Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2019
(Unaudited)

Mandalay Resources Corporation
September 30, 2019

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Mandalay Resources Corporation

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)
three and nine months ended September 30, 2019 and 2018

(Expressed in U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	($'000)	($'000)	**($'000)**	($'000)
Revenue (Note 13)	**28,798**	21,765	**85,058**	89,457
Cost of operations				
Cost of sales, excluding depletion and depreciation (Note 14)	**21,610**	21,023	**65,755**	69,191
Depletion and depreciation	**5,510**	6,543	**18,831**	23,459
	27,120	27,566	**84,586**	92,650
Income (loss) from mining operations	**1,678**	(5,801)	**472**	(3,193)
Expenses				
Administration	**1,633**	1,324	**4,397**	5,061
Care and maintenance and other operating expenses	**442**	1,226	**2,156**	4,837
Write down of assets (Note 6)	**-**	-	**4,985**	18,533
Share-based compensation (Note 12(b))	**122**	184	**431**	588
Loss (gain) on disposal of property, plant and equipment	**-**	9	**(1,854)**	135
	2,197	2,743	**10,115**	29,154
Loss from operations	**(519)**	(8,544)	**(9,643)**	(32,347)
Other income (expenses)				
Finance costs (Note 15)	**(1,824)**	(1,306)	**(5,017)**	(4,036)
Gain (loss) on financial instruments (Note 16)	**103**	331	**(753)**	1,125
Interest and other income	**175**	198	**497**	902
Foreign exchange gain (loss)	**(183)**	177	**115**	(50)
	(1,729)	(600)	**(5,158)**	(2,059)
Loss before income taxes	**(2,248)**	(9,144)	**(14,801)**	(34,406)
Income tax (recovery) expense				
Current	**467**	(951)	**876**	(289)
Deferred	**(1,312)**	(725)	**(3,190)**	(1,699)
Income tax recovery	**(845)**	(1,676)	**(2,314)**	(1,988)
Net loss for the period	**(1,403)**	(7,468)	**(12,487)**	(32,418)
Other comprehensive loss, net of tax				
Item that may subsequently be reclassified to net loss				
Foreign currency translation	**(6,069)**	(862)	**(9,141)**	(7,787)
Comprehensive loss for the period	**(7,472)**	(8,330)	**(21,628)**	(40,205)
Net loss per share				
Basic and diluted	**(0.02)**	(0.17)	**(0.16)**	(0.72)
Weighted average number of common shares outstanding (Note 17)				
Basic and diluted ('000)	**91,049**	45,160	**76,421**	45,147

See accompanying notes to the condensed consolidated interim financial statements and going concern assumption (Note 3a)

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at September 30, 2019 and December 31, 2018

(Expressed in U.S. dollars)
(Unaudited)

	September 30, 2019	December 31, 2018
	($'000)	($'000)
Assets		
Current assets		
Cash and cash equivalents (Note 4)	**23,238**	8,395
Trade receivables and other assets (Note 5)	**21,073**	12,998
Inventories	**8,519**	13,829
Prepaid expenses	**3,937**	3,678
	56,767	38,900
Non-current assets		
Reclamation and other deposits	**28,427**	27,676
Trade receivables and other assets (Note 5)	**2,569**	2,747
Property, plant and equipment (Note 6)	**162,822**	168,380
Deferred tax assets	**1,457**	-
	195,275	198,803
	252,042	237,703
Liabilities		
Current liabilities		
Trade and other payables (Note 8)	**18,243**	26,204
Borrowings (Note 9)	**40,281**	30,225
Lease liabilities (Note 7)	**1,651**	1,839
Five-year exchangeable loan (Note 10)	**22,396**	25,235
Income taxes payable	**1,152**	120
Other provisions (Note 11)	**1,448**	1,778
Financial instruments (Note 16)	**3,595**	2,691
	88,766	88,092
Non-current liabilities		
Borrowings (Note 9)	**457**	323
Lease liabilities (Note 7)	**3,458**	3,498
Reclamation and site closure costs provision	**39,734**	40,674
Other provisions (Note 11)	**1,494**	1,527
Deferred tax liability	**5,585**	7,453
	50,728	53,475
	139,494	141,567
Equity		
Share capital (Note 12)	**229,762**	192,078
Share option reserve (Note 12)	**10,760**	10,404
Foreign currency translation reserve	**(45,337)**	(36,196)
Retained deficit	**(82,637)**	(70,150)
	112,548	96,136
	252,042	237,703

Approved by the Board of Directors and authorized for issuance on November 4, 2019.

