



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(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]

Juan Gavidia
Chief Executive Officer

Toronto, Canada

November 26, 2019

[signed]

Nuria Menéndez
Chief Financial Officer



Independent auditor's report

To the Shareholders of Orvana Minerals Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orvana Minerals Corp. and its subsidiaries (together, the Company) as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of net loss and comprehensive loss for the years ended September 30, 2019 and 2018;
- the consolidated statements of cash flows for the years ended September 30, 2019 and 2018;
- the consolidated balance sheets as at September 30, 2019 and 2018;
- the consolidated statements of changes in shareholders' equity for the years ended September 30, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marelize Barber.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
November 26, 2019

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

	Years ended September 30,	
	2019	2018
Revenue (note 6)	\$ 135,544	\$ 145,836
Cost of sales		
Mining costs (note 7)	113,558	120,946
Depreciation and amortization (note 15)	23,370	23,412
Net realizable value adjustments (note 14)	-	(1,678)
	136,928	142,680
Gross margin	(1,384)	3,156
Expenses		
General and administrative (note 8)	2,660	5,572
Exploration	2,695	4,767
Community relations	445	1,287
Other (income) loss (note 9)	(1,991)	544
Finance costs (note 10)	1,656	1,786
Derivative instruments unrealized (gain) loss (note 11)	112	(1,030)
	5,577	12,926
Loss before income taxes	(6,961)	(9,770)
Provision for income taxes		
Current income taxes (note 20)	572	404
Deferred tax expense (recovery) (note 20)	(2,267)	923
	(1,695)	1,327
Net loss and comprehensive loss	\$ (5,266)	\$ (11,097)
Net loss per share (note 12)		
Basic and diluted	\$ (0.04)	\$ (0.08)

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,	
	2019	2018
Operating activities		
Net loss from continuing operations	\$ (5,266)	\$ (11,097)
Adjustments for:		
Depreciation and amortization	23,384	23,430
Extinguishment of debt	100	20
Loss on disposal of assets	99	-
Net realizable value adjustments (note 14)	-	(1,678)
Accretion	542	719
Amortization of deferred financing fees	200	106
Stock-based compensation	88	197
Warrants	-	(10)
Long-term compensation	524	(192)
Deferred tax recoveries and losses	(2,267)	923
Provision for statutory labour obligations	383	433
Foreign exchange gain	413	43
Derivative instruments unrealized loss (note 11)	112	(1,030)
	18,312	11,864
Changes in non-cash working capital		
Concentrate and doré sales receivables	568	898
Value added taxes and other receivables and prepaid expenses	(5,576)	(3,103)
Inventory	365	(1,477)
Accounts payable and accrued liabilities	775	(1,068)
Income taxes payable	-	(5,314)
	(3,868)	(10,064)
Cash provided by operating activities	14,444	1,800
Investing activities		
Capital expenditures	(10,880)	(20,338)
Restricted cash	(899)	2,588
Proceeds from Copperwood note (note 5)	1,000	250
Cash used in investing activities	(10,779)	(17,500)
Financing activities		
Repayment of Prepayment Facility (note 17)	(9,117)	(2,938)
Proceeds from New Facility (Spanish local banks) net of financing fees (note 17)	7,162	-
Proceeds from (repayment of) BISA TSF Loan (note 17)	(2,837)	3,733
Proceeds from (repayment of) BISA Heavy Equipment (note 17)	(816)	2,114
Proceeds from Banco de Crédito EMIPA (note 17)	493	-
Proceeds from revolving facilities and other bank debt (note 17)	2,242	895
Proceeds from finance leases (note 18)	917	725
Repayment of finance leases (note 18)	(1,073)	(1,053)
Cash provided by financing activities	(3,029)	3,476
Change in cash and cash equivalents	636	(12,224)
Cash and cash equivalents, beginning of the year	11,634	23,811
Effect of exchange rate changes on cash	81	47
Cash and cash equivalents, end of year	\$ 12,351	\$ 11,634

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, 2019	As at September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 12,351	\$ 11,634
Restricted cash (note 13)	131	61
Concentrate and doré sales receivables	1,043	1,611
Value added taxes (note 20.b)	3,339	2,764
Other receivables and prepaid expenses	889	728
Copperwood note (note 5)	-	1,000
Inventory (note 14)	19,638	20,250
Income tax receivable	1,117	1,198
Derivative instruments (note 11)	-	108
	38,508	39,354
Non-current assets		
Value-added taxes (note 20.b)	16,085	11,245
Restricted cash (note 13)	1,178	349
Reclamation bonds (note 13)	8,265	8,784
Deferred income tax asset (note 20.a)	2,714	447
Inventory (note 14)	1,993	1,993
Property, plant and equipment (note 15)	84,086	96,628
	\$ 152,829	\$ 158,800
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	\$ 33,511	\$ 30,410
Income taxes payable (note 20.a)	-	82
Debt (note 17)	11,253	17,331
Deferred revenue	180	290
Obligations under finance leases (note 18)	528	786
	45,472	48,899
Non-current liabilities		
Decommissioning liabilities (note 19)	20,727	21,236
Debt (note 17)	7,256	3,627
Deferred revenue	-	180
Obligations under finance leases (note 18)	347	245
Provision for statutory labour obligations	4,216	3,833
Other liabilities (note 20.b)	1,440	2,755
Long-term compensation (note 22 (b))	838	314
	80,296	81,089
Shareholders' equity		
Share capital (note 21)	116,206	116,206
Contributed surplus	3,840	3,752
Accumulated deficit	(47,513)	(42,247)
	72,533	77,711
	\$ 152,829	\$ 158,800

Commitments and contingent liabilities (note 24)

Subsequent events (note 28)

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

Approved by the Board of Directors:

[signed] Gordon Pridham, Chairman

[signed] Ed Guimaraes, 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, 2018	\$ 116,206	\$ 3,752	\$ (42,247)	\$ 77,711
Stock-based compensation	-	88	-	88
Net loss	-	-	(5,266)	(5,266)
Balance, September 30, 2019	\$ 116,206	\$ 3,840	\$ (47,513)	\$ 72,533

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, October 1, 2017	\$ 116,206	\$ 3,554	\$ (31,150)	\$ 88,610
Stock-based compensation	-	198	-	198
Net loss	-	-	(11,097)	(11,097)
Balance, September 30, 2018	\$ 116,206	\$ 3,752	\$ (42,247)	\$ 77,711

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

ORVANA MINERALS CORP.

Notes to the consolidated financial statements

(in thousands of United States dollars unless otherwise noted)

For the years ended September 30, 2019 and 2018

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 gold, copper and silver El Valle Mine and Carlés Mine in the Rio Narcea Gold Belt in northern Spain (collectively "El Valle"), which is held indirectly through its wholly-owned subsidiary, OroValle Minerals S.L., ("OroValle"). The Company also owns and operates gold and copper concessions in the Don Mario district in south-eastern Bolivia ("Don Mario") which is held indirectly through its wholly-owned subsidiary, Empresa Minera Paititi S.A. ("EMIPA"). During the first quarter of fiscal 2020 the Company made a decision to suspend mining operations at Don Mario (Refer to Note 28 – Subsequent events).

