MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

AS OF MAY 13, 2020

CONTENTS

Cautionary Note Regarding Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the three months ended March 31, 2020 and the Company's annual information form dated March 30, 2020 (the "AIF"), the MD&A for the year ended December 31, 2019, as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States ("U.S.") dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: risks surrounding the current Covid-19 pandemic, mining industry risks; fluctuations in the market price of mineral commodities; project development; expansion targets and operational delays; environmental risks and hazards; requirement of additional financing; health and safety; uncertainty as to calculations of mineral deposit estimates; marketability; licenses and permits; title matters; governmental regulation of the mining industry; current global financial conditions; currency risk; uninsured risks; competition; repatriation of earnings; properties without known mineral reserves; dependence upon key management personnel and executives; dependence on major customers; infrastructure; litigation; potential volatility of market price of common shares; possible conflicts of interest of directors and officers of the Company; risk of dilution; payment obligations relating to properties; instability of political and economic environments; and integration of acquisitions. Specific reference is made to the Annual Information Form and the Prospectus for a discussion of some of the factors underlying forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

This MD&A contains references to non-IFRS measures. Please refer to Section 1.14 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

Overview of Mandalay Resources

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile and Canada. The Company is focused on growing production and reducing costs at its gold-antimony operation in Australia, and its gold mine in Sweden to generate near-term cash flow.

Mandalay's mission is to create shareholder value through the profitable operation of its Costerfield gold-antimony mine and its Björkdal gold mine. Currently, the Company's main objective is to accelerate the mining of the high-grade Youle vein at Costerfield, which is critical to the Company's longer-term plan of increasing production. At Björkdal, the Company will aim to increase production from the Aurora zone in the coming years, in order to maximize profit margins from the mine.

Mandalay is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement.

1.0 FIRST QUARTER 2020 FINANCIAL AND OPERATING SUMMARY

First Quarter 2020 Highlights:

- **Consolidated gold equivalent production of 25,677 ounces** compared to 18,594 ounces in Q4 2019, and 21,940 ounces in Q1 2019. This included Costerfield's highest quarterly gold equivalent production since the second quarter of 2016 and the site's highest ever level of quarterly antimony produced. The increase in ounces produced in the current quarter compared to the previous quarter was due to higher grades processed at Costerfield as a larger percentage of the total ore was mined from the higher grade Youle vein.

- **Consolidated cash cost[1] of $846 and all-in sustaining cost[1] of $1,191 per ounce of saleable gold equivalent production** compared to $1,128 and $1,641 per ounce, respectively, in Q4 2019. In Q1 2019, these costs were $1,072 and $1,406 per ounce, respectively. The lower unit costs in the current quarter as compared to the previous quarter are mainly due to the increase in production from Costerfield.

- **Revenue of $41.6 million on gold equivalent sales of 24,276 ounces** compared to $22.7 million on 16,228 ounces in Q4 2019. In Q1 2019, revenue was $29.9 million on gold equivalent sales of 23,007 ounces. The increase in revenue in the current quarter compared to the previous quarter is a result of more ounces sold at a higher realized gold price.

- **Adjusted EBITDA[1] of $20.9 million** compared to $4.7 million in Q4 2019, and $5.2 million in Q1 2019. This includes record quarterly Adjusted EBITDA at Costerfield of $13.9 million. The increase in Adjusted EBITDA compared to the previous quarter relates mainly to increased revenue, as mentioned above.

- **Adjusted net income[1] of $5.2 million** compared to an adjusted net loss of $4.2 million in Q4 2019, and an adjusted net loss of $0.5 million in Q1 2019. Consolidated net loss was $4.5 million, mainly due to a $9.1 million mark-to-market expense in respect of gold hedging arrangements, compared to a consolidated net loss of $5.3 million in Q4 2019, and a consolidated net loss of $1.3 million in Q1 2019.

- **Consolidated capital expenditures of $10.0 million** compared to $10.2 million in Q4 2019, and $7.4 million in Q1 2019.

- **Refinancing of existing debt** during the quarter via a $65.0 million syndicated facility with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("Macquarie"). Subsequent to quarter end, the Company also successfully retired all of the outstanding senior exchangeable gold bonds issued by Gold Exchangeable Limited (the "Gold Bonds").

- **Cash on hand was $21.5 million at March 31, 2020** compared to $24.5 million as at December 31, 2019.

1 Adjusted EBITDA, cash and all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Summary of Mandalay Operational and Financial Results

Operating Summary

The following table sets forth a summary of the Company's operational results for the three months ended March 31, 2020 and 2019:

	Three months ended March 31	
	2020	2019
Björkdal		
Gold produced (oz)	10,750	14,385
Gold sold (oz)	11,765	15,778
Cash cost[1] per oz gold produced ($)	1,052	921
All-in sustaining cost[1] per oz gold produced ($)	1,479	1,108
Costerfield		
Gold produced (oz)	10,620	4,105
Antimony produced (t)	1,108	575
Gold equivalent produced (oz)[2]	14,927	7,555
Gold sold (oz)	9,167	4,079
Antimony sold (t)	860	525
Gold equivalent sold (oz)[2]	12,511	7,229
Cash cost[1] per oz gold eq. produced ($)	577	1,081
All-in sustaining cost[1] per oz gold eq. produced ($)	854	1,686
Consolidated		
Gold equivalent produced (oz)[2]	25,677	21,940
Gold equivalent sold (oz)[2]	24,276	23,007
Cash cost[1] per oz gold eq. ($)	846	1,072
All-in sustaining cost[1] per oz gold eq. ($)	1,191	1,406
Average gold price ($/oz)	1,582	1,303
Average antimony price ($/t)	6,152	7,817

[1]Cash and all-in sustaining costs are non-IFRS measures. See "Non-IFRS Measures" at the end of this MD&A for further information.