(Signed) Dominic Duffy
Dominic Duffy, President and Chief Executive Officer

(Signed) Robert Doyle
Robert Doyle, Director

See accompanying notes to the condensed consolidated interim financial statements and going concern assumption (Note 3a)

Mandalay Resources Corporation

Condensed consolidated interim statements of changes in equity

Nine months ended September 30, 2019 and 2018

(Expressed in U.S. dollars, except number of shares)

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	($'000)	($'000)	($'000)	($'000)	($'000)
Balance, December 31, 2018	**45,160**	**192,078**	**10,404**	**(36,196)**	**(70,150)**	**96,136**
Net loss	-	-	-	-	(12,487)	**(12,487)**
Other comprehensive loss for the period	-	-	-	(9,141)	-	**(9,141)**
Total comprehensive loss	**-**	-	-	(9,141)	(12,487)	**(21,628)**
Share-based compensation (Note 12(b))	-	-	431	-	-	**431**
Redemption of RSU (Note 12(d))	14	75	(75)	-	-	**-**
Shares issued for cash (Note 12(a))	35,940	32,273	-	-	-	**32,273**
Conversion of bridge loan into common shares (Note 12(a))	9,936	8,000	-	-	-	**8,000**
Share issuance cost	-	(2,664)	-	-	-	**(2,664)**
Balance, September 30, 2019	**91,050**	**229,762**	**10,760**	**(45,337)**	**(82,637)**	**112,548**

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
	('000)	($'000)	($'000)	($'000)	($'000)	($'000)
Balance, January 1, 2018	**45,128**	**191,893**	**9,816**	**(28,654)**	**(6,432)**	**166,623**
Net loss	-	-	-	-	(32,418)	**(32,418)**
Other comprehensive loss for the period	-	-	-	(7,787)	-	**(7,787)**
Total comprehensive loss	**-**	**-**	**-**	**(7,787)**	**(32,418)**	**(40,205)**
Share-based compensation (Note 12(b))	-	-	587	-	-	**587**
Redemption of RSU (Note 12(d))	32	185	(185)	-	-	**-**
Balance, September 30, 2018	**45,160**	**192,078**	**10,218**	**(36,441)**	**(38,850)**	**127,005**

See accompanying notes to the condensed consolidated interim financial statements and going concern assumption (Note 3a)

Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows
three and nine months ended September 30, 2019 and 2018
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	($'000)	($'000)	**($'000)**	($'000)
Operating activities				
Net loss	**(1,403)**	(7,468)	**(12,487)**	(32,418)
Adjustments to reconcile net loss to net cash flows from operating activities				
Amortization of intangible asset	**-**	-	**-**	29
Depletion and depreciation	**5,510**	6,543	**18,831**	23,459
Share-based compensation (Note 12(b))	**122**	184	**431**	588
Loss (gain) on disposal of property, plant and equipment	**-**	9	**(1,854)**	135
Write down of assets	**-**	-	**4,985**	18,533
Finance cost (Note 15)	**1,824**	1,306	**5,017**	4,036
Unrealized loss (gain) on financial instruments (Note 16)	**(103)**	(331)	**753**	(1,125)
Interest and other income	**(175)**	(198)	**(497)**	(902)
Foreign exchange gain (loss)	**297**	(528)	**(759)**	(767)
Income tax recovery	**(845)**	(1,676)	**(2,314)**	(1,988)
Proceeds from lease	**825**	-	**1,128**	-
Reclamation expenditures	**(814)**	(1,662)	**(1,692)**	(2,820)
Changes in non-cash operating working capital items				
Trade receivables and other assets	**(1,780)**	3,296	**(6,868)**	13,405
Inventories	**2,015**	1,471	**5,073**	5,091
Prepaid expenses	**(633)**	(61)	**(518)**	(380)
Trade and other payables	**(151)**	1,973	**(7,281)**	(1,631)
Other provisions	**(97)**	7	**(237)**	(189)
Cash generated from operations	**4,592**	2,865	**1,711**	23,056
Interest and other income received	**175**	198	**497**	902
Interest and bank charges paid	**(1,414)**	(1,051)	**(4,099)**	(3,271)
Income tax received	**-**	-	**-**	1,741
Net cash flows (used in) from operating activities	**3,353**	2,012	**(1,891)**	22,428
Investing activities				
Payment to reclamation deposits	**(14)**	(15)	**(4,720)**	(203)
Receipt from reclamation deposits	**-**	4,861	**2,544**	4,861
Expenditure for property, plant and equipment	**(10,094)**	(12,051)	**(27,744)**	(35,286)
Proceeds from disposal of property, plant and equipment	**-**	-	**2,148**	-
Net cash flows used in investing activities	**(10,108)**	(7,205)	**(27,772)**	(30,628)
Financing activities				
Proceeds from borrowings (Note 9)	**5,000**	16,792	**10,576**	18,361
Repayments of borrowings	**(209)**	(839)	**(3,652)**	(1,996)
Lease payments (Note 7)	**(615)**	-	**(995)**	-
Proceeds from bridge loan (Note 12(a))	**-**	-	**8,000**	-
Shares issued for cash (Note 12(a))	**-**	-	**32,273**	-
Share issuance cost (Note 12(a))	**-**	-	**(2,664)**	-
Proceeds from Ulu option agreement	**-**	-	**-**	310
Net cash flows from financing activities	**4,176**	15,953	**43,538**	16,675
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**115**	420	**968**	1,250
Increase in cash and cash equivalents	**(2,464)**	11,180	**14,843**	9,725
Cash and cash equivalents, beginning of the period	**25,702**	15,480	**8,395**	16,935
Cash and cash equivalents, end of period	**23,238**	26,660	**23,238**	26,660
Cash and cash equivalents consist of				
Cash	**23,238**	26,660	**23,238**	26,660
	23,238	**26,660**	**23,238**	**26,660**