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 Andean Resources S.A., which controls Fabulosa.

The Company's head and registered office is 70 York Street, Suite 1710, 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 year ended September 30, 2019 were approved by the Board of Directors of the Company on November 26, 2019.

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.

OroValle Minerals S.L.

Non-operating companies:

Orvana Minerals Asturias Corp.

Orvana Cyprus Limited

Orvana Sweden International AB

Orvana Minerals Iberia, S.L.

Orvana Pacific Minerals Corp.

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Notes to the consolidated financial statements

(in thousands of United States dollars unless otherwise noted)

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(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 consolidated statement of loss.

(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

The Company completed the analysis of the impact of IFRS 9 during the fourth quarter of fiscal 2018 and based on the detailed analysis performed, the conclusion is the adoption of IFRS 9 did not result in any material transitional adjustments of the carrying values of any financial asset on the transition date. As a result of the aforementioned, figures have not been restated. The Company did consider the impact of the standard on all financial assets and financial liabilities to which are applicable.

The Company has revised its accounting policy and disclosure for financial instruments retrospectively, except where described below. The main areas of change and corresponding transitional adjustments applied on October 1, 2018 are the following:

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(in thousands of United States dollars unless otherwise noted)

For the years ended September 30, 2019 and 2018

- Financial Assets:

The following table has been included to illustrate the revised classification of financial assets under the previous standard (IAS 39) and the new revised accounting under IFRS 9:

Type of instrument	LY Classification	CY Classification
Long-term Deposits	Loans and receivables	Amortized Cost
Reclamation Bonds	Loans and receivables	Amortized Cost
Cash and cash equivalents	Loans and receivables	Amortized Cost
Concentrate and doré sales receivables	Loans and receivables	Fair Value through profit and loss
Other accounts receivables	Loans and receivables	Amortized Cost
Gold Forwards	Financial assets through profit or loss	Fair Value through profit and loss

The changes in these classifications did not impact the measurement of corresponding cash and cash equivalents.

The Company's business model is based on maintaining its financial assets to receive contractual cash flows according to signed contracts, in specific dates.

- Financial Liabilities:

The Company recognized initially its financial liabilities at fair value and in the case of financial liabilities not subsequently measured at fair value, net of directly attributable financing costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. For financial liabilities, IFRS 9 maintains most of the IAS 39 requirements. Since the Company does not have any financial liabilities designated at fair value, the adoption of IFRS 9 did not have any impact to the Company's accounting policies. The Company's financial liabilities are subsequently measured at amortized cost.

- Impairment model – Expected credit loss:

The new impairment model introduced in IFRS 9 is based on expected credit loss, which means a difference from the model defined in IAS 39 (based on an incurred loss model instead of a forward looking model). After an analysis of the business model and taking into consideration the background of how the Company received the cash flows from its financial assets, this did not result in a significant impact and therefore no transitional adjustment. After applying this new impairment model during the fiscal year, the Company has concluded that there was no credit to impair at September 30, 2019.

(g) 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.

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(h) 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 consolidated statement of loss 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 mine.

Estimated useful lives of major asset categories are as follows:

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

(i) 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.

(j) 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.

(k) 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

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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 consolidated statement of loss.

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.

(l) 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.

(m) Revenue recognition

The Company has adopted IFRS 15 effective October 1st, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for those periods beginning after October 1st, 2018 are reported under IFRS 15, while prior reporting periods are reported under IAS 18.

Based on a formal analysis performed, the Company concluded that there is no significant differences between the point of transfer of risks and rewards for its metals under IAS 18 and the point of transfer of control under IFRS 15. Subsequently no adjustment has been recorded to the opening balance at October 1st, 2018.

The type and nature of sale contracts is described below:

- Precious metals sales – Gold-copper concentrates

The Company sells gold-copper concentrates ("Concentrates") from its mines to third-parties. The concentrates mainly contain copper, gold and silver.

The Company recognizes revenue upon notification of payment of the provisional invoice by the buyer, which is the point in time when the legal title is transferred. Upon payment the customer is able to direct the use of and obtain substantially all of the benefits from the concentrate. Revenues are recorded provisionally based on average market prices and provisional weights and assays. A receivable is recognized for this amount and subsequently measured at fair value to reflect variability associated with the embedded derivative for changes in the market metal prices and variations to weights and assays. These changes in the fair value of the receivable are recognized in revenue each period end and in the period of final settlement. Refining, treatment charges and freight are netted against revenues from concentrates.

- Precious metals sales – Doré

The Company sells doré from its mines to third-parties. A doré bar is a semi-pure alloy of gold and silver.

Revenue from gold doré is recognized upon notification of payment from the buyer, which is the point in time when the legal title is transferred. Upon payment the customer is able to direct the use of and

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obtain substantially all of the benefits from the doré. Revenues are recorded provisionally based on market prices and provisional weights and assays. A receivable is recognized for this amount and subsequently measured at fair value to reflect variability associated with the embedded derivative for changes in the market metal prices and variations to weights and assays. These changes in the fair value of the receivable are recognized in revenue each period end and in the period of final settlement. Treatment charges are netted against revenues from doré sales.

(n) Cost of sales

Cost of sales consists of mining costs, which include personnel costs; energy costs (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.

(o) 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, a deferred share unit plan and stock appreciation rights.

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 consolidated statement of loss.

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 is 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.

(p) 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.

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(q) 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 consolidated statement of loss, 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.

(r) 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 consolidated statement of loss in the period in which they are incurred.

(s) 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.

(t) New standards and interpretations not yet adopted:

i. IFRS 16 Leases

On January 13, 2016, the IASB issued a new standard, IFRS 16 Leases ("IFRS 16"). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's interim financial statements for the quarter ended December 31, 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers, has also been applied. Orvana is in the process of assessing all the contracts that have identified to be in the scope of IFRS 16 and determining the effect the new accounting standard will have on the consolidated financial statements in the first quarter 2020.

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

The Company assesses the carrying values of each cash-generating unit ("CGU") at each reporting period end date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less

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costs to sell ("FVLCS") or value-in-use. Fair value under FVLCS is determined as the amount that would be obtained from the sale, less costs, of the asset in an arm's length transaction between knowledgeable and willing parties. When observable market prices are not available for the asset, value-in-use for mineral properties is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that are specific to the Company's circumstances with respect to each CGU. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management of the Company has assessed its CGUs to be its mine sites (El Valle and Don Mario), which are the lowest level for which cash inflows and outflows are expected to be largely independent of those of other assets. Management projected cash flows over the remaining life of mine in respect of El Valle and Don Mario using forecasted production (based on reserves and resources and recovery rates) and costs per the current life of mine plans and the long-term forecasted price of gold, copper and silver to project future revenues. The key assumptions used in making this assessment at September 30, 2019 included commodity prices, operating costs, capital expenditures, foreign exchange rates and discount rates.

Although the total public market capitalization of the Company was below the carrying amount of Orvana's net assets at September 30, 2019 of \$73 million, following the completion of an impairment test in respect of each CGU at the end of fiscal 2019, the Company estimated that the net recoverable amounts are greater than the carrying values of such assets based on the Company's current life of mine plans and the assumptions set out above at September 30, 2019. As such, there was no impairment of such carrying values as at September 30, 2019.