[2]Gold equivalent ounces (or "Au Eq. oz") produced/sold is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Financial Summary

The following table sets forth a summary of the Company's financial results for the three months ended March 31, 2020 and 2019:

	Three months ended March 31	
	2020	2019
	$'000	$'000
Revenue	41,566	29,916
Cost of sales	18,832	23,393
Income from operations (excl. depr. & depletion)(1)	22,734	6,523
General and administrative costs	1,831	1,276
Adjusted EBITDA(1)	20,903	5,247
Depreciation and depletion	8,595	7,252
Adjusted EBIT(1)	12,308	(2,005)
Finance costs	5,619	1,673
Tax, forex and others(2)	11,221	(2,344)
Adjusted net income (loss)(1)	5,186	(459)
Consolidated net loss	(4,532)	(1,334)
Adjusted income (loss) per share(1)	0.06	(0.01)
Consolidated loss per share	(0.05)	(0.03)
Total assets	251,067	266,233
Total liabilities	154,280	136,643
Total equity	96,787	129,590
Consolidated capital expenditures		
Capital development	5,407	4,857
Property, plant and equipment purchases	3,108	2,198
Capitalized exploration	1,522	357
Total	10,037	7,412

[1] Income from operations (excl. depreciation & depletion), Adjusted EBIT, Adjusted EBITDA and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[2]Others includes such items as share based compensation and (loss)/gain on financial instrument.

Debt refinancing

On March 17, 2020, the Company announced that it entered into a credit agreement with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("Macquarie") providing for (i) a senior secured revolving credit facility in an aggregate amount of up to $25 million and (ii) a senior secured term credit facility in an aggregate amount of up to $40 million (collectively, the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previously outstanding revolver facility with HSBC. The Syndicated Facility has been used to repay the existing Revolver Facility in full and to fund the redemption and exchange of the all of the remaining outstanding Gold Bonds.

COVID-19 Pandemic

The COVID-19 pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary. More details are included in the press release dated March 20, 2020 and on the Company's website.

Outlook

Mandalay expects to see improvements in production and costs from Costerfield and Björkdal in 2020. At Costerfield, the Company expects production increases throughout 2020 as it increases production from the high-grade Youle vein. The Youle vein has markedly higher grades as well as better recoveries than the Brunswick vein and is central to Mandalay's organic growth plan. Mandalay also expects production and costs improvements at Björkdal throughout 2020 as the higher-grade Aurora zone increases production throughout the year allowing for a higher feed grade to be processed.

The Company currently expects this strong operating performance seen in the first quarter to continue, however the COVID-19 pandemic creates uncertainties. At this time, the Company is maintaining its existing 2020 production guidance, however, will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, if necessary.

Mandalay has commenced reporting its costs on the basis of all-in sustaining costs instead of all-in costs to better align its disclosure with industry standards. All-in sustaining costs were calculated in accordance with the guidance note issued by the World Gold Council and incorporate costs associated with sustaining production over the entire life cycle of a mine as opposed to only the direct costs of production. Adoption of this standard is voluntary and the costs presented may not be directly comparable as other companies may calculate this cost differently.

The Company's 2020 guidance (incl. all-in sustaining costs) is below (see press release dated January 16, 2020):

	Björkdal	Costerfield	Consolidated(1)
	2020E		
Gold production (oz)	51,000-57,000	32,000-38,000	83,000-95,000
Antimony production (t)	-	3,000-3,500	3,000-3,500
Gold eq. production (oz) (2)	51,000-57,000	44,000-52,000	95,000-109,000
Cash cost, $/oz gold eq. (3)	750-900	725-875	765-915
All-in sustaining $/oz gold eq. (3)	1,110-1,340	1,010-1,220	1,090-1,360
Capex, $/million	22-27	17-21	39-48

[1]Consolidated cost guidance includes expected corporate overhead spending and care and maintenance costs

[2]2020E gold equivalent assumes metal prices of: Au $1,478/oz and Sb $5,931/t

[3]Cash and all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Exploration

Ongoing exploration activities during the Q1 2020 included:

Björkdal

Diamond drilling programs at Björkdal continued to focus on the extensions of the Aurora system both up and down dip and towards the east. Drilling also continued to test north of Aurora following significant veining parallel to Aurora, discovered in 2019. Both the Aurora extension and northern testing programs will continue through 2020. A diamond drilling program was also undertaken to test a potential repetition of the Björkdal system suggested by geophysical interpretation that lies approximately 2 km to the west of the current development.

Costerfield

Exploration at Costerfield accelerated in three directions. First, the expansion of the Youle vein though drilling of the vein extents and potential splays within close proximity. A linked program also drilled a step-out potential of approximately 400 m south of Youle. Second, a series of brownfields drill programs commenced testing high potential targets within 2.5 km of the current underground infrastructure. These included Damper Gully, True Blue, Brown's and Robinson's prospect. These, and additional programs, will continue through Q2 2020 with succeeding projects continuing through to the end of the year. Third, the second hole into the Costerfield deeps program, targeting below the August and Cuffley deposit, also commenced. It is expected that drilling of this 1,500 m hole along with a targeted daughter hole will continue into Q3 2020.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended March 31	
	2020	2019
	$'000	$'000
Revenue	20,385	9,268
Cost of sales	6,404	7,758
Income from operations (excl. depr. & depletion)	13,981	1,510
General and administrative costs (1)	273	150
Adjusted EBITDA (2,3)	13,945	1,468
Depreciation & depletion	4,948	2,989
Adjusted EBIT (3)	8,760	(1,629)
Finance costs, forex and others (4)	1,669	(58)
Income (loss) before tax	7,091	(1,571)
Deferred tax expense (recovery)	2,235	(477)
Consolidated net income (loss) after tax	4,856	(1,094)
Capital development	3,197	3,142
Property, plant and equipment purchases	781	1,240
Capitalized exploration	732	70
Total capital expenditures	4,710	4,452

[1]Includes intercompany transfer pricing recharge costs of $237,000 in Q1 2020 and $108,000 in the corresponding period of 2019.
[2] Does not include intercompany transfer pricing recharge costs.
[3]Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $416,000 for the three months ended March 31,2020 and $194,000 in the corresponding periods of 2019.

