4,680
Total accounts payable and accrued liabilities	$	28,974	$	26,205

17. Bank debt

EMIPA had short-term credit facilities with certain Bolivian banks for up to approximately $10,000 payable in 120 to 180 days from the date of advance with annual interest rates ranging from 6.0% to 7.5%. Certain of EMIPA's assets are pledged as security against these loans. As at September 30, 2014, approximately $9,364 (September 30, 2013 – $9,856) was drawn under these facilities.

In addition, at September 30, 2014, EMIPA provided bank guarantees to a Bolivian bank amounting to approximately $2,345 (September 30, 2013 – $465), related to refunded amounts of VAT and natural gas and chemical purchases. The bank guarantees on the VAT credit notes expire after 120 days and are pending the final approval and audit of these credit notes by the Bolivian government. EMIPA also has provided guarantees for the purchase of natural gas from government suppliers that are for one year and are renewed annually and would only be executed by the government suppliers if EMIPA failed to pay the invoices related to these purchases.

18. Fabulosa Loan

The Company entered into a secured loan facility agreement (the "Fabulosa Loan") with Fabulosa in the amount of up to $11,500 in 2011. The Company had used proceeds drawn under the Fabulosa Loan for working capital purposes. Interest on the outstanding principal is calculated at a rate of 12% per annum and stand-by fees on undrawn amounts under the Fabulosa Loan are calculated at a rate of 1.5% per annum; both interest and stand-by fees are payable monthly. The Company additionally pays withholding taxes imposed by applicable taxing authorities. During the third quarter of fiscal 2014, the outstanding balance, consisting of principal and interest of $6,515, was repaid with the proceeds from the sale of Copperwood.

The amendment of the EVBC Loan (refer to note 19 – EVBC Loan) was conditional on the establishment of a $6,500 working capital line; to this end, the Fabulosa Loan was amended effective July 11, 2014. The maturity period was extended from September 30, 2014 to December 31, 2014 and the amount which may be drawn under the Fabulosa Loan was amended to $6,500. In connection with such amendment, the Company issued warrants to Fabulosa to purchase 100,000 common shares of the Company at an exercise price of $0.54 until July 11, 2019 (refer to note 24 – Share capital and warrants). The Company also paid a structuring fee of 2% for a total of $130.

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

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

As at September 30, 2014, the outstanding balance of the loan was $nil (September 30, 2013 – $2,731). During the year ended September 30, 2014, $316 was paid in interest on the Fabulosa Loan (September 30, 2013 – $646).

(in thousands of United States dollars unless otherwise noted)

19. EVBC Loan

In October 2010, Kinbauri entered into the $50,000 five-year term EVBC Loan. The funds were primarily used to complete the construction of the EVBC Mines. In February 2012, the EVBC Loan was extended by one year to September 30, 2016 and increased by $13,844.

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

Orvana was required to maintain certain financial ratios. During fiscal 2014 and as part of the amendments to the EVBC Loan, certain financial covenants and non-compliance matters were waived until the New Maturity Date including one financial covenant in respect of which the Company had obtained waivers during the year.

The EVBC Loan required gold, copper and USD/EUR derivative instruments that were previously put in place (refer to note 21 – Derivative instruments). The security for the EVBC Loan includes a fixed and floating charge over the assets of Kinbauri and a pledge by Orvana of all of the shares of Kinbauri. Kinbauri’s obligations under the EVBC Loan are guaranteed by Orvana. Subsequent to the end of the third quarter of fiscal 2014, all outstanding derivative instruments were closed for net proceeds of $7,098 with the proceeds applied as a repayment of principal under the EVBC Loan. In addition to this, the Company released €5,000,000 (converted to $6,759) from its restricted cash relating to a potential environmental bond payment and used an additional $3,000 from the proceeds of the Copperwood sale to repay the principal of the EVBC Loan.

As a condition to the amendments to the EVBC Loan, Orvana had to establish the Fabulosa Loan as a working capital line of credit in the minimum amount of $6,500 until the New Maturity Date. Refer to note 18 – Fabulosa Loan.