In light of a continued volatile metal price environment, and notwithstanding that the Company concluded that there was no impairment of carrying values at the end of fiscal 2019, there can be no assurances that an impairment adjustment may not be taken at either or both CGUs in future periods.

Management used a long-term price per ounce of gold of between \$1,500 to \$1,543 to perform its impairment assessments for OroValle and EMIPA as at September 30, 2019. A 5% decrease in price per ounce would have resulted in no impairment at OroValle or EMIPA. The 5% decrease in gold price was not modeled with a corresponding depreciation in EUR.

Management used long-term Euro/USD exchange rates between 1/1.20 to 1/1.25 to perform its impairment assessments for OroValle as at September 30, 2019. A 5% depreciation of the annual Euro/USD exchange rates would have resulted in no impairment at OroValle or EMIPA. The 5% depreciation in Euro/USD exchange rates was not modeled with a corresponding increase in gold price.

(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, 2019, the Company had recognized \$20,727 of decommissioning liabilities (September 30, 2018 – \$21,236). Refer to note 19 – Decommissioning liabilities.

(c) 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, 2019, the Company had non-capital losses of \$16,791 (September 30, 2018 – \$18,576) in Canada that

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expire over the periods of 2029 to 2039 and other deductible temporary differences of \$6,269 (September 30, 2018 – \$4,885). EMIPA had deductible temporary differences of \$12,241 (September 30, 2018 – \$13,869). OroValle had non-capital losses of \$25,924 (September 30, 2018 – \$32,848) with an indefinite carry-forward; the Company has not recognized the benefit of these items in OroValle for the consolidated financial statements. Refer to note 20 – Income tax.

5. Divestiture of Copperwood

In June 2014, the Company sold its Copperwood Project to Highland Copper Company Inc. (“Highland”) through a sale of its formerly wholly-owned subsidiary, Orvana Resources US Corp. The Company received a cash payment of \$13,000 and a secured promissory note in the amount of \$7,000 (the “Copperwood Note”), which was paid in full in December 2014.

Additional consideration of up to \$5,000 is due from Highland in cash or shares of Highland, at Orvana’s option, upon the occurrence of certain events. On June 17, 2017, the Company received a cash payment of \$1,250 of this additional consideration. A further cash payment of \$250 was received on June 15, 2018. In 2018, the Company entered into an agreement with Highland to extend the timing of payment on the remaining \$1,000 and, in return, will charge interest at a rate of 12% per annum if the payment is made no later than November 2018 or an interest rate of 15% per annum and a penalty for any unpaid amount after this date. As of September 30, 2019, the company has collected the remaining balance of \$1,000 and accrued interest during the fiscal 2019 of \$107.

Of the remaining additional consideration, \$1,250 may be received 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. A final \$1,250 will be paid 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 Company’s estimated fair value of this additional part has been a fair value of \$0.

6. Revenue

		2019	2018
Gold-copper concentrate	\$	52,785	54,532
Doré		83,855	93,188
Subtotal	\$	136,640	147,720
Provisional invoicing adjustments		(240)	(20)
Realized gain (loss) on cash settlements of derivative instruments (note 11)		(856)	(1,864)
Total revenue	\$	135,544	145,836

7. 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 El Valle, which are capitalized and depreciated over the specific useful life or reserves related to that development and are included in depreciation and amortization. The mining costs for the year ended September 30, 2019 and 2018 relate to El Valle and Don Mario.

For the years ended September 30,		2019	2018
Direct mining costs	\$	105,931	\$ 111,529
Royalties and mining rights ⁽¹⁾		4,469	4,640
Mining royalty taxes ⁽²⁾		3,158	4,777
Total mining costs	\$	113,558	\$ 120,946

(1) Royalties and mining rights refer to royalties payable to third parties in respect of El Valle and Don Mario.

(2) Mining royalty taxes refers to amounts payable to government authorities in respect of Don Mario Mine.

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8. General and administrative expenses

For the years ended September 30,	2019	2018
Salaries, directors fees and office administration	\$ 3,635	\$ 4,835
Depreciation	13	17
Stock-based compensation expense	88	198
Warrants	-	(10)
Long-term compensation	524	(145)
Foreign exchange (gain) loss	(1,600)	677
Total general and administrative expenses	\$ 2,660	\$ 5,572

9. Other income (loss)

For the years ended September 30,	2019	2018
Provision for uncollectible VAT – EMIPA ⁽¹⁾	\$ (1,754)	\$ 1,167
Insurance proceeds ⁽²⁾	-	(807)
Miscellaneous other loss (income)	(237)	184
Total other loss (income)	\$ (1,991)	\$ 544

(1) Based on the results of completed audits conducted by the Bolivian National Tax Service with respect to VAT claims, the Company had a provision of \$2,200 as at September 30, 2019 for certain VAT amounts received or receivable that have not been audited by the Bolivian National Tax Service (September 30, 2018 – \$3,954).

(2) In 2018, the Company received insurance proceeds related to equipment losses at EMIPA in fiscal 2016.

10. Finance costs, net

For the years ended September 30,	2019	2018
Interest on credit facilities	\$ 550	\$ 79
Effective interest on Prepayment Facility	510	1,484
Other interest (income) expense	(111)	(38)
Amortization of financing fees	214	76
Accretion expense on decommissioning obligations	393	256
Accretion gains on Copperwood deferred payments	-	(71)
Debt extinguishment	100	-
Total finance costs	\$ 1,656	\$ 1,786

11. Derivative instruments

The Company has no outstanding derivative instruments at September 30, 2019 (September 30, 2018 \$108) and paid net cash of \$856 in settlement of the derivative instruments that matured in the period (September 30, 2018 \$1,864).

Changes in the fair value of the Company's outstanding derivative instruments are recognized through the Company's income statement as non-cash derivative instrument gains or losses. At maturity of each contract, a cash settlement takes place resulting in a corresponding reduction in the carrying value of the derivative instruments. The mark-to-market fair value of the Company's outstanding derivative instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk.

The Company recorded fair value adjustments on its outstanding derivative instruments as follows:

For the years ended September 30,	2019	2018
Change in unrealized fair value	\$ (112)	\$ 1,030
Realized loss on cash settlements of derivative instruments ⁽¹⁾	(856)	(1,864)
Derivative instruments loss	\$ (968)	\$ (834)

(1) Realized gains and losses on settlement of derivative instruments are recorded in revenue.

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12. Net loss per share

For the years ended September 30,	2019	2018
Net loss	\$ (5,266)	\$ (11,097)
Weighted average number of common shares outstanding – basic and diluted	136,623,171	136,623,171
Net loss per share – basic and diluted	\$ (0.04)	\$ (0.08)

13. Restricted cash and reclamation bonds

Restricted cash

Restricted cash as at September 30, 2019 was \$131 and consists on warranties in front of government required for appealing in labour courts (at September 30, \$61).

Long-term restricted cash as at September 30, 2019 was \$1,178 (September 30, 2018 – \$349). At September 30, 2018, the restricted cash consisted mainly of a deposit made by OroValle to secure the lease of the underground mobile equipment. At September 30, 2019 the majority consisted of the restricted cash required by the Spanish banks in accordance with the terms of the New Facility in OroValle (\$1,089) (Note 17).