See accompanying notes to the condensed consolidated interim financial statements and going concern assumption (Note 3a)

1. Description of business and nature of operations

Mandalay Resources Corporation ("Mandalay" or the "Company"), together with its wholly owned subsidiaries, is a gold and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Mandalay's assets consist of the Costerfield gold and antimony mine in Australia, the Björkdal gold mine in Sweden, as well as other exploration and care and maintenance projects in Chile and Canada.

Mandalay is incorporated in the Province of British Columbia, Canada. The Company's shares are listed on the Toronto Stock Exchange ("TSX"). The head office and principal address of the Company is 76 Richmond Street East, Suite 330, Toronto, Canada, M5C 1P1. The Company's registered office is located at 1900-355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Judgments made by management in the application of International Financial Reporting Standards ("IFRS") that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company's audited consolidated financial statements for the year ended December 31, 2018.

3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements as at December 31, 2018. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair values as explained in the Company's accounting policies.

a) *Going concern assumption*

These consolidated financial statements were prepared on a going concern basis that contemplated the realization of assets and the settlement of liabilities in the normal course of business as they become due, except for the revaluation to fair value of certain financial assets and financial liabilities in accordance with the Company's accounting policies.

As at September 30, 2019, the Company was in breach of three covenants of its Revolver Facility, however it has received a waiver from HSBC for these breaches.

The ability of the Company to continue as a going concern is dependent on receiving waivers for, meeting its financials covenants on the Revolver Facility in the coming quarters and restructuring for current debt facilities. There can be no assurance that the Company will meet its covenants, receive

3. Summary of significant accounting policies (continued)

a) *Going concern assumption (continued)*

waivers for the financial covenants associated with the Revolver Facility for future quarters or restructure the current debt facilities. As a result, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

b) *Changes in accounting standards*

The accounting policies adopted in preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of amendments and interpretations effective January 1, 2019. These amendments and interpretations are outlined below.

IFRS 16, Leases

The Company had adopted IFRS 16 using the modified retrospective approach with effect from January 1, 2019. There was no transition adjustment for IFRS 16.

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. The Company has classified its Right of Use assets in the property, plant and equipment line in its Statement of Financial Position. In an operating lease, the leased property was not capitalized and the lease payments were recognized as operating expenses on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

3. Summary of significant accounting policies (continued)

b) *Changes in accounting standards (continued)*

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 was applied to these leases from January 1, 2019.

The weighted average incremental borrowing rate to compute lease liabilities at the date of initial adoption was 8%.

4. Cash and cash equivalents

As at September 30, 2019, the Company had a total cash balance of $23,238,000 (December 31, 2018 - $8,395,000). As part of the Bridge Loan agreement (see Note 12(a)), the Company is required to maintain a reserve of cash or cash equivalents equal to the lesser of (a) $15,000,000 and (b) the outstanding principal amount of the five-year exchangeable loan. The Company will use this reserve exclusively for the purposes of satisfying its obligations in respect of the five-year exchangeable loan (see Note 10).