The balance outstanding at September 30, 2014 was $16,614 (September 30, 2013 – $48,433). During the year ended September 30, 2014, $1,866 and $31,820 was paid in interest and principal on the EVBC Loan, respectively (September 30, 2013 – $2,450 and $15,364), and the Company had on deposit $9,084 of restricted cash to be applied against future interest and principal payments under the EVBC Loan.

Minimum long-term debt repayments are as follows:

		September 30, 2014		September 30, 2013
2014	$	16,614	$	14,844
2015		-		17,637
2016		-		15,952
		16,614		48,433
Less: current portion		(15,900)		(14,844)
		714		33,589
Financing fees		(714)		(2,378)
Total long-term debt	$	-	$	31,211

Subsequent to year end, on November 10, 2014, the Company repaid the remaining principal and interest of the EVBC Loan from the allocated amount included in its restricted cash at September 30, 2014 and other existing cash balances.

20. 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:

		September 30, 2014		September 30, 2013
Balance, beginning of period	$	15,639	$	7,851
Revision in estimated cash flows, timing of payments and discount rates				
– EVBC Mines		2,911		6,649
– Don Mario Mine		221		817
		18,771		15,317
Accretion expense		545		322
Total decommissioning liabilities	$	19,316	$	15,639

For the EVBC Mines, the revision in estimated cash flows at September 30, 2014 includes the impact of the change in discount rate, the impact of the foreign exchange rate of Euros versus the US dollar, the change of an estimate related to monitoring activities, and the impact of the shorter estimated mine life. Refer to note 7 – Impairment charges.

For the Don Mario Mine, the revision in estimated cash flows at September 30, 2014 includes the impact of the change in discount rate.

The decommissioning liability balance consists of:

		September 30, 2014		September 30, 2013
EVBC Mines	$	13,917	$	10,562
Don Mario Mine		5,399		5,077
Total decommissioning liabilities	$	19,316	$	15,639

As at September 30, 2014, the undiscounted cash flows and discount rate used to calculate the decommissioning liabilities are as follows:

		Undiscounted Cash Flows Required to Settle Decommissioning Liabilities	Discount Rate		Discounted Cash Flows Required to Settle Decommissioning Liabilities
EVBC Mines (1)	$	16,021	1.4%	$	13,917
Don Mario Mine		5,556	2.0%		5,399
Total	$	21,577		$	19,316

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

Cash held in Spanish financial institutions backing reclamation bonds deposited with regulatory authorities in respect of the EVBC Mines totaled approximately $9,466 at September 30, 2014 (September 30, 2013 – $10,160) and is expected to be released after all reclamation work has been completed. Refer to note 13 – Restricted cash and reclamation bonds.

21. 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.

(in thousands of United States dollars unless otherwise noted)

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

The mark-to-market fair valuation of these contracts for the year ended September 30, 2014 resulted in a loss of $9,966 (September 30, 2013 – gains of $43,295). The related deferred income tax recoveries on the unrealized losses for the year ended September 30, 2014 was $2,990 (September 30, 2013 – expense of $12,989). The Company recorded gains for the cash settlement of contracts that matured during the year ended September 30, 2014 of $11,825 (September 30, 2013 – loss of $1,155).

For the year ended September 30,		2014		2013
Change in unrealized fair value during the period	$	9,966	$	(43,295)
Realized (gain) loss on cash settlements of derivative instruments		(11,825)		1,155
Derivative instruments gain	$	(1,859)	$	(42,140)

On July 17, 2014, the Company closed out all of its outstanding derivatives for cash proceeds of $7,098 and applied this amount against the EVBC Loan. Refer to note 19 – EVBC Loan.

22. 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, 2014, the obligation outstanding for these payments was $2,294 (September 30, 2013 – $2,376).