Costerfield Operating Results

		Three months ended March 31	
		2020	**2019**
Operating development	m	1,535	1,057
Mined ore	t	36,374	38,283
Mined ore Au grade	g/t	13.86	4.93
Mined ore Sb grade	%	5.89	2.47
Mined contained Au	oz	16,213	6,062
Mined contained Sb	t	2,142	947
Mining cost per tonne ore	$/t	145	133
Processed ore	t	33,526	40,221
Processed ore mill head grade Au	g/t	12.61	4.81
Processed ore mill head grade Sb	%	5.45	2.38
Recovery Au	%	88.54	81.43
Recovery Sb	%	96.82	95.58
Saleable Au produced	oz	10,620	4,105
Saleable Sb produced	t	1,108	575
Saleable Au equivalent produced	oz	14,927	7,555
Processing cost per tonne ore	$/t	36	30
Au sold in gravity concentrate	oz	5,141	1,763
Au sold in floatation concentrate	oz	4,026	2,316
Au sold (total)	oz	9,167	4,079
Sb sold	t	860	525
Capital development metres	m	690	452
Capital development cost per metre	$/m	4,635	6,944
Cash cost per tonne ore processed [1,2]	$/t	257	203
Adjusted EBITDA per tonne ore processed [1,2]	$/t	416	36
Cash cost per oz Au equivalent produced [1,2]	$/oz	577	1,081
Site all-in sustaining cost per oz Au equivalent produced [1,2]	$/oz	854	1,686

[1]Does not include intercompany transfer pricing recharge costs.
[2]Cash and site all-in sustaining costs and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Costerfield – Three Months Ended March 31, 2020 and 2019

- ***Production*** — Saleable gold production for Q1 2020 was 10,620 ounces, a 159% increase from the 4,105 ounces produced in the first quarter of 2019. This was the highest production quarter since Q2 2016. Included in this Q1 total was a record saleable antimony production of 1,108 tonnes, a 93% increase from the 575 tonnes produced in Q1 2019. Gold equivalent production for Q1 2020 was 14,927 ounces, an increase of 98% from Q1 2019 when Costerfield produced 7,555 gold equivalent ounces. Processed gold and antimony grades were the higher during Q1 2020 at 12.61 g/t gold and 5.45% antimony as compared to Q1 2019 with grades of 4.81 g/t gold and 2.38% antimony.

- ***Revenue*** – Costerfield revenue for Q1 2020 was $20.4 million, a 122% increase from $9.2 million in Q1 2019, mainly due to an increase in gold equivalent ounces sold and higher gold prices, slightly offset by lower antimony prices. The current quarter revenue was $10.0 million higher than the fourth quarter of 2019. Gold equivalent ounces sold increased by 73% to 12,511 ounces in the first quarter of 2020 compared to 7,229 ounces in the first quarter of 2019. The increase in first quarter 2020 sales compared to the first quarter of 2019 was due to higher sales from increased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $6.4 million for the first quarter of 2020, compared to $7.7 million for the same period of 2019. The decrease in cost is mainly due to an increase in inventory and a favorable movement in exchange rates.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during Q1 2020 was $14.0 million, adjusted EBITDA was $13.9 million (the highest level under Mandalay ownership) and net income after tax was $4.9 million. Comparable results for the first quarter of 2019 were income from mine operations before depreciation and depletion of $1.5 million, adjusted EBITDA of $1.5 million and net loss after tax of $1.1 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $4.9 million in the first quarter of 2020, compared to $3.0 million for the same period in 2019 mainly due to higher production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in Q1 2020 was $577, compared to $1,081 in the Q1 2019. The site all-in sustaining cost per ounce of gold equivalent produced in Q1 2020 was $854 versus $1,686 in Q1 2019. These per ounce costs were lower than the year ago quarter due to higher gold equivalent ounces produced in Q1 2020, and also due to comparatively lower operating costs.

- ***Capital Expenditures*** – Capital expenditures Q1 2020 totaled $4.7 million ($3.2 million in capital development costs, $0.7 million for exploration, and $0.8 million in property, plant and equipment) compared with $4.5 million ($3.1 million in capital development costs, $0.1 million for exploration, and $1.2 million for property, plant and equipment) during Q1 2019. The increased capital expenditures in Q1 2020 was mainly due to an increase in exploration activities.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

	Three months ended March 31,	
	2020	2019
	$'000	$'000
Revenue	21,181	20,648
Cost of sales	12,428	15,635
Income from operations (excl. depr. & depletion) (3)	8,753	5,013
General and administrative costs (1)	237	169
Adjusted EBITDA (2,3)	8,753	5,013
Depreciation & depletion	3,442	4,028
Adjusted EBIT (3)	5,074	816
Finance costs, forex and others (4)	578	856
Income (loss) before tax	4,496	(40)
Current tax expense (recovery)	466	(97)
Deferred tax expense (recovery)	78	(136)
Consolidated net income after tax	3,952	193
Capital development	2,210	1,715
Property, plant and equipment purchases	2,327	958
Capitalized exploration	646	105
Total capital expenditures (5)	5,183	2,778