As part of the Public Offering (see Note 12(a)), the Company had agreed with HSBC that the aggregate of any undrawn portion of the Revolver Facility (which was nil as at September 30, 2019) plus the Company's cash and cash equivalents must at all times be not less than $10,000,000. This requirement overlaps the $15,000,000 reserve amount under the Bridge Loan and is not in addition to it. The Company is in compliance with this term as at September 30, 2019.

5. Trade receivables and other assets

Trade receivables and other assets consist of the following:

	September 30, 2019	December 31, 2018
	($'000)	($'000)
Trade receivables	**14,125**	8,036
VAT and other indirect tax receivables	**3,691**	3,933
Other receivables and assets	**5,518**	3,703
Marketable securities (Note 16)	**229**	73
Provisional pricing adjustment	**79**	-
	23,642	15,745
Less: non-current portion	**2,569**	2,747
Total current portion	**21,073**	12,998

There was no allowance for doubtful accounts recognized as at September 30, 2019, or at December 31, 2018.

6. Property, plant and equipment

Particulars	Mining interests			Plant and equipment				Exploration and evaluation				Total
	Costerfield	Cerro Bayo	Björkdal	Costerfield	Cerro Bayo	Björkdal	Others	Costerfield	Cerro Bayo	Björkdal	Others	
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Cost												
As at January 1, 2018	72,664	64,314	78,598	35,557	44,532	31,533	2,798	8,821	1,106	16,341	51,137	**407,401**
Additions	10,242	-	10,891	6,961	-	15,566	1	5,242	-	1,785	2,652	**53,340**
Disposals	-	-	-	(1,017)	(2,196)	-	-	-	-	-	-	**(3,213)**
Write-off of assets	-	(8,470)	-	-	-	-	-	(36)	(321)	-	(25,818)	**(34,645)**
Reclassification to mining interest	4,534	-	-	-	-	-	-	(4,534)	-	-	-	**-**
Transferred from Asset held for sale	-	-	-	-	-	-	-	-	-	-	(6,051)	**(6,051)**
Foreign exchange	(7,027)	-	(8,258)	(3,907)	-	(3,366)	(62)	(729)	-	(48)	(443)	**(23,840)**
As at December 31, 2018	**80,413**	**55,844**	**81,231**	**37,594**	**42,336**	**43,733**	**2,737**	**8,764**	**785**	**18,078**	**21,477**	392,992
Additions	10,234	-	5,739	3,078	-	6,795	-	1,312	-	692	204	**28,054**
Disposals	-	-	-	(207)	(6,455)	-	-	-	-	-	-	**(6,662)**
Write-off of assets	-	-	-	-	-	-	-	-	-	-	(4,985)	**(4,985)**
Reclassification to mining interest	4,839	-	-	-	-	-	-	(4,839)	-	-	-	**-**
Foreign exchange	(3,583)	-	(10,262)	(1,755)	-	(5,585)	22	(151)	-	(198)	(533)	**(22,045)**
As at September 30, 2019	**91,903**	**55,844**	**76,708**	**38,710**	**35,881**	**44,943**	**2,759**	**5,086**	**785**	**18,572**	**16,163**	**387,354**
Accumulated depreciation												
As at January 1, 2018	55,450	55,844	30,104	19,311	40,026	11,594	508	-	-	-	-	**212,837**
Expense	9,657	-	9,961	5,697	1,651	3,550	-	-	-	-	-	**30,516**
Disposals	-	-	-	(875)	(2,064)	-	-	-	-	-	-	**(2,939)**
Foreign exchange	(5,288)	-	(6,324)	(2,268)	-	(1,912)	(10)	-	-	-	-	**(15,802)**
As at December 31, 2018	**59,819**	**55,844**	**33,741**	**21,865**	**39,613**	**13,232**	**498**	**-**	**-**	**-**	**-**	**224,612**
Expense	3,929	-	7,106	3,741	509	3,815	-					**19,100**
Disposals	-	-	-	(186)	(6,137)	-	-	-	-	-	-	**(6,323)**
Foreign exchange	(2,381)	-	(6,734)	(1,096)	-	(2,650)	4	-	-	-	-	**(12,857)**
As at September 30, 2019	**61,367**	**55,844**	**34,113**	**24,324**	**33,985**	**14,397**	**502**	**-**	**-**	**-**	**-**	**224,532**
Carrying value												
As at January 1, 2018	17,214	8,470	48,494	16,246	4,506	19,939	2,290	8,821	1,106	16,341	51,137	**194,564**
As at December 31, 2018	20,594	**-**	47,490	15,729	2,723	30,501	2,239	8,764	785	18,078	21,477	**168,380**
As at September 30, 2019	**30,536**	**-**	**42,595**	**14,386**	**1,896**	**30,546**	**2,257**	**5,086**	**785**	**18,572**	**16,163**	**162,822**

6. Property, plant and equipment (continued)

For the nine months ended September 30, 2019, there was $2,600 of plant and equipment depreciation capitalized to mining interests at Costerfield (2018 – $3,500) and $322,000 at Björkdal (2018 – $220,000).