Reclamation bonds

At September 30, 2019, cash backed reclamation bonds held in a Spanish financial institution were \$8,265 (September 30, 2018 – \$8,784) and are expected to be released after all reclamation work at El Valle has been completed. Prior to its acquisition by OroValle, El Valle had been shut down by the owner thereof and remediation measures required were completed. On OroValle's acquisition of El Valle 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 OroValle relating to its tailings facility.

Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately \$5,444) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has filed an appeal with Spanish regulatory authorities. Through the administrative appeal process, the Company is working with Spanish regulatory authorities to seek alternatives, which includes, without limitation, relief from posting the additional reclamation bond.

14. Inventory

As at September 30,	2019	2018
Ore in stockpiles	\$ 764	\$ 962
Ore in-process	808	1,356
Gold doré	1,053	378
Copper concentrates	5,260	5,518
Materials and supplies	11,753	12,036
	\$ 19,638	\$ 20,250
Long-term ore in stockpiles	\$ 1,993	\$ 1,993
	\$ 21,631	\$ 22,243

The Company recognized \$128,384 of inventory in cost of sales for the year ended September 30, 2019 (September 30, 2018 - \$132,700). The inventory long term corresponds to the stockpile at EMIPA. In 2018 the Company completed a net realizable value assessment, and recorded \$1,678 thousands of long-term stockpiles oxides ore inventory.

ORVANA MINERALS CORP.**Notes to the consolidated financial statements****(in thousands of United States dollars unless otherwise noted)****For the years ended September 30, 2019 and 2018****15. Property, plant and equipment**

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2018	\$2,442	\$51,849	\$542	\$41,795	\$96,628
Additions	215	4,936	125	6,249	11,525
Disposals	-	(1,782)	-	-	(1,782)
Change in decommissioning assets (note 19)	-	(869)	-	-	(869)
Depreciation ⁽¹⁾	-	(10,250)	(114)	(11,052)	(21,416)
Net book value, September 30, 2019	\$2,657	\$43,884	\$553	\$36,992	\$84,086
Total cost	\$2,657	\$157,075	\$2,941	\$130,982	\$293,655
Total accumulated depreciation	-	(113,191)	(2,388)	(93,990)	(209,569)
Net book value, September 30, 2019	\$2,657	\$43,884	\$553	\$36,992	\$84,086

(1) Depreciation includes amounts recorded in inventory.

	Land	Plant and equipment	Furniture and equipment	Mineral properties in production	Total
Net book value, October 1, 2017	\$1,639	\$50,482	\$417	\$47,516	\$100,054
Additions	803	14,588	237	3,508	19,136
Disposals	-	-	-	-	-
Change in decommissioning assets (note 19)	-	1,042	-	-	1,042
Depreciation ⁽¹⁾	-	(14,263)	(113)	(9,228)	(23,604)
Net book value, September 30, 2018	\$2,442	\$51,849	\$541	\$41,796	\$96,628
Total cost	\$2,442	\$154,790	\$2,816	\$124,733	\$284,781
Total accumulated depreciation	-	(102,941)	(2,274)	(82,938)	(188,153)
Net book value, September 30, 2018	\$2,442	\$51,849	\$542	\$41,795	\$96,628

(1) Depreciation includes amounts recorded in inventory.

On the consolidated statement of cash flow for the year ended September 30, 2019, capital expenditures exclude approximately \$2,854 of capital expenditures incurred but unpaid in fiscal 2019 and include \$2,116 of capital expenditures incurred in fiscal 2018 but paid in fiscal 2019 (September 30, 2018 – \$2,115 and \$3,319 respectively).

16. Accounts payable and accrued liabilities

As at September 30,	2019	2018
Accounts payable	\$ 28,809	\$ 23,870
Accrued liabilities	4,702	6,540
Total accounts payable and accrued liabilities	\$ 33,511	\$ 30,410

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17. Debt

	September 30, 2019	September 30, 2018
Revolving facilities (OroValle)	\$ 2,761	\$ 2,894
Revolving facilities (EMIPA)	1,972	-
BISA TSF Loan (EMIPA)	4,250	7,085
BISA Heavy Equipment (EMIPA)	1,298	2,114
Prepayment Facility (OroValle)	-	8,865
Banco de Crédito Loan (EMIPA)	493	-
New Facility (Spanish local banks)	7,355	-
Bankinter Loan (OroValle)	380	-
	18,509	20,958
Less: current portion	(11,253)	(17,331)
	\$ 7,256	\$ 3,627

Revolving facilities EMIPA

In June 2017, as part of the closing of the BISA TSF Loan (hereinafter defined), EMIPA entered into a revolving working capital facility with Banco BISA S.A. (“BISA”) of up to Bs.20,580,000 (approximately \$2,956). The proceeds can be drawn down in the form of cash of up to Bs.13,720,000 (approximately \$1,971), bank guarantees of Bs.20,580,000 (approximately \$2,956) or a combination of the two up to the limit of Bs.20,580,000. The revolving working capital facility is renewable every six months until November 2020 and interest will be determined at the date of drawdown and is dependent on the form of the drawdown. As at September 30, 2019, a total of \$1,972 of proceeds have been received from this facility (September 30, 2018 - \$nil). The interest rate and the covenants for this facility are similar to TSF Loan mentioned below.

For the year ended September 30, 2019, the Company paid no interests on the revolving short term facilities (September 30, 2018 \$ nil).

Revolving facilities OroValle

In July 2019, OroValle renewed a revolving credit facility with Banco Santander S.A. for an amount of €1,5 Million for a one-year term bearing an annual rate of Euribor plus 2.27%. The credit facility is secured by OroValle’s VAT receivable from the Spanish government. As at September 30, 2019, the full amount of the facility was drawn down (approximately \$1,672), (September 30, 2018 \$1,737).

In October 2018, OroValle renewed a revolving credit facility with Bankinter S.A. (“Bankinter”) for an increased amount of €1 Million for a three month renewable term and bearing no interest. An administration fee is charged for each renewal. Under the terms of the agreement, all or part of the financing received must be used for the remittance of payroll tax, VAT and corporate taxes to the Spanish tax agency with payment being processed through the Bankinter account. No security is required to be posted for this facility. As at September 30, 2019, the full amount of the facility was drawn down (approximately \$1,089), (September 30, 2018 \$1,158).

For the year ended September 30, 2019, the Company paid \$76 in interest on the revolving short-term credit facilities (September 30, 2018 – \$32).

BISA TSF Loan

In June 2017, EMIPA entered into a Bs.58,017,483 (approximately \$8,336) term facility with BISA in Bolivia, the proceeds of which were used to fund a major tailings storage facility expansion project will add sufficient capacity to support future operations (“BISA TSF Loan”). The BISA TSF Loan bears an interest rate of 5.3% per annum, with seven disbursements of specified amounts that were received as expenditures were incurred on the tailings storage facility expansion. The BISA TSF Loan matures in January 2021 and is being repaid in twelve equal repayments beginning in April 2018. Security for the BISA TSF Loan and the revolving working capital facility described above, includes certain assets at Don Mario.