[1]Includes intercompany transfer pricing recharge costs of $237,000 for Q1 2020 and $169,000 for Q1 2019.
[2]Does not include intercompany transfer pricing recharge costs.
[3]Income from operations (excl. depreciation & depletion) and Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as intercompany transfer pricing recharge for marketing fees and stock-based compensation of $424,000 for Q1 2020 and $412,000 in Q1 2019.
[5]Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended March 31	
		2020	**2019**
Operating development	m	1,223	1,551
Mined ore	t	218,969	346,520
Mined ore Au grade	g/t	1.49	1.31
Mined contained Au	oz	10,467	14,646
Mining cost per tonne ore	$/t	24.94	20.93
Processed ore	t	327,826	322,849
Processed ore mill head grade Au	g/t	1.21	1.59
Recovery Au	%	86.45	89.09
Saleable Au produced	oz	10,750	14,385
Processing cost per tonne ore	$/t	6.84	6.76
Au sold	oz	11,765	15,778
Capital development (underground)	m	840	436
Capital development cost per metre	$/m	2,515	3,059
Cash operating cost per tonne ore processed (1)	$/t	34.51	41.03
Adjusted EBITDA per tonne ore processed (1,2)	$/t	26.70	15.53
Cash cost per oz Au produced (1,2)	$/oz	1,052	921
Site all-in sustaining cost per oz Au produced (1,2)	$/oz	1,479	1,108

[1]Does not include intercompany transfer pricing recharge costs.
[2]Adjusted EBITDA, cash and site all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Björkdal - Three Months Ended March 31, 2020 and 2019

- ***Production*** – Saleable gold production at Björkdal for Q1 2020 was 10,750 ounces, a 25% decrease from the 14,385 ounces produced in Q1 2019 due to change out of our major underground haulage contractor, which negatively impacted underground production rates in January and February.

- ***Revenue*** **–** Björkdal revenue for Q1 2020 was $21.2 million, a slight increase from $20.6 million in Q1 2019. Gold ounces sold decreased by 25% to 11,765 ounces in Q1 2020, compared to 15,778 ounces in Q1 2019. The increase in revenue was due to a higher realized gold price in the current quarter compared to Q1 2019.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $12.4 million Q1 2020, lower than $15.6 million for Q1 2019. The decrease in operating costs was mainly due to the suspension of open-pit mining in July 2019, and due to favorable comparative foreign exchange rates.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for Q1 2020 was $8.8 million, adjusted EBITDA was $8.8 million and net income after tax was $4.0 million. Comparable results for Q1 2019 were income from mine operations before depreciation and depletion of $5.0 million, adjusted EBITDA of $5.0 million and net income after tax of $0.2 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $3.4 million in Q1 2020, compared to $4.0 million for the same period in 2019 mainly due to lower production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for Q1 2020 was $1,052, 14% higher as compared to Q1 2019 of $921. All-in sustaining cost per ounce of gold produced at Björkdal for Q1 2020, was $1,479, 33% higher than the all-in sustaining cost per ounce of gold produced in Q1 2019, of $1,108. These per ounce costs were higher in Q1 2020, compared to Q1 2019, primarily due to lower metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for Q1 2020 totaled $5.2 million ($2.2 million in mine development costs, $0.7 million for exploration, and $2.3 million in property, plant and equipment) compared with $2.8 million ($1.7 million in mine development costs, $0.1 million for exploration, and $1.0 million for property, plant and equipment) during Q1 2019. The increase in capital expenditures was due primarily an increase in underground capital metres and more spent on exploration in the current period.

Non-Core Properties

Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining ("Equus") for the sale of the Cerro Bayo mine in Chile. Cerro Bayo continues to be under care and maintenance. See announcement on the Company's website dated October 8, 2019.

During Q1 2020, the Company spent $0.6 million on care and maintenance activities at Cerro Bayo compared to $0.9 million in Q1 2019. The decrease in expense was mainly due to a reduction in the number of staff.

Challacollo

On November 12, 2019, the Company announced that it has entered into a definitive agreement with Aftermath Silver Ltd. ("Aftermath") in respect of the previously announced transaction in which Aftermath will acquire Minera Mandalay Challacollo Limitada ("MMC"), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile. Pursuant to the terms of the transaction, Aftermath will purchase 100% of MMC in exchange for total consideration of up to CAD$10.5 million, consisting of CAD$7.5 million in non-contingent consideration (the "Non-Contingent Consideration") plus a 3% net smelter returns royalty on production at Challacollo, capped at CAD$3.0 million.

The Non-Contingent Consideration is payable as follows:

- CAD$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019);
- CAD$1.0 million in cash payable on or before December 30, 2020; and
- CAD$5.0 million in cash/shares payable on or before April 21, 2021, or CAD$5.5 million if Aftermath elects to extend this date to April 21, 2022.

In addition, the Company signed on November 28, 2018, a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property for consideration of $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions. During the fourth quarter of 2019, the Company received $1.0 million of this total amount.

Lupin

During the first quarter of 2020, the Company spent less than $0.1 million on care and maintenance activities at Lupin compared to less than $0.1 million in the first quarter of 2019. Reclamation spending at Lupin was $0.2 million during the first quarter of 2020, compared to $0.5 million in first quarter of 2019. In January, Lupin Mines Incorporated concluded its Public Hearing process for the Final Closure and Reclamation Plan ("FCRP") and this FCRP was subsequently approved on February 28, 2020.

La Quebrada

Care and maintenance spending at La Quebrada was less than $0.1 million during the first quarter of 2020, which was the same as the prior year quarter.