23. Income tax

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

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

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

For the year ended September 30,		2014		2013
Current income taxes:				
Current tax on income for the year	$	3,264	$	4,452
Total current income taxes		3,264		4,452
Deferred income tax:				
Origination and reversal of temporary differences in Kinbauri		(8,118)		14,788
Total deferred income taxes (recoveries)		(8,118)		14,788
Total income taxes	$	(4,854)	$	19,240

(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,		2014		2013
Income (loss) before income taxes	$	(33,711)	$	51,863
Statutory income tax rates		26.5%		26.5%
Income tax provision calculated using the combined Canadian federal and provincial statutory income tax rates		(8,933)		13,744
Tax effects of:				
Higher foreign tax rates		(567)		2,144
Non-deductible expenses		3,484		378
Tax deductions not recognized		1,162		2,974
Income tax expense	$	(4,854)	$	19,240

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

As at September 30,		2014		2013
Deferred tax assets:				
Tax loss carry forwards in Kinbauri	$	7,586	$	8,195
	$	7,586	$	8,195
Deferred tax liabilities:				
Property, plant and equipment	$	(19,426)	$	(28,815)
Deferred tax liabilities		(19,426)		(28,815)
Deferred tax liabilities (net)	$	(11,840)	$	(20,620)

As at September 30, 2014, the Company has non-capital losses of $23,174 (September 30, 2013 – $21,378) that expire over the periods of 2026 to 2033 and other deductible temporary differences of $4,072 (September 30, 2013 – $810). EMIPA has deductible temporary differences of $18,504 (September 30, 2013 – $14,512). The Company has not recognized the benefit of these items in the financial statements.

All deferred tax assets and liabilities are expected to settle after September 30, 2015.

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

For the year ended September 30,		2014		2013
At October 1	$	20,620	$	5,432
Charge to the statement of income		(8,118)		14,788
Exchange differences		(662)		400
At September 30	$	11,840	$	20,620

Cash taxes paid during the year ended September 30, 2014 totaled $4,357 (September 30, 2013 – $6,792).

24. Share capital and warrants

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

(in thousands of United States dollars unless otherwise noted)

A summary of our share capital transactions is as follows:

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

Warrants

A summary of the warrant transactions are as follows:

	Number of common shares		Stated Value
Balance, October 1, 2012	2,543,335	$	167
Warrants issued (1)	500,000		124
Warrants expired (2)	(838,335)		-
Fair value adjustment	-		(132)
Balance, September 30, 2013	2,205,000		159
Warrants issued (3)	100,000		26
Warrants expired (2)	(510,000)		(11)
Fair value adjustment	-		(97)
Balance, September 30, 2014	1,795,000	$	77

(1) Warrants to purchase 500,000 common shares at a price of C$0.49 until August 9, 2018 were issued as part of the amendment to the Fabulosa Loan in August 2013. Refer to Note 18 – Fabulosa Loan.

(2) During 2011, the Company issued to Fabulosa five-year warrants to purchase up to 2,725,000 common shares. The warrants are exercisable only upon the issuance of, and in numbers equal to the number of common shares issued upon the exercise of any of Orvana's outstanding options as of May 16, 2011. On September 6, 2011 the Company issued the first tranche of 1,300,000 warrants with an exercise price of C$1.90 with the second tranche of 1,425,000 warrants issued on March 5, 2012 with an exercise price of C$0.97. As a result of the forfeiture or expiration of options issued before May 16, 2011, warrants to purchase up to 1,195,000 common shares were outstanding as of September 30, 2014 of which 450,000 were exercisable.

(3) Warrants to purchase 100,000 common shares at a purchase price of C$0.54 until July 11, 2019 were issued to Fabulosa as part of the amendments to the Fabulosa Loan in July 2014. Refer to Note 18 – Fabulosa Loan.