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The BISA TSF Loan contains covenants that, among other things, restrict EMIPA's ability to make cash disbursements to Orvana in certain circumstances.

As at September 30, 2019, EMIPA had received the full amount for \$8,336 (September 30, 2018 – \$8,336) and principal repayments of \$4,086 were made against the BISA TSF Loan, such that the principal outstanding at September 30, 2019 was \$4,250 (September 30, 2018 - \$7,085).

For the year ended September 30, 2019, the Company paid \$322 in interest on the BISA TSF Loan (September 30, 2018 – \$282).

BISA Heavy Equipment Loan

In May 2018, EMIPA entered into a Bs.16,514,688 (approximately \$2,373) term facility with BISA in Bolivia, the proceeds of which were used to purchase heavy equipment ("BISA Heavy Equipment Loan"). The BISA Heavy Equipment Loan bears an interest rate of 5.5% per annum and matures in April 2021 with repayments beginning in June 2018. Security for the BISA Heavy Equipment Loan are tied to the equipment purchased.

The BISA Heavy Equipment Loan contains covenants that restrict EMIPA's ability to make cash disbursements to Orvana's subsidiaries in certain circumstances.

As at September 30, 2019, the full amount of the loan was drawn down and principal repayments of \$1,075 were made against the BISA Heavy Equipment Loan, such that the principal outstanding was \$1,298 (September 30, 2018 - \$2,114).

For the year ended September 30, 2019, the Company paid \$97 in interest on the BISA Heavy Equipment Loan (September 30, 2018 – \$36).

Banco de Crédito Loan

In May 2019, EMIPA entered into a Bs.3,430,000 (approximately \$493) term facility with Banco de Crédito in Bolivia. This loan bears an interest rate of 6% per annum and its initial maturity was August 2019. EMIPA renegotiated a renewal extending the repayment date to January 2020 for both principal and interests. As at September 30, 2019 EMIPA has \$493 as outstanding principal (September 30, 2018 – \$nil).

For the year ended September 30, 2019, the Company had made no interest payments on the Banco de Credito Loan (September 30, 2018 – \$nil).

Prepayment Facility

In August 2016, the Company entered into a \$12,500 copper concentrates and gold doré Prepayment Facility with Samsung C&T U.K. Limited ("Samsung C&T"), the proceeds of which were used at El Valle for mine development activities and infrastructure upgrades.

Under the terms of the Prepayment Facility, Orvana has been selling gold doré from its El Valle and Carlés Mines in Spain and copper concentrate from its Don Mario Mine in Bolivia to Samsung C&T, on an exclusive basis for a period of thirty months. In exchange, Orvana received \$12,500 in prepayment financing from Samsung C&T.

The first instalment of \$8,000 was received on closing and repayments began in September 2017. The second instalment of \$4,500 was drawn down in February 2017. According to the original terms, the Prepayment Facility bore interest at USD 3M LIBOR plus 4.5% per annum.

In March 2018, the Company closed an amendment to the Prepayment Facility to reschedule and extend the principal repayment terms by two months to April 2019 such that: i) principal repayments due between February 2018 and October 2018 were reduced to \$20 per month; ii) principal repayments due from November 2018 to February 2019 were increased to \$1,650 per month; and iii) remaining principal repayments, were scheduled to

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due in March and April 2019 and were planned to be paid in equal instalments of \$1,250. The deferred amount of the principal was expected to be repaid, totalling, \$7,320 and beared interest at USD 3M LIBOR plus 7.5% per annum, while the remaining principal was planned to bear interest at the original rate. Interest payments and principal repayments were supposed to continue to be made against Orvana's future shipments of gold doré and/or copper concentrates during the extended Prepayment Facility term. Amongst certain other terms, the Company also agreed to extend gold doré shipments to Samsung C&T to April 2020 as a result of the amendment. Financing fees paid in respect of the amendment totaled \$73. The Company recognized a loss of \$19 in the second quarter of fiscal 2018 on the amendment of the Prepayment Facility from the difference in terms between the original and amended financial liabilities. Interest payments and principal repayments under the terms of the Prepayment Facility were deducted from Orvana's on-going shipments of copper concentrates and/or gold doré.

The Company's obligations under the Prepayment Facility were secured by the pledge to Samsung C&T of all of Orvana's shares of OroValle, which owns the El Valle and Carlés Mines in Spain. In January, 2019, the Company closed a syndicated credit facility and, concurrent with the closing, Orvana repaid the full Prepayment Facility. With the full payment of the facilities all the pledges and covenants regarding this financing were cancelled, with effective date January 31, 2019.

The Prepayment Facility principal was fully settled during the first nine months of fiscal 2019, such that the principal outstanding as at September 30, 2019 was \$nil (September 30, 2018 - \$8,865). Samsung C&T continues to have a commercial relationship and agrees to pay for copper concentrates and gold doré at a price based on the prevailing metal prices for the gold, silver and copper content around time of shipment, less customary treatment, refining and shipping charges, and pursuant to the terms of the Prepayment Facility.

A \$100 fee for the early repayment of this facility resulted in a loss to the income statement.

New Facility (Spanish local banks)

In January 2019 OroValle closed a syndicated credit facility (the "New Facility") for a total amount of €6 million (in USD, \$ 6,741). These funds were used to repay the Samsung Prepayment Facility.

This New Facility is subject to a 2% bank commission fee, bears a fixed annual interest rate of 2.55%, semi-annual principal repayments and semi-annual interest payments over a term of four years.

Amongst the obligations, OroValle is required to comply with net finance debt to EBITDA proforma financial covenant calculated based on individual financial information. This resulting rate must be lower than 3.5 at each year-end period. At September 30, 2019, OroValle is in compliance with the New Facility covenants.

The Company's obligations to the lenders are secured by: (i) the pledge of all of Orvana's shares of OroValle; (ii) the pledge of OroValle's doré sale proceeds; and (iii) 12,5% restricted cash.

In May 2019, OroValle increased the New Facility by €2 million, achieving a total aggregated amount of €8 million (approximately \$ 8.7 million), with the same terms and conditions of the New Facility.

In July 2019, OroValle repaid €996 (approximately \$1,300) of principal and €88 (approximately \$96) of interests of the New Facility.

The deferred financing fees amounted \$150 and the amortization in the period was \$19 for the year ended September 30, 2019 (September 30, 2018 \$nil).

The amortized cost expense registered for the period ended September 30, 2019 was \$105 (September 30, 2018 \$nil).

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Bankinter Loan

On August 23, 2019, OroValle entered into a new short-term Loan with Bankinter. The principal amounted to \$420 and it bears a fixed annual interest rate of 1.5%. This loan matures on September 2020.

For the year ended September 30, 2019, the Company paid \$40 in capital and \$nil on interest, respectively on the Bankinter Loan (September 30, 2018 – \$nil and \$nil, respectively).

18. Obligations under finance leases

During fiscal 2016, El Valle entered into several lease agreements with lease terms between two to three years to purchase underground mobile equipment. In addition to this, during fiscal 2019 El Valle entered in two new leases to purchase underground equipment with similar lease terms. All leases are payable in monthly instalments at annual interest rates of 1.38% to 2.54%. Each contract has a purchase option.