1.2 FIRST QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended March 31	
	2020	2019
	$'000	$'000
Revenue	41,566	29,916
Cost of sales	18,832	23,393
Income from operations (excl. depr. and depletion)	22,734	6,523
Depreciation and depletion	8,595	7,252
Income (loss) from mining operations	14,139	(729)
General and administrative costs	1,831	1,276
Adjusted EBITDA(1)	20,903	5,247
Finance costs	5,619	1,673
Tax, forex and others(2)	8,442	(1,634)
Consolidated loss before tax	(1,753)	(2,044)
Current tax expense (recovery)	466	(97)
Deferred tax expense (recovery)	2,313	(613)
Adjusted net income (loss)(1)	5,186	(459)
Consolidated net loss	(4,532)	(1,334)
Adjusted income (loss) per share(1)	0.06	(0.01)
Consolidated loss per share	(0.05)	(0.03)
Total assets	251,067	266,233
Total liabilities	154,280	136,643
Total equity	96,787	129,590
Capital expenditures – Consolidated(3)		
Underground capital development & open pit prestrip	5,407	4,857
Property, plant and equipment purchases	3,108	2,198
Capitalized exploration	1,522	357
Total capital expenditures	10,037	7,412

[1]Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share before special items are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[2]Others includes such items as share based compensation and (loss)/gain on financial instruments, if any.
[3] Includes capitalized spend from non-operating sites.

Summary Balance Sheet

	As at March 31, 2020 $'000	As at December 31, 2019 $'000
Cash and cash equivalents	21,454	24,462
Cash held in escrow	5,043	-
Inventories, accounts receivables and other current assets	39,920	37,166
Total current assets	**66,417**	**61,628**
Property, plant and equipment	166,121	176,355
Reclamation deposits and other non-current assets	18,529	20,609
Total assets	**251,067**	**258,592**
Five-year exchangeable loan	8,173	22,562
Revolver Facility	-	40,000
Syndicated Facility – *current*	9,778	-
Other current liabilities	33,108	41,439
Total current liabilities	**51,059**	**104,001**
Syndicated Facility – *non-current*	53,284	-
Non-current liabilities	49,937	42,839
Equity attributable to common shareholders	96,787	111,752
Total equity and liability	**251,067**	**258,592**

Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income to reported Net Income for Q1 2020 and 2019. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended March 31, 2020 $'000	Three months ended March 31, 2019 $'000
Consolidated net loss	(4,532)	(1,334)
Add: Special items		
Care and maintenance costs	605	875
Fair value loss on financial instruments – hedging	9,113	-
Adjusted net income (loss)	**5,186**	**(459)**
Add/less: Non-cash and finance costs		
Depletion and depreciation	8,595	7,252
Gain on disposal of PPE	-	(1,821)
Share based compensation expense	112	181
Interest and finance charges	5,619	1,673
Fair value adjustments gain	(2,960)	(124)
Current tax expense (recovery)	466	(97)
Deferred tax expense (recovery)	2,313	(613)
Foreign exchange loss (gain)	1,783	(528)
Interest and other income	(211)	(217)
Adjusted EBITDA	**20,903**	**5,247**
Depletion and depreciation	8,595	7,252
Adjusted EBIT	**12,308**	**(2,005)**

Cash Cost and All-in Sustaining Cost Reconciliation to Cost of Sales:

The table below reconciles cash cost, all-in sustaining cost to reported cost of sales for Q1 2020 and 2019. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended March 31, 2020	Three months ended March 31, 2019
	$'000	$'000
Cost of sales, excluding depletion and depreciation	**18,832**	**23,393**
Add:		
General and administrative costs	1,831	2,151
Less:		
Change in inventory	1,227	(1,895)
Royalties	(161)	(128)
Total cash cost	**21,729**	**23,521**
Saleable Au equivalent produced (oz)	25,677	21,940
Cash cost per oz gold produced ($)	**846**	**1,072**

	Three months ended March 31, 2020	Three months ended March 31, 2019
	$'000	$'000
Total Cash cost	**21,729**	**23,521**
Add:		
Capital development	5,407	4,857
Capital purchases - sustaining	3,108	2,198
Capital exploration - infill drilling	33	64
Royalties	161	128
Accretion on rehabilitation provisions	141	85
All-in sustaining cost	**30,579**	**30,853**
Saleable Au equivalent produced (oz)	25,677	21,940
All-in sustaining cost per oz gold produced ($)	**1,191**	**1,406**

Consolidated Financial Results - Three Months Ended March 31, 2020 and 2019

- ***Revenue*** – Consolidated revenue for Q1 2020 was $41.6 million, higher than $29.9 million in the first quarter of 2019. Consolidated gold equivalent ounces sold increased by 5.5% to 24,276 ounces in Q1 2020 compared to 23,007 ounces in Q1 2019. The increase in gold ounces sold along with higher gold prices between the quarters leads to higher revenue.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $18.8 million for Q1 2020 compared to $23.3 million for Q1 2019. The 19% decrease in costs was mainly due to the suspension of open-pit mining at Björkdal and favorable comparative exchange rates.

- ***Income from Operations*** **–** Consolidated income from mine operations before depreciation and depletion for Q1 2020 was $22.7 million, adjusted EBITDA was $20.9 million and net loss after tax was $4.5 million. Comparable results for first quarter of 2019, were income from mine operations before depreciation and depletion of $6.5 million, adjusted EBITDA of $5.2 million and net loss after tax of $1.3 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense for the Company increased to $8.6 million in first quarter of 2020 compared to $7.2 million for first quarter of 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for Q1 2020 was $846, 21% lower than Q1 2019 of $1,072. Consolidated all-in sustaining cost per ounce of gold equivalent produced for Q1 2020 was $1,191, 15% lower than Q1 2019 of $1,406. These per ounce cash cost was lower in Q1 2020 as compared to Q1 2019 due to lower cost of sales and higher production at Costerfield.

- ***Capital Expenditures*** – Consolidated capital expenditures for Q1 2020, totaled $10.0 million ($4.7 million occurred at Costerfield and $5.2 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q1 2019 were $7.4 million ($4.4 million occurred at Costerfield, $2.7 million at Björkdal and non-core assets $0.3 million). The increase in capital expenditures was due to higher spent at Björkdal.