As at September 30, 2019, the Company has right-of-use assets of $5,109,000 included in the property, plant and equipment balance, of which $744,000 is at Costerfield and $4,365,000 is at Björkdal.

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. The signing of this agreement had no impact on the carrying value of the Cerro Bayo mine as at September 30, 2019.

In July, 2019, the Company identified an indicator of impairment for the Ulu property in northern Canada, as a result of the signing of an amended option agreement for the property with a third party. The Company has valued the assets at fair value less costs to dispose. As a result of the signing of this amended agreement, a write down of $1,013,000 was recognized in the Company's statement of income (loss) for the nine months ended September 30, 2019.

As a result of the exercise of the Ulu option agreement, the Company identified an indicator of impairment for the Lupin mine, which is located near the Ulu property. The Company has valued the assets at fair value less costs to dispose of the asset. As a result of this, a write down of $3,972,000 was recognized in the Company's statement of income (loss) for the nine months ended September 30, 2019.

7. Lease liabilities

			September 30, 2019
	Less than 1 year	**Between 1- 4 years**	**Total**
	($'000)	($'000)	($'000)
Costerfield	433	311	**744**
Björkdal	1,218	3,147	**4,365**
Total lease liabilities	**1,651**	**3,458**	**5,109**

			December 31, 2018
	Less than 1 year	**Between 1- 4 years**	**Total**
	($'000)	($'000)	($'000)
Costerfield	526	582	**1,108**
Björkdal	1,313	2,916	**4,229**
Total lease liabilities	**1,839**	**3,498**	**5,337**

During the three and nine months ended September 30, 2019, the Company recognized $615,000 and $995,000 respectively in operating expenses relating to variable lease payments.

Björkdal Equipment leases

Björkdal leases are financed 80% of the equipment purchase cost, bear interest at the one-month STIBOR plus 2.05%-3.21% per annum and require monthly lease payments. These leases are payable within five years of initial borrowing. Certain leases also have an equipment buy-out option at the end of the lease terms equal to 10% of the original equipment purchase cost. These leases are due to be fully repaid during 2024.

7. Lease liabilities (continued)

Costerfield Equipment leases

Costerfield leases bear interest at 5.50% per annum and requires monthly lease payments. These leases are due to be repaid during 2022.

8. Trade and other payables

	September 30, 2019	December 31, 2018
	($'000)	($'000)
Trade payables	**9,954**	17,146
Accrued liabilities	**6,424**	7,189
Payroll and other taxes payable	**1,853**	1,828
Cash election option (Note 12(b))	**12**	4
Provisional pricing adjustment	**-**	37
	18,243	26,204

Trade payables are non-interest bearing and are normally settled on one-month terms. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract.

9. Borrowings

	September 30, 2019	December 31, 2018
	($'000)	($'000)
Liability for the Revolver facility	**40,000**	30,000
Borrowings for Equipment loan facility	**738**	548
	40,738	30,548
Less: Current portion of total borrowings	**40,281**	30,225
Non-current portion of total borrowings	**457**	323

Revolver Facility

During the year ended December 31, 2017, the Company entered into a $40,000,000 senior secured revolving credit facility (the “Revolver Facility”) with HSBC Bank Canada (“HSBC”). The Revolver Facility matures on July 24, 2020, three years after the agreement date.

Amounts drawn on the Revolver Facility bears interest at LIBOR plus 3.5%-4.5% per annum or at HSBC’s “base rate” plus 2.5%-3.5%, depending on the Company’s leverage ratio. The undrawn portion of the Revolver Facility is subject to a standby fee of 1.0% per annum. The Revolver Facility is secured by a first ranking security interest over substantially all of the Company’s assets, excluding the Company’s Australian subsidiaries and its Costerfield mine and subject to permitted liens. As required by the terms, the Company has suspended dividends on its common shares.