At September 30, 2019, the total lease obligation outstanding was \$875 (September 30, 2018 - \$1,031) and the Company made lease payments during the year of \$1,073 (September 30, 2018 - \$1,053). The following is a schedule of future minimum payments under the finance leases:

As at September 30,	2019	2018
Fiscal 2019		835
2020	543	239
2021	254	
2022	99	
	896	1,074
Amount representing interest (at 1.95% Fy19 / at 2.47% Fy18)	(21)	(43)
	875	1,031
Less: current portion of lease obligation	(528)	(786)
Total long-term obligations under finance leases	\$ 347	\$ 245

19. Decommissioning liabilities

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

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

As at September 30,	2019	2018
Balance, beginning of period	\$ 21,236	\$ 19,939
El Valle Mine		
- Foreign exchange	(869)	467
- Timing of payments and discount rates	(20)	575
Don Mario		
- Foreign exchange	-	-
- Timing of payments and discount rates	(14)	-
	20,333	20,981
Accretion expense in El Valle	209	205
Accretion expense in Don Mario	185	50
Total decommissioning liabilities	\$ 20,727	\$ 21,236

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The decommissioning liability balance consists of:

As at September 30,		2019		2018
El Valle Mine	\$	13,867	\$	14,547
Don Mario Mine		6,860		6,689
Total decommissioning liabilities	\$	20,727	\$	21,236

As at September 30, 2019, 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
El Valle Mine ⁽¹⁾	\$ 15,437	1.31%	\$ 13,867
Don Mario Mine ⁽¹⁾	8,316	3.20%	6,860
Total	\$		\$ 20,727

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

Cash held in Spanish financial institutions backing reclamation bonds totaled approximately \$8,265 at September 30, 2019 (September 30, 2018 – \$8,784) and is expected to be released after all reclamation work has been completed in respect of El Valle Mine. Refer to note 13 – Restricted cash and reclamation bonds.

20. Taxes

(a) Income taxes

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

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

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

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

Income tax rates in Bolivia and Spain remain unchanged from the prior year at 37.5% and 25%, respectively.

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For the year ended September 30,	2019	2018
Current income taxes:		
Current tax on income for the year	\$ 572	\$ 404
Total current income taxes	572	404
Deferred income tax:		
Origination and reversal of temporary differences in OroValle and EMIPA	(2,267)	923
Total deferred taxes (recoveries)	(2,267)	923
Total income taxes (recoveries)	\$ (1,695)	\$ 1,327

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,	2019	2018
Loss before income taxes	\$ (6,961)	\$ (9,770)
Statutory income tax rates	26.5%	26.5%
Income tax provision calculated using the combined Canadian federal and provincial statutory income tax rates	(1,845)	(2,589)
Tax effects of:		
Higher foreign tax rates	(172)	1,132
Non-deductible expenses	1,102	1,746
Tax deductions (recognized) not recognized	(780)	1,038
Income tax expense	\$ (1,695)	\$ 1,327

As at September 30, 2019, the Company recognized \$2,714 of deferred tax assets in EMIPA, as projections of various sources of income support the conclusion that the realization of these deferred tax assets is probable (September 30, 2018 - \$447).

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

As at September 30,	2019	2018
Deferred tax assets:		
EMIPA	2,714	447
Deferred tax assets	\$ 2,714	\$ 447
Deferred tax liabilities:		
Property, plant and equipment	\$ (5,044)	\$ (4,212)
Tax loss carry forwards in OroValle	5,044	4,329
Other	-	(117)
Deferred tax liabilities	-	-
Deferred tax assets (net)	\$ 2,714	\$ 447

As at September 30, 2019, the Company had non-capital losses of \$16,791 (September 30, 2018 – \$18,576) in Canada that expire over the periods of 2029 to 2039 and other deductible temporary differences of \$6,269 (September 30, 2018 – \$4,885). EMIPA had deductible temporary differences of \$12,241 (September 30, 2018 – \$13,869). OroValle had non-capital losses \$25,924 (September 30, 2018 - \$32,848) with an indefinite carry-forward. The Company has not recognized the benefit of these items in the consolidated financial statements.

All deferred tax assets and liabilities are expected to settle after September 30, 2019.

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

For the year ended September 30,	2019	2018
At October 1	\$ (447)	\$ (1,370)
Charge to the statement of income	(2,267)	923
Exchange differences	-	-
At September 30	\$ (2,714)	\$ (447)

Cash taxes paid by EMIPA during the year ended September 30, 2019 totaled \$572 (September 30, 2018 – \$404).

(b) Value added taxes

At September 30, 2019 the VAT receivable balances at EMIPA (VAT) amounted \$16 million (September 30, 2018 \$11 million).

The VAT increased as a result of a modification to the VAT returns process whereby VAT can no longer be collected before tax audits are completed using bank guarantee notes.

Additionally, the provision associated with collected VAT subject to audit was reduced to \$1.4 million at September 30, 2019 (September 30, 2018 \$2.7 million). This provision is disclosed in the balance sheet as “other long term obligations”.

The following table summarizes the changes in VAT assets:

For the year ended September 30,	2019	2018
At October 1	\$ 14,009	\$ 9,223
Additions ⁽¹⁾	14,455	15,976
Recoveries ⁽²⁾	(9,758)	(10,005)
Provision for uncollectible VAT ⁽³⁾	718	(1,185)
At September 30	\$ 19,424	\$ 14,009
Current	\$ 3,339	\$ 2,764
Long term	\$ 16,085	\$ 11,245

(1) In the additions for fiscal 2019 \$104 are from corporate (\$ 134 in 2018), 4,114 from EMIPA (\$6,418 in 2018) and 10,237 from OroValle (\$9,424 in 2018).

(2) In the recoveries for fiscal 2019, \$132 are from corporate (\$99 in 2018), \$89 from EMIPA (\$181 in 2018) and \$9,537 from OroValle (\$9,724 in 2018).

(3) All the provision for uncollectible VAT is allocated in EMIPA in both fiscal years.

The following table summarizes the changes in VAT provisions:

For the year ended September 30,	2019	2018
At October 1	\$ 2,755	\$ 2,773
Additions	-	-
Recoveries	-	-
Provision for uncollectible VAT	(1,315)	(18)
At September 30 ⁽¹⁾	\$ 1,440	\$ 2,755
Current	\$ -	\$ -
Long term	\$ 1,440	\$ 2,755

(1) All the VAT liabilities are from EMIPA.

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21. Share capital and warrants

Issued share capital as at September 30, 2019 was \$116,206 (September 30, 2018 – \$116,206). The Company's authorized share capital contains an unlimited number of common shares. As at September 30, 2019, the Company had 136,623,171 common shares (September 30, 2018 – 136,623,171) issued and outstanding.

Warrants

A summary of the warrant transactions are as follows:

	Number of warrants	Stated Value
Balance, September 30, 2018	100,000	\$ -
Warrants expired	(100,000)	-
Balance, September 30, 2019	-	\$ -

As at September 30, 2019, there are not any exercisable warrants.