25. 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, 2012	3,451,669	$1.66
Granted	550,000	1.01
Exercised	(50,000)	0.75
Expired	(880,002)	1.30
Forfeited	(199,998)	0.94
Balance, September 30, 2013	2,871,669	$1.68
Granted	600,000	0.60
Expired	(851,668)	2.06
Forfeited	(66,666)	0.89
Balance, September 30, 2014	2,553,335	$1.32

The fair value of the options granted during the year ended September 30, 2014 were estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date:	December 16, 2013	February 26, 2014	July 11, 2014	August 21, 2014
Options granted:	100,000	300,000	100,000	100,000
Exercise price (C$ per share)	$0.43	$0.75	$0.53	$0.41
Risk-free interest rate:	1.56%	1.34%	1.43%	1.37%
Expected life in years:	5.00	5.00	5.00	5.00
Expected volatility:	60.73%	58.69%	58.17%	59.08%
Expected dividend yield:	Nil	Nil	Nil	Nil
Expected forfeiture rate	10%	10%	10%	10%
Fair value per option granted C$	$0.30	$0.37	$0.28	$0.21
Weighted average grant date fair value US$000's	$28	$100	$26	$19

As at September 30, 2014, outstanding and exercisable options were as follows:

Grant date	Fair value US$000's	Number of unvested options	Weighted average contractual life (in years)	Number of vested options	Exercise price C$	Expiry date
October 23, 2009	$ 65	-	0.06	150,000	$ 0.88	October 23, 2014
February 26, 2010	61	-	0.41	125,000	1.01	February 26, 2015
May 17, 2010	12	-	0.63	20,000	1.31	May 17, 2015
December 10, 2010	600	-	1.19	350,000	3.65	December 10, 2015
April 1, 2011	163	-	1.50	100,000	3.01	April 1, 2016
December 20, 2011	66	-	2.22	125,000	1.03	December 20, 2016
March 28, 2012	129	-	2.49	291,667	0.88	March 28, 2017
June 1, 2012	119	-	2.67	266,667	0.86	June 1, 2017
August 30, 2012	4	-	2.92	8,334	0.92	August 30, 2017
October 2, 2012	31	-	3.01	66,667	0.93	October 2, 2017
March 7, 2013	141	83,332	3.44	166,668	1.02	March 7, 2018
March 29, 2013	107	66,668	3.50	133,332	1.05	March 29, 2018
December 16, 2013	28	66,666	4.21	33,334	0.43	December 16, 2018
February 26, 2014	100	200,000	4.41	100,000	0.75	February 26, 2019
July 11, 2014	26	66,667	4.78	33,333	0.53	July 11, 2019
August 21, 2014	19	66,667	4.89	33,333	0.41	August 21, 2019
	$ 1,671	550,000	2.68	2,003,335		
Total vested and unvested options				2,553,335		

The Company uses the fair value method of accounting for options and, during the year ended September 30, 2014, recognized stock-based compensation expense of $175 (September 30, 2013 – $295).

The compensation expense associated with the options for the year ended September 30, 2014 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (September 30, 2013 – 10%).

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

As at September 30, 2014, the fair value associated with unvested options is $200 (September 30, 2013 – $300).

(b) Long-term compensation

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

The Company established a DSU plan, effectively a phantom stock plan, for directors, effective October 1, 2008.

(in thousands of United States dollars unless otherwise noted)

The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the statement of income. The fair value of the DSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are also recorded under *general and administrative expenses*. Payouts are settled in cash within a specified period following a director's departure, based on the market price of the common shares at exercise.

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

	Number of DSUs		Fair value
October 1, 2012	95,592	$	87
Issued	59,480		54
Redeemed	(56,897)		(51)
Mark-to-market adjustment	-		(47)
Changes in current portion	14,465		6
Balance, September 30, 2013	112,640	$	49
Issued	124,107		52
Redeemed	(172,965)		(76)
Mark-to-market adjustment	-		(24)
Changes in current portion	116,342		50
Balance, September 30, 2014	180,124	$	51

(ii) Restricted share unit ("RSU") plan

The Company established a RSU plan, effectively a phantom stock plan, for designated executives, effective October 1, 2008. The initial fair value of units issued is expensed and is included in long-term compensation expense under *general and administrative expenses* in the statement of income. The fair value of the RSUs are marked to the quoted market price of the Company's common shares at each reporting date and changes in their fair value are recorded under *general and administrative expenses*. Payouts are settled in cash after a specified period of vesting, based on the market price of the common shares at vesting.