1.3 SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's quarterly financial statements for the past eight quarters:

	Quarter 1 2020	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019
	$'000	$'000	$'000	$'000
Revenue	41,566	22,737	28,798	26,344
Net loss	(4,532)	(5,328)	(1,403)	(9,750)
Net loss per share – Basic and diluted	(0.05)	(0.07)	(0.02)	(0.11)

	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018
	$'000	$'000	$'000	$'000
Revenue	29,916	22,711	21,765	27,944
Net loss	(1,344)	(31,299)	(7,468)	(23,711)
Net loss per share – Basic and diluted	(0.03)	(0.69)	(0.17)	(0.53)

Financial results are impacted by the amounts of gold and antimony production, the costs associated with that production, and the prices received for metal in concentrate. Metal prices are determined using prevailing international prices for gold and antimony. The Company's products are priced in U.S. dollars, whereas the majority of mine costs are in Australian dollars (at Costerfield), Swedish Krona (at Björkdal) and Chilean pesos (at Cerro Bayo). The Company's results will be impacted by exchange rate variations during the reporting periods.

Volatility in revenue and earnings over the past two years is due to the combined impact of changes in production volumes, fluctuations in metal prices and timing of concentrate shipments.

1.4 MARKETS – CURRENCY EXCHANGE RATES

The average currency exchange rates for the reporting period are summarized in the table below:

Currency	Average Rate January 1, 2020 – March 31, 2020	Average Rate January 1, 2019 – March 31, 2019
1A$ = C$	0.8834	0.9471
1 A$ = US$	0.6582	0.7124
1 US$ = C$	1.3421	1.3294
1 US$ = Chilean Peso	804	668
1 US$ = SEK	9.6761	9.1769

Markets – Commodity Prices

Realized and market prices of gold on average were higher in the first quarter ended March 31, 2020, compared to the same periods of 2019. Realized and market prices of antimony were lower in Q1 2020, compared to Q1 2019. The average market and realized commodity prices for the reporting period are summarized in the table below:

Commodity	Prices January 1, 2020 March 31, 2020	Prices January 1, 2019 March 31, 2019
Realized gold US$/oz[1]	1,726	1,310
Average gold US$/oz – London PM close (Metal Bulletin)	1,582	1,303
Realized antimony US$/tonne[1]	6,314	7,451
Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	6,152	7,817

[1]Includes the effect of prior period smelter revenue adjustment on sales revenue and realized prices for the periods

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At March 31, 2020, the Company's working capital was $15.4 million compared to negative $42.4 million at December 31, 2019. The Company had cash and cash equivalents of $21.5 million at March 31, 2020, as compared to $24.5 million at December 31, 2019.

On March 17, 2020, the Company entered into a credit agreement with HSBC and Macquarie providing for (i) a senior secured revolving credit facility in an aggregate amount of up to US$25 million and (ii) a senior secured term credit facility in an aggregate amount of up to US$40 million (the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previous US$40 million revolving credit facility with HSBC, which was scheduled to mature on July 24, 2020 (the "Prior Credit Facility"). The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds. The Syndicated Facility has a term of three years. In addition to repaying the Existing Facility and repurchasing or redeeming Gold Bonds, proceeds from the Syndicated Facility will be used for general corporate and working capital purposes.

During the first quarter of 2020, in conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold a year. This hedge consists of a zero-cost collar hedge for 75,000 ounces of saleable gold with a floor price of US$1,550 per ounce and a ceiling of US$1,617 per ounce; and an Australian dollar gold forward contract for the remaining 75,000 ounces of salable gold at AU$2,390 per ounce.

As at March 31, 2020, the Company was in compliance of all the covenants of its Syndicated Facility.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

$65 Million Syndicated Facility

On March 16, 2020, the Company entered into the Syndicated Facility, which consists of:

1. A senior secured Revolver Credit Facility in an aggregate amount of up to $25.0 million; and
2. A senior secured Term Credit Facility in an aggregate amount of up to $40.0 million.

The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds.

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of

  - not less than 1.25:1:00 for the Rolling periods (two quarters) ending March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, and
  - not less than 1.50:1:00 for the Rolling periods (two quarters) ending March 31, 2021 and thereafter;
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Adjusted Tangible Net Worth of not less than $95.0 million plus 50% of net income (cumulative) earned after Closing Date, less any write-downs related to non-core assets; and
- the aggregate of the Company's unrestricted cash shall not be less than $10.0 million at any time.

As at March 31, 2020, the Company was in compliance with all financial covenants under the Syndicated Facility.

The Syndicated Facility has a three-year term and the Term Credit Facility shall be reduced by $3.0 million each quarter commencing September 30, 2020, until December 31, 2020, and thereafter repaid in eight equal quarterly installments of $3.8 million starting March 31, 2021, with the final payment of $28.8 million on the maturity date, March 16, 2023, which includes repayment of the Revolver Credit Facility in full. The Syndicated Facility allows for early repayments with no associated penalties and will hold security over the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%.

As at March 31, 2020, the Company was fully drawn down on the Syndicated Facility, however, $5.0 million of this balance was held in escrow to partly fund exchanges of the Gold Bonds (which have since been completed).

In conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold per year. This hedge consists of a zero-cost collar hedge for 75,000 ounces of saleable gold with a floor price of US$1,550 per ounce and a ceiling of US$1,617 per ounce; and an Australian dollar gold forward contract for the remaining 75,000 ounces of saleable gold at AU$2,390 per ounce. The Company recognized a fair value loss of $9.1 million as at March 31, 2020, relating to these hedges. As the gain or loss from the valuation of these hedges can be volatile due to the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time, the Company has classified the valuation as a special item.