22. Share based payments

(a) Stock options

A summary of the stock option transactions is as follows:

	Stock options	Weighted average exercise price C\$
Balance, September 30, 2018	1,185,823	\$0.24
Expired	(414,815)	0.26
Balance, September 30, 2019	771,008	\$0.22

As at September 30, 2019, 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
December 18, 2014	25	-	0.22	125,000	0.30	December 18, 2019
December 21, 2017	129	-	3.23	646,008	0.21	December 21, 2022
	\$ 154	-		771,008		
Total vested and unvested options				771,008		

The Company uses the fair value method of accounting for options and, during the year ended September 30, 2019, recognized stock-based compensation expense of \$88 (September 30, 2018 – expense of \$198).

The compensation expense associated with the options for the year ended September 30, 2019 includes an estimated forfeiture rate of 10% based on the average rate of forfeitures over the last three years (September 30, 2018 – 10%).

The weighted-average grant date fair value of the options are expensed over the vesting periods of the options being 36 months from the grant dates.

As at September 30, 2019, the fair value associated with unvested options is \$nil (September 30, 2018 – \$nil).

(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.

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The initial fair value of units issued is expensed and is included in long-term compensation expense under general and administrative expenses in the consolidated statements of net loss and comprehensive loss. 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
Balance, September 30, 2017	1,497,679	\$ 300
Issued	1,214,285	200
Mark-to-market adjustment	-	(186)
Balance, September 30, 2018	2,711,964	\$ 314
Issued	2,122,303	216
Redeemed	(73,529)	(15)
Mark-to-market adjustment	-	204
Balance, September 30, 2019	4,760,738	\$ 719

(ii) Restricted share units ("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 consolidated statements of net loss and comprehensive loss, as described in accounting policy per Note 3 (o). 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, September 30, 2017	796,296	\$ 160
Forfeited	(324,074)	(65)
Mark-to-market adjustment	-	-
Changes in current portion	(472,222)	(95)
Balance, September 30, 2018	-	\$ -
Issued	2,877,858	293
Mark-to-market adjustment	-	(174)
Balance, September 30, 2019	2,877,858	\$ 119

(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 consolidated statements of net loss and comprehensive loss 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.

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

	Number SARs	of	Fair value
Balance, September 30, 2017	602,362	\$	65
Redeemed	(401,576)		(43)
Mark-to-market adjustment	-		-
Changes in current position	(200,786)		(22)
Balance, September 30, 2018	-	\$	-
Balance, September 30, 2019	-	\$	-

23. 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,	2019	2018
Salaries, short term employee benefits and separation payments	\$ 739	\$ 1,318
Share-based payments ⁽¹⁾	612	164
Directors fees	374	365
Total compensation of key management	\$ 1,725	\$ 1,847

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

24. 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. Spanish Water Authority has taken the position that the levels of selenium in the river flowing past El Valle Mine exceed the levels permitted by applicable regulations as a result of discharges attributed to OroValle which may not be in compliance with certain of OroValle's permits. In recent years, OroValle has received approximately €955,000 (approximately \$1,040) in fines relating to these matters and may face further additional fines or other sanctions, including the revocation or suspension of certain permits, in the future. OroValle is appealing the outstanding fines (€628,715, \$684,608) and the enforcement of certain fines has been suspended pending the related criminal matter. A judge of the criminal court of Asturias is conducting an investigation into the potential commission by OroValle of a reckless crime under the Spanish penal code relating to these matters. The judge and the prosecutor have excluded individuals of any charges. If OroValle is ultimately found responsible, monetary penalties, amongst other sanctions, may be applied. These sanctions could have a material impact on the Company. At this time, OroValle has not been charged and has cooperated and will continue to cooperate with investigations and is defending itself vigorously.
- (b) On June 27, 2011, as a condition of receiving an environmental permit on that date, the Government of the Principality of Asturias, required OroValle to commit to post an additional reclamation bond in the amount of €5,000,000 (approximately \$5,444) in respect of the tailings impoundment area. To satisfy this requirement, OroValle deposited €5,000,000 (approximately \$5,444) in September 2011 with a local bank in favour of the Spanish regulatory authorities. Spanish regulatory authorities have requested an additional reclamation bond totaling €5,000,000 (approximately \$5,444) be deposited in their favour to satisfy additional reclamation bond commitments in respect of the tailings impoundment area, the assessment of which the Company has contested. The Company is challenging the requirement to fund the additional reclamation bond through an administrative appeal process with the Spanish regulator. The Company is working with Spanish regulatory authorities to come to an agreement regarding posting this bond, including the consideration of alternatives to posting this bond.
- (c) Production from El Valle Mines is subject to a 3% net smelter return royalty ("NSR"), payable monthly. The NSR 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 \$2,753 for the year ended September 30, 2019 (September 30, 2018 - \$2,395).

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- (d) Production from Don Mario Mine is subject to a 3% NSR payable quarterly. Royalty expense under this NSR totalled \$1,716 for the year ended September 30, 2019 (September 30, 2018 – \$2,244). The Bolivian government collects a mining royalty tax on the revenue generated from copper, gold and silver sales from Don Mario Mine at rates of 5%, 7% and 6%, respectively. These amounts totalled \$3,158 year ended September 30, 2019 (September 30, 2018 – \$4,777).
- (e) 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 consolidated financial statements, individually or in aggregate, would have a material adverse effect.
- (f) During the second quarter of fiscal 2019 EMIPA received from the Bolivian tax authorities a re-assessment of its past corporate income tax filings. This re-assessment charged an additional corporate income tax of approximately \$669 on the basis of different tax criteria for depreciations and the deductibility of certain expenses. In February 2019 EMIPA started a process of discussions with the Bolivian tax authority and appealed to the regional court. In May 2019 the administrative regional court rendered a ruling to cancel the tax authority's re-assessment charge and in July 2019 the administrative national court upheld the regional court's decision to cancel the tax authority's re-assessment charge. The Bolivian tax authority is currently reviewing the background and documentation to issue a new resolution. Should any part of this additional corporate tax amount be determined to be the final amount payable at the end of this tax resolution process, such amount shall incur additional interest and penalties, the amount of which cannot be determined with certainty at this stage of the process.

25. 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 OroValle, which operates El Valle Mine in Spain, and EMIPA, which operates Don Mario Mine in Bolivia. During the first quarter of fiscal 2020 the Company has determined to suspend mining operations at Don Mario (Refer to Note 28 – Subsequent events).

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, Spain, Sweden; and Nicosia, Cyprus. The following tables set forth the information by segment:

As at September 30, 2019:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	\$ 11,207	\$ 65,285	\$ 9,443	\$ 16,237	\$ 102,172
EMIPA	615	18,788	131	30,277	49,811
Corporate	529	13	-	304	846
	\$ 12,351	\$ 84,086	\$ 9,574	\$ 46,818	\$ 152,829

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As at September 30, 2018:

	Cash and cash equivalents	Property, plant and equipment	Reclamation bonds and restricted cash	Other assets	Total assets
OroValle	\$ 5,638	\$ 75,665	\$ 9,133	\$ 13,739	\$ 104,175
EMIPA	4,123	20,935	61	25,756	50,875
Corporate	1,873	28	-	1,849	3,750
	\$ 11,634	\$ 96,628	\$ 9,194	\$ 41,344	\$ 158,800

For the year ended September 30, 2019:

	Revenue	Mining costs ⁽¹⁾	Depreciation/Amortization ⁽²⁾	Other costs	Income (loss) before taxes
OroValle	\$ 90,259	\$ 70,006	\$ 17,886	\$ 133	\$ 2,234
EMIPA	45,287	43,552	5,483	158	(3,906)
Corporate	(2)	-	15	5,272	(5,289)
	\$ 135,544	\$ 113,558	\$ 23,384	\$ 5,563	\$ (6,961)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 7 – Mining costs.