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

	Number of RSUs		Fair Value
Balance October 1, 2012	94,794	$	86
Issued	314,485		284
Redeemed	(53,481)		(48)
Forfeited	(147,433)		(132)
Mark-to-market adjustment	-		(98)
Less current portion	(12,679)		(6)
Balance, September 30, 2013	195,686	$	86
Issued	618,696		268
Redeemed	(68,417)		(30)
Mark-to-market adjustment	-		(91)
Changes in current portion	(127,269)		(56)
Balance, September 30, 2014	618,696	$	177

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

The Company established a SAR plan for designated executives, effective February 6, 2014. The SARs are granted based on a common shares market price calculation at the time of grant. The fair value of the SARs are measured using an option pricing model at each period end, and to the extent that employees have rendered services over a three year vesting period, an expense is recorded under *general and administrative expenses* on the statement of income over such vesting period. Vested SARs may be exercised provided there has been an appreciation in the market price of the common shares from the grant date and payouts are settled in cash as vested SARs are exercised.

(in thousands of United States dollars unless otherwise noted)

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

	Number of SARs		Fair value
October 1, 2013	-	$	-
Issued	1,068,826		-
Mark-to-market adjustment	-		29
Forfeited	(329,696)		-
Balance, September 30, 2014	739,130	$	29

26. 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,		2014		2013
Salaries and short term employee benefits	$	1,642	$	1,902
Share-based payments [(1)]		619		71
Termination benefits		-		340
Total compensation of key management	$	2,261	$	2,313

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

27. Commitments and contingent liabilities

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

(b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required the Company to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately $6,829). To satisfy this requirement, the Company deposited €5,000,000 (approximately $6,829) in September 2011 with a local bank in favour of the Spanish regulatory authorities. A further €5,000,000 may have to be deposited in favour of the Spanish regulatory authorities at a future date to satisfy additional reclamation bond commitments. The Company is currently challenging this based on technical considerations.

(c) Production from the EVBC Mines is subject to a 3% net smelter return royalty (“NSR”), referred to herein as the EVBC Royalty, payable monthly. The EVBC Royalty rate decreases to 2.5% for any quarter in which the average price of gold is below $1,100 per ounce. Royalty expense under this NSR totaled $2,785 for the year ended September 30, 2014. Royalty expense under the EVBC Royalty was $3,059 for the year ended September 30, 2013, of which $2,352 represented debenture repayments and $707 represented NSR payments.

(d) On November 22, 2011, the Company reported that an employee at the EVBC Mines was fatally injured when he was caught between two pieces of equipment at the EVBC Mines. The Company has cooperated fully with the authorities in their investigation of the accident. Currently, certain proceedings are ongoing to determine whether any standards have been breached that may give rise to criminal charges. In addition, the Company has been notified by the applicable mining regulatory authorities that, following the completion of the current proceedings, there may be an administrative investigation pursuant to which the Company may be fined. At this time, the Company cannot predict the outcome of any of these proceedings. The Company has completed a settlement with the family of the employee and recorded the expense in fiscal 2014.

(in thousands of United States dollars unless otherwise noted)

(e) Production from the Don Mario Mine is subject to a 3% NSR royalty payable quarterly. Royalty expense under this NSR totaled $1,254 for the year ended September 30, 2014 (September, 2013 – $1,553). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from the Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totaled $4,387 for the year ended September 30, 2014 (September 30, 2013 – $5,488).

(f) EMIPA is subject to a labour claim filed in Bolivia by 31 former employees for the payment of certain employment related amounts, including vacation and overtime, for the period of 2007 to 2013. EMIPA is vigorously challenging the claim on the basis that such claimed amounts have already been paid and, accordingly, the claim has no legal grounds. Subsequent to year end, EMIPA provided a 100% cash-backed guarantee in the amount of $2,400 as security for the claim. Refer to note 13 – Restricted cash and reclamation bonds.

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

28. Segmented information

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

As at September 30, 2014:

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

As at September 30, 2013:

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

(1) Kinbauri's other assets include $11,653 for the receivable on the unrealized value of the derivative instruments.
(2) Copperwood's assets were sold by the Company in June 2014. Refer to note 5 – Divesture of Copperwood.