9. Borrowings (continued)

The Revolver Facility has the following financial covenants:

- Interest Coverage Ratio of not less than 3.00:1.00 at all times (consolidated basis, calculated on rolling four-quarter basis);
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Tangible Net Worth of not less than $105,000,000 plus 50% of net income (cumulative) earned after Closing Date;
- Current Ratio of not less than 1.20:1.00; and
- the aggregate of the Company's unrestricted cash plus undrawn availability under the Facility shall be not less than $10,000,000.

As at September 30, 2019 the Company was in breach of the Interest Coverage Ratio, Leverage Ratio and Current Ratio for this Facility. However, the Company has obtained a waiver from HSBC for these breaches.

The Company had drawn $5,000,000 and $10,000,000 from this facility during the three and nine months ended September 30, 2019. As at September 30, 2019, the Facility is fully drawn.

Björkdal Equipment loan

As at September 30, 2019, the Company's Björkdal mine in Sweden had a balance of $738,000 (2018 – $548,000) for an equipment loan facility (the "Equipment Facility") with a local Swedish bank to finance certain capital expenditures. The Equipment Facility bears variable interest at the three-month STIBOR plus 2.16% per annum and is repayable in monthly installments plus interest over a term finishing 9 months from the year ended December 31, 2018. The Equipment Facility is secured by the underlying equipment and by a corporate guarantee provided by the Company.

10. Five-year exchangeable loan

In May 2014, Mandalay issued $60,000,000 of debt securities at an interest rate of 5.875% for proceeds of $60,000,000 by way of a concurrent offering of senior exchangeable bonds (the "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 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 Bonds.

Each Bond holder had the right to exchange the principal amount of its Bonds for shares in the SPDR Gold Trust ("Gold Shares") based on the then applicable exchange price. The exchange price is subject to adjustment in the event of changes to the constitution of the SPDR Gold Trust (e.g., share splits and consolidation) or changes to the way in which net asset value ("NAV") of the SPDR Gold Trust or Gold Shares is calculated.

If a Bond holder exercises its exchange rights, the Issuer will give notice to the Company, and the Company will be required to deliver the requisite number of Gold Shares to the Bond holder.

The Issuer may redeem the Bonds at its option:

- if the closing price of the Gold Shares exceeds 130% of the exchange price for at least 20 trading days in any 30-consecutive trading day period; or
- if $9,000,000 or less in the principal amount of the Bonds remains outstanding.

10. Five-year exchangeable loan (continued)

The Company has equivalent redemption rights with respect to the Loan. If the Company exercises its redemption rights under the Loan, the Issuer will exercise its optional redemption rights under the Bonds.

As the Bond holders have the right to exchange the principal amount for Gold Shares at any time, the Company has 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 September 30, 2019, and December 31, 2018. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date (see Note 16).

Repurchase and Amendment of Bonds

On May 26, 2017, the Issuer repurchased $29,950,000 of the Bonds from the bond holders thereof at a premium of 105% of their principal amount resulting in a remaining principal amount of $30,050,000.

In connection with the partial repayment of the Bonds, the following amendments have been made to the terms of the remaining Bonds:

- extending the maturity date of the Bonds to May 13, 2022;
- deleting a condition of the Bonds which required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of Gold Shares issuable upon exchange of the Bonds into a custody account;
- adding a new covenant to the Bonds pursuant to which the Issuer will be 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;
- increasing the interest rate payable on the Bonds from 5.875% per annum to 6.875% per annum effective as of May 13, 2017; and
- reducing the exchange price of the Bonds from US$149.99 to US$135.00 (which equates to gold prices of US$1,556 per ounce, and US$1,400 per ounce, respectively).

Mandalay funded all amounts required by the Issuer to repurchase Bonds and all associated fees and expenses (including consent fees). The outstanding amount of the Loan has been reduced by an amount equal to the principal amount of the Bonds repurchased and the terms of the Loan have been amended to mirror, where applicable, the amendments to the terms of the Bonds.

10. Five-year exchangeable loan (continued)

Bond Exchanges

On December 3, 2018, the Company was required to exchange a principal amount of $2,300,000 of Bonds at a cost of $1,978,000. As at December 31, 2018, there was a current liability of $25,235,000 recognised on the statement of financial position relating to the Loan. The outstanding principal at year end 2018 was $27,750,000.

On February 11, 2019, the Company exchanged $3,650,000 principal amount of Bonds at a cost of $3,350,000. The outstanding principal amount of the Loan has been reduced in an amount equal to the principal amount of the Bonds that were exchanged and, after exchanges noted above, the outstanding principal amount of the Loan was $24,100,000. As at September 30, 2019, there was a current liability of $22,396,000 recognised on the statement of financial position for the Loan.