Five-year exchangeable loan

Mandalay previously issued debt securities by way of a concurrent offering of Gold Bonds issued by Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the proceeds of the Gold Bond offering from the Issuer under the terms of a loan agreement and related funding agreement (the "Loan") which together mirror the principal terms of the Gold Bonds. The Company had equivalent redemption rights with respect to the Loan. If the Company exercised its redemption rights under the Loan, the Issuer was required to exercise its optional redemption rights under the Gold Bonds.

The Gold Bonds had the following features:

- maturity date of May 13, 2022;
- the Issuer is required to offer to repurchase a proportion of the Bonds outstanding at the relevant time if and to the extent that the contained gold equivalent Mineral Reserves (in ounces) at Mandalay's Costerfield mine falls below (initially) 232,000 gold equivalent ounces;
- nominal interest rate of 6.875% per annum; and
- exchange price of US$135 (which equates to gold price of US$1,400 per ounce).

Bond Exchanges

Prior to December 31, 2019, the Company had exchanged $5.95 million principal amount of Gold Bonds at a cost of $5.33 million. The outstanding principal amount of the Loan was reduced in an amount equal to the principal amount of the Gold Bonds that were exchanged and, after exchanges noted above and as at December 31, 2019, the outstanding principal amount of the Loan was $24.1 million.

On March 18, 2020, the Company purchased for cancellation $15.95 million principal amount of Gold Bonds at a cost of $18.1 million. The outstanding principal amount of the Loan was reduced in an amount equal to the principal amount of the repurchased Gold Bonds and, after this repurchase and the exchanges noted above and as at March 31, 2020, the outstanding principal amount of the Loan (and of the Gold Bonds) was $8.15 million.

Redemption Notice

Under the terms of the Loan, the Issuer has the right to repay the Loan (and require the Issuer to complete a concurrent redemption of the Gold Bonds) at its option if $9.0 million or less in the principal amount of Gold Bonds remained outstanding. As the outstanding principal amount of the Gold Bonds was less than this amount after the repurchase on March 18, 2020, on March 25, 2020 the Company caused the Issuer to a redemption notice to the remaining Gold Bondholders. In response to the redemption notice, all remaining Gold Bondholders exercised their exchange rights by April 22, 2020. As a result, none of the Gold Bonds remain outstanding and the entire amount of the Loan has been repaid.

The Company classified the carrying amount of the Loan as a current liability, determined using the effective interest rate method, in the condensed consolidated interim statements of financial position of the Company as at March 31, 2020. The Gold Bondholders' right to exchange represented an embedded derivative and was fair-valued as at March 31, 2020.

Fair-value Adjustments

As at March 31, 2020, the conversion feature under the Loan was recorded in the statement of financial position and was subject to fair-value adjustments in accordance with IAS 39.

As at March 31, 2020, the Company has recomputed the derivative portion of the Loan at $1.1 million, as compared to $4.1 million as at December 31, 2019. As a result, there is a mark-to-market adjustment gain of $3.0 million in the first quarter of 2020 was booked as compared to gain of $0.1 million in the first quarter of 2019.

During the first quarter of 2020, the Company entered into two gold hedging programs with HSBC and Macquarie, in connection with the Syndicated Facility. The Company has recognized a fair value loss of $9,113,000 relating to these hedging programs during the first quarter of 2020.

Contractual Obligations as at March 31, 2020

Contractual obligations	**Payments due by year ($ '000)**			**Total ($ '000)**
	Less than 1 year	**1-3 years**	**4-5 years**	
Five-year exchangeable loan*	8,150	-	-	**8,150**
Syndicated Facility	9,778	55,222	-	**65,000**
Lease obligations	1,728	2,565	525	**4,818**
Other equipment loan obligations	600	613	104	**1,317**
Total contractual obligations	**20,256**	**58,400**	**629**	**79,285**

**This loan was repaid in full on April 30, 2020.*

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

Kingsdale Advisors ("Kingsdale") is a shareholder services and strategic advisory firm which provided Mandalay with corporate advisory services in the amount of $15,000 during the three months ended March 31, 2020. Amy Freedman is Chief Executive Officer of Kingsdale and is on the Board of Directors of Mandalay.

On February 20, 2019, Mandalay received the net proceeds of an $8.0 million convertible bridge loan (the "Bridge Loan") and completed a public offering of subscription receipts for gross proceeds of $32.3 million (the "Public Offering", and collectively with the Bridge Loan, the "Financing") and on March 29, 2019, Mandalay received the net proceeds from the Public Offering. As part of the Financing, Mandalay received the Bridge Loan from an affiliate of CE Mining Fund III L.P. ("CE Mining"), an investment fund advised by Plinian Capital Limited, which is controlled by Bradford A. Mills, Chairman of the Board of Directors of Mandalay. In addition, as part of the Public Offering, Ruffer LLP, GMT Capital Corp. and azValor Asset Management SGIIC, S.A.U. (each of which is a related party of Mandalay by virtue of owning more than 10% of the outstanding Common Shares), along with CE Mining, collectively subscribed for 305,075,000 Subscription Receipts. The loan agreement in respect of the Bridge Loan contains a number of customary positive and negative covenants, and also provides that for as long as CE Mining owns at least 10% of the outstanding Common Shares it will be entitled to nominate two members of Mandalay's Board of Directors, provided that one such nominee must be Bradford A. Mills. The purpose of the Financing was to secure additional funding to allow Mandalay to satisfy its working capital requirements and fund ongoing capital development and exploration programs.