(in thousands of United States dollars unless otherwise noted)

For the year ended September 30, 2014:

		Revenue		Mining costs (1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs (3)		Income (loss) before taxes
Kinbauri	$	93,553	$	72,735	$	23,077	$	(1,859)	$	27,149	$	(27,549)
EMIPA		48,854		29,496		7,831		-		7,828		3,699
Corporate		-		-		119		-		9,742		(9,861)
	$	142,407	$	102,231	$	31,027	$	(1,859)	$	44,719	$	(33,711)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 6 – Mining costs.
(2) Depreciation is included under *general and administrative expenses* for non-operating companies.
(3) Other costs includes impairment charges at EMIPA and Kinbauri. Refer to note 7 – Impairment charges.

For the year ended September 30, 2013:

		Revenue		Mining costs (1)		Depreciation Amortization(2)		Derivative instrument gain		Other costs (3)		Income (loss) before taxes
Kinbauri	$	102,309	$	62,867	$	18,470	$	(42,140)	$	7,842	$	55,270
EMIPA		59,890		38,196		5,395		-		11,754		4,545
Copperwood		-		-		-		-		79		(79)
Corporate		-		-		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 6 – 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 9 – Other expenses.

29. 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).

As at September 30, 2014		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)		Aggregate Fair value
Financial liabilities:								
Long-term compensation	$	775		29		-		804
Warrants		-		77		-		77
Total	$	775	$	106	$	-	$	881

(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:

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

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

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

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

The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. Refer to note 19 – EVBC Loan.

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 net loss of $29,743 for the 2014 fiscal year would be impacted by changes in average USD/EUR exchange rates in respect of mining costs incurred at Kinbauri. A 10% increase/decrease in average realized USD/EUR exchange rates in respect of mining costs incurred at Kinbauri would affect the net income by a decrease/increase of $7,000.

(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, previously hedged a portion of its gold and copper production which facilitated the management of certain of its price risk. Following closure of the derivative instruments which were a requirement of the EVBC Loan in the fourth quarter of fiscal 2014, the Company's gold and copper sales are no longer hedged. Refer to note 19 – EVBC Loan and note 21 – Derivative instruments.

Gold prices

The net loss of $29,743 for the 2014 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 $6,450.

Copper prices

The net loss of $29,743 for the 2014 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 $3,600.

(iii) Interest rate risk

The Company's cash flow interest rate risk arises from short and long-term borrowings. During fiscal 2014 and 2013, 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, 2014, 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 $14 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.

(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.

(in thousands of United States dollars unless otherwise noted)

As at September 30, 2014, the Company had (i) cash and cash equivalents of $16,545, (ii) restricted cash of $9,897 designated to cover a portion of the Company's commitments due in less than one year, including principal and interest payments under the EVBC Loan; and (iii) $6,500 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 2014, the Company generated cash flow from operating activities of $34,731 and cash flow from operating activities before changes in non-cash working capital of $37,923.

If unanticipated events occur that may impact the operations of the EVBC Mines and the Don Mario 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.

(d) Financing risk

Financing risk is the risk that if unanticipated events occur that may impact the operations of the EVBC Mines and the Don Mario 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.

30. Capital management

At September 30, 2014, the Company had cash and cash equivalents of $16,545, restricted cash of $11,735 including $9,084 set aside for debt repayment and $6,500 available to be drawn down under the Fabulosa Loan; and total debt of $25,978. 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,		2014		2013
Shareholders' equity	$	129,200	$	158,768
Bank debt		9,364		9,856
Fabulosa Loan		-		2,731
EVBC Loan (1)		16,614		48,433
Obligations under finance leases		-		627
		155,178		220,415
Less: Cash and cash equivalents		(16,545)		(13,039)
	$	138,633	$	207,376

(1) The recorded value of the EVBC Loan on the Company's balance sheet at September 30, 2014 was $15,900. This represents the balance outstanding under the EVBC Loan at September 30, 2014 of $16,614 net of financing fees. Subsequent to year end, the EVBC Loan was fully repaid.

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 and the Don Mario Mine. Information is regularly provided to the board of directors of the Company.