11. Other provisions

The Company's Costerfield and Cerro Bayo mines provide for a vacation provision for their current employees, in accordance with local statutory requirements.

	Employee benefits
	($'000)
Balance, December 31, 2017	3,673
Additions	2,614
Amounts paid	(2,631)
Foreign exchange	(351)
Balance, December 31, 2018	3,305
Additions	103
Amounts paid	(337)
Foreign exchange	(129)
Balance, September 30, 2019	**2,942**
Less: current portion	1,448
Total non-current portion	**1,494**

12. Share capital

As at September 30, 2019, the Company had an unlimited number of authorized common shares without par value and 91,049,423 common shares outstanding (December 31, 2018 – 45,159,588 common shares). All outstanding common shares are fully paid.

(a) *Shares issued*

- *Public offering*

During the three months ended March 31, 2019, the Company completed a public offering by issuing 359,400,000 pre-consolidation common shares at a price of CAD$0.12 per common share (equivalent to 35,940,000 common shares at a price of CAD$1.20 per common share after giving effect to the share consolidation completed on July 2, 2019), which equates to gross proceeds of $32,273,000 (CAD$43,128,000) (the "Public Offering"). Share issuance cost for public offering is $2,664,000.

12. Share capital (continued)

(a) Shares issued (continued)

- *Convertible Bridge loan*

On February 20, 2019, the Company entered into a one-year convertible bridge loan agreement for $8,000,000 with CE Mining Fund III L.P. (the “Bridge Loan”), an investment fund advised by Plinian Capital Limited, which in turn is controlled by Brad Mills, the Chairman of the Company’s Board of Directors. The Bridge Loan bore interest at a rate of 10% and was convertible at CE Mining’s option into Common Shares at a price per share CAD$1.08. The Bridge Loan was unsecured and was subordinated to the HSBC Facility.

On March 29, 2019, this Bridge Loan was converted into 99,362,963 common shares (equivalent to 9,963,296 common shares after giving effect to the share consolidation).

- *Share Consolidation*

On July 2, 2019, the Company completed a share consolidation on a basis of ten pre-consolidation shares for one post-consolidation share. Accordingly, as a result of share consolidation, the Company has restated its number of common shares and all per share amounts (including income (loss) per share) for all periods presented to reflect the effect of the share consolidation.

(b) Share-based compensation

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	($'000)	($'000)	**($'000)**	($'000)
Stock based compensation on options	**81**	161	**306**	535
Fair value for cash election option	**(7)**	(7)	**(13)**	(24)
RSU amortization	**48**	30	**138**	76
	122	184	**431**	587

570,000 stock options were granted at an exercise price of C$1.10 during the nine months ended September 30, 2019. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C$1.10 (2018 – C$2.0) was calculated using the following weighted average assumptions. Expected stock price volatility and option life are based on the Company’s historical share price volatility and option life.

	2019	2018
Risk free interest rate	**1.50%**	1.90%
Expected dividend yield	**0.00%**	0.00%
Expected life of options in years	**7.00**	7.00
Expected stock price volatility	**71.45%**	48.61%
Expected forfeiture rate	**5.00%**	5.00%

The Company has established a “rolling” stock option plan (the “Plan”) in compliance with the TSX’s policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant. Options generally vest over three years. Options issued until year ended December 31, 2016 had maximum term of five years, and from the year 2017, can have a maximum term of up to 7 years.

(Expressed in U.S. dollars, except where otherwise noted)

12. Share capital (continued)

(c) Stock options

	Number of options	Weighted average exercise price
		C$
Balance, December 31, 2017	2,094,550	8.90
Granted	(339,500)	11.30
Expired	(392,250)	6.95
Forfeited	585,000	2.00
Exercised	(10)	6.00
Balance, December 31, 2018	**1,947,790**	**6.80**
Granted	570,000	1.10
Expired	(181,000)	9.80
Forfeited	(503,490)	7.58
Balance, September 30, 2019	**1,833,300**	**4.52**

No stock options were exercised during the three and nine months ended September 30, 2019.