1.9 FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade receivables and other assets, reclamation and other deposits, derivative financial instruments, trade and other payables. The Company also periodically uses financial instruments to protect itself against future downward fluctuations in the prices of gold and antimony and against currency exchange rate fluctuations.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at March 31, 2020, the Company had no past overdue trade receivables.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that its results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

The Company reports its financial statements in U.S. dollars. However, the Company's operations are located in Australia, Sweden, and Chile, where local costs are at least partially incurred in local currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to the Australian dollar, Chilean peso and Swedish krona. The Company has at times entered into foreign exchange hedges to limit exposure to exchange rate fluctuations. The Company's management assesses the Company's strategy towards its foreign exchange rate risk as needed, depending on market conditions.

1.10 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure.

II. Internal Controls and Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluates the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 on a regular basis. The Company's controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

III. Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

1.11 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 91,165,239 common shares issued and outstanding. The weighted average number of shares outstanding during the first quarter ended March 31, 2020 used for the calculation of per share results was 91,084,336.

So far in 2020, the following events added to the total amount of outstanding shares and options of the Company:

Outstanding Stock Options

Outstanding incentive stock options that could result in the issuance of additional common shares at the respective dates as of the date of this MD&A are as follows:

Exercise Price CAD$	As of March 31, 2020	As of May 13, 2020	Expiry Date
0.61	917,000	917,000	30 June, 2027
1.10	460,000	460,000	30 June, 2026
2.00	437,000	437,000	30 June, 2025
6.00	290,000	290,000	30 June, 2024
9.10	301,300	301,300	23 March, 2021
Total	**2,405,300**	**2,405,300**	

During the three months ended March 31, 2020, no options were exercised, or in the 2019 comparative quarter. There were 2,405,300 options outstanding as of March 31, 2020, which could result in issuance of shares.

Restricted Share Units

During 2013, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") and granted Restricted Share Units ("RSUs") to certain directors. Under the RSU Plan, those directors granted RSUs receive the Company's common shares at no cost at the end of vesting periods. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period.

The number of RSUs as at March 31, 2020, is as follows:

	Number of RSU Awards
Balance, December 31, 2018	**193,480**
Granted	209,596
Redeemed	(44,789)
Forfeited	(41,404)
Outstanding at December 31, 2019	**316,883**
Granted	491,802
Redeemed	(10,417)
Outstanding at March 31, 2020	**798,268**

1.12 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, Dominic Duffy (MAusIMM(CP)), Mandalay's President and CEO and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 SUBSEQUENT EVENTS

Under the terms of the Loan, the Issuer had the right to repay the Loan (and require the Issuer to complete a concurrent redemption of the Gold Bonds) at its option if $9.0 million or less in the principal amount of Gold Bonds remained outstanding. As the outstanding principal amount of the Gold Bonds was less than this amount after the repurchase on March 18, 2020, on March 25, 2020 the Company caused the Issuer to a redemption notice to the remaining Gold Bondholders. In response to the redemption notice, all remaining Gold Bondholders exercised their exchange rights by April 22, 2020. As a result, none of the Gold Bonds remain outstanding and the entire amount of the Loan has been repaid.

1.14 NON-IFRS MEASURES

Non-IFRS performance measures are included in this MD&A because the Company believes these are useful indicators to discuss and understand performance of the Company and its operations. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These non-IFRS performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Management uses adjusted EBITDA, adjusted EBIT, adjusted net income and operating net income after tax as measures of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow in order to fund future working capital needs and to fund future capital expenditures, as well as in measuring financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company presents "cash cost" and "all-in sustaining costs" metrics for its gold and antimony production because it believes that these measures assist investors and other users of the Company's financial statements in understanding the economics of the Company's gold and antimony mining activities. Management also uses these metrics to assess Company's ability to meet short and long-term financial objectives.

1. *Income from operations (excl. depreciation & depletion)* – The Company defines Income from operations (excl. depreciation & depletion) as revenue net of cost of sales excluding depreciation, depletion and any write-off of assets.
2. *Adjusted EBITDA* – The Company defines adjusted EBITDA as income from mine operations, net of General and administrative, and business development costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. Refer to Section 1.2 for a reconciliation between adjusted EBITDA and net income.

3. *Adjusted EBIT* – The Company defines Adjusted EBIT as Adjusted EBITDA less depletion and depreciation.

4. *Adjusted net income* – The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their nature and, in some cases, expected infrequency of the events giving rise to them. Starting in the first quarter of 2020, adjusted net income was calculated by excluding the impact of any loss or gain on financial instruments associated to the hedging. This is because this amount can be volatile from the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time. Refer to Section 1.2 for a reconciliation between adjusted net income and net income.

5. *Gold equivalent ounces* - Gold equivalent ounces is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

6. *Site cash cost per ounce of saleable gold equivalent produced* – For all sites, the cash cost per ounce of saleable gold equivalent equals the total cash operating cost associated with the production of saleable equivalent ounces produced in the period divided by the saleable equivalent gold ounces produced. The cash cost excludes royalty expenses.

7. *Site all-in sustaining cost per ounce of saleable gold equivalent produced* – Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense and accretion of reclamation provision. Sustaining capital reflects the capital required to maintain each site's current level of operations. For all sites, the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

8. *Consolidated cash cost per ounce of gold equivalent produced* – The corporate cash cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of the gold equivalent ounces at all operating sites in the period plus the corporate overhead expense in the period divided by the total saleable gold equivalent ounces produced in the period. The cash cost excludes royalty expenses.

9. *Consolidated all-in sustaining cost per ounce of saleable gold equivalent produced* – The corporate all-in sustaining cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of gold equivalent ounces at all operating sites in the period plus corporate overhead expense in the period plus sustaining mining capital, royalty expense, accretion of reclamation provision, divided by the total saleable gold equivalent ounces produced in the period. Refer to Section 1.2 for a reconciliation between consolidated cash cost per ounce and consolidated all-in sustaining cost per ounce, on the one hand, and cost of sales and consolidated cash cost per ounce, on the other hand.