(2) Depreciation is included under general and administrative expenses for non-operating companies.

For the year ended September 30, 2018:

	Revenue	Mining costs ⁽¹⁾	Depreciation/Amortization ⁽²⁾	Other costs	Income (loss) before taxes
OroValle	\$ 80,204	\$ 72,722	\$ 15,070	\$ 1,802	\$ (9,390)
EMIPA	65,632	48,224	8,342	(3,241)	12,307
Corporate	-	-	18	12,670	(12,688)
	\$ 145,836	\$ 120,946	\$ 23,430	\$ 11,231	\$ (9,771)

(1) Mining costs includes royalties, mining rights and mining taxes. Refer to note 7 – Mining costs.

(2) Depreciation is included under general and administrative expenses for non-operating companies.

26. 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 consolidated 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).

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	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
As at September 30, 2019				
Financial assets:				
Concentrate and doré sales receivables	-	1,043	-	1,043
Total	\$ -	\$ 1,043	\$ -	\$ 1,043
Financial liabilities:				
Long-term compensation	\$ 838	\$ -	\$ -	\$ 838
Deferred revenue	-	180	-	180
Total	\$ 838	\$ 180	\$ -	\$ 1,018

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate Fair value
As at September 30, 2018				
Financial assets:				
Derivative instruments	-	108	-	108
Total	\$ -	\$ 108	\$ -	\$ 108
Financial liabilities:				
Long-term compensation	\$ 314	\$ -	\$ -	\$ 314
Deferred revenue	-	290	-	290
Total	\$ 314	\$ 290	\$ -	\$ 604

Valuation techniques for Level 2 financial instruments:

Derivative instruments: The Company's derivative instruments are measured at fair value using the forward price curves of each commodity and are classified as level 2.

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

Warrants: The Company's warrants are not 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, 2019 and September 30, 2018, the carrying amounts of cash and cash equivalents; restricted cash; concentrate and doré receivables; value added taxes and other receivables; debt; accounts payable and accrued liabilities; and obligations under finance leases approximate their fair value either due to their short-term maturities or, for borrowings, interest payables are close to the current market rates. Measurements for the financial assets and liabilities above are classified as Level 1 in the fair value hierarchy, except for the Prepayment Facility which is classified as Level 3 due to the use of unobservable inputs, including own credit risk.

Financial Risks Factors

The Company's activities expose it to a variety of financial market risks (including commodity price risks, currency risk and interest rate risk), credit risks, liquidity risks, financing risks and other risks. Enterprise risk management is carried out by management of the Company under policies approved by the board of directors thereof. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Board of

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Directors of the Company reviews management's risk management programs and provides oversight on specific areas. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial and operating performance.

(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 \$5,266 for the 2019 fiscal year would be impacted by changes in average USD/EUR exchange rates in respect of mining costs incurred at OroValle. A 10% increase/decrease in average realized USD/EUR exchange rates in respect of mining costs incurred at OroValle would affect the net loss by a decrease/increase of \$6,737.

(ii) Price risks

The Company is primarily exposed to gold and copper commodity price risk. The Company is actively managing its commodity price risk through price fixing a limited amount of production revenue along fiscal year 2018 and 2019. Refer to note 10 – Derivative instruments.

Gold prices

The net loss of \$5,266 for the 2019 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 gross revenue by an increase/decrease of approximately \$13,129.

Copper prices

The net loss of \$5,266 for the 2019 fiscal year would be impacted by changes in average realized copper prices. A 10% increase/decrease in average realized copper prices would affect gross revenue by an increase/decrease of approximately \$1,424.

(iii) Interest rate risk

The Company's cash flow interest rate risk arises from short and long-term borrowings. Currently, this risk is substantially lower than last year due to the complete settlement of the Prepayment Facility during fiscal 2019. The only financing subject to non fixed interest rate is the revolving facility in OroValle regarding the VAT. This is subject to annual rate of Euribor + 2.25%. Refer to note 16 – Debt.

(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. 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 and received regularly. 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.

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(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 among other factors.

As at September 30, 2019, the Company had (i) cash and cash equivalents of \$12,351 and (ii) restricted cash of \$1,309 designated to cover a portion of the Company's commitments due in less than one year. In fiscal 2019, the Company generated cash flow from operating activities of \$14,444 and cash flow from operating activities before changes in non-cash working capital of \$18,312.

If unanticipated events occur that may impact the operations of El Valle Mine and 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 El Valle Mine and 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.

27. Capital management

At September 30, 2019, the Company had cash and cash equivalents of \$12,351 and restricted cash of \$1,309; and total debt of \$18,509. 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,	2019	2018
Shareholders' equity	\$ 72,533	\$ 77,711
Debt	18,509	20,958
Obligations under finance leases	875	1,031
	91,917	99,700
Less: Cash and cash equivalents	(12,351)	(11,634)
	\$ 79,566	\$ 88,066

The Company's financial objective when managing capital is to ensure that it has the cash and debt capacity and financial flexibility to fund its ongoing business objectives including operating activities, investments and growth in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, in addition to using cash flows from operating activities for this purpose, the Company may issue new shares or obtain additional debt. During fiscal 2016, the Company closed the \$7.9 million BISA CIL Loan and the \$12.5 million Prepayment Facility, and during fiscal 2017 the Company closed the \$11.3 million BISA TSF Loan and revolving working capital facility. During 2018 the company obtained new finance from BISA to buy heavy equipment for \$2.37 million and managed an amendment for Samsung Prepayment Facility, originally of \$12.5

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million, and re-scheduled for a starting amount of \$9.3 million. Once the Samsung Prepayment Facility was completely repaid in fiscal 2019, the Company closed the New Facility with local Spanish banks for €8 million.

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

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

28. Subsequent events

On November 8, 2019, the Company announced the decision to suspend mining operations at EMIPA effective on or before December 31, 2019 as a result of a higher than expected ore-grade operational mining dilution in Las Tojas area, with more narrow, erratic and discontinued mineralized structures, which results in uneconomic unitary cost per ounce.

The development and engineering of the oxides stockpiles that the Company has accumulated from past mining activities at Don Mario (the "Oxides Stockpile Project") continues to advance. The Company anticipates that, subject to the favourable completion of technical, economic and funding analysis, the sulphidization circuit and ancillary facilities will be in full production by FY2021 to process the oxides stockpiles. During the interim period, contractors will be developing the Oxide Stockpile Project at site, while undertaking care and maintenance of existing facilities.

The Company is in the process of developing a restructuring process, which includes a collective layoff. As at September 30, 2019, the Company had a provision for statutory labour obligations of \$ 4,216, that will partially cover the restructuring cost.