The following table summarizes information about the stock options outstanding as at September 30, 2019:

Options outstanding			Options exercisable	
Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
		C$		**C$**
198,000	0.48	9.10	198,000	9.10
333,300	1.48	9.10	333,300	9.10
315,000	4.75	6.00	210,000	6.00
467,000	5.75	2.00	155,667	2.00
520,000	6.75	1.10	-	-
1,833,300	**4.52**	**4.49**	**896,967**	**7.14**

(d) Restricted Share Units

The Company has a Restricted Share Unit Plan (the "RSU Plan") and has granted Restricted Share Units ("RSUs") to certain directors. Under the RSU Plan, those directors granted RSUs will receive the Company's common shares at no cost at the end of the vesting period which are based on graded vesting over three years. 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 RSU value is determined based on the fair value of the Company's share at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

12. Share capital (continued)

(d) Restricted Share Units (continued)

The number of RSUs as at September 30, 2019, is as follows:

	Number of RSU awards
Balance, December 31, 2017	68,835
Granted	156,250
Redeemed	(31,605)
Outstanding at December 31, 2018	193,480
Granted	209,596
Redeemed	(13,538)
Forfeited	(41,404)
Outstanding at September 30, 2019	**348,134**

For the three and nine months ended September 30, 2019, the Company recorded $48,000 and $138,000 (2018 – $30,000 and $76,000) respectively as a share-based compensation expense relating to RSUs.

13. Revenue

Disaggregation of revenue

In the following table, the Company's revenue is disaggregated by primary geographical market, major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 18).

Three months ended September 30, 2019	**Costerfield**		**Cerro Bayo**		**Björkdal**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	**2018**
	($'000)	($'000)	**($'000)**	($'000)	**($'000)**	($'000)	**($'000)**	**($'000)**
Primary geographical markets								
Australia	**6,850**	9,723	**-**	-	**-**	-	**6,850**	9,723
Sweden	**-**	-	**-**	-	**21,824**	11,634	**21,824**	11,634
Revenue from contracts with customers	**6,850**	9,723	**-**	-	**21,824**	11,634	**28,674**	21,357
Provisional pricing adjustments	**220**	93	**-**	-	**(96)**	315	**124**	408
Total revenue from mining operations	**7,070**	9,816	**-**	-	**21,728**	11,949	**28,798**	21,765
Commodities								
Gold	**4,754**	5,735	**-**	-	**21,824**	11,634	**26,578**	17,369
Antimony	**2,096**	3,988	**-**	-	**-**	-	**2,096**	3,988
Revenue from contracts with customers	**6,850**	9,723	**-**	-	**21,824**	11,634	**28,674**	21,357
Provisional pricing adjustments	**220**	93	**-**	-	**(96)**	315	**124**	408
Total revenue from mining operations	**7,070**	9,816	**-**	-	**21,728**	11,949	**28,798**	21,765

13. Revenue (continued)

Nine months ended September 30, 2019	Costerfield		Cerro Bayo		Björkdal		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	**2018**
	($'000)	($'000)	**($'000)**	($'000)	**($'000)**	($'000)	**($'000)**	**($'000)**
Primary geographical markets								
Australia	**23,294**	37,006	**-**	-	**-**	-	**23,294**	37,006
Sweden	**-**	-	**-**	-	**61,066**	51,311	**61,066**	51,311
Revenue from contracts with customers	**23,294**	37,006	**-**	-	**61,066**	51,311	**84,360**	88,317
Provisional pricing adjustments	**293**	246	**-**	80	**405**	814	**698**	1,140
Total revenue from mining operations	**23,587**	37,252	**-**	80	**61,471**	52,125	**85,058**	89,457
Commodities								
Gold	**14,699**	22,959	**-**	-	**61,066**	51,311	**75,765**	74,270
Antimony	**8,595**	14,047	**-**	-	**-**	-	**8,595**	14,047
Revenue from contracts with customers	**23,294**	37,006	**-**	-	**61,066**	51,311	**84,360**	88,317
Provisional pricing adjustments	**293**	246	**-**	80	**405**	814	**698**	1,140
Total revenue from mining operations	**23,587**	37,252	**-**	80	**61,471**	52,125	**85,058**	89,457

14. Cost of sales

The cost of sales for the three and nine months ended September 30, 2019 and 2018, consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Raw materials and consumables	**6,676**	7,258	**18,057**	21,549
Salary and employee benefits	**8,358**	7,621	**26,310**	23,729
Contractors	**2,666**	3,218	**10,704**	11,672
Change in inventories	**1,875**	919	**4,538**	4,829
Royalties	**80**	119	**324**	436
Other	**1,955**	1,888	**5,822**	6,976
	21,610	21,023	**65,755**	69,191

15. Finance costs

The finance expenses for the three and nine months ended September 30, 2019 and 2018 consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	($'000)	($'000)	**($'000)**	($'000)
Interest on five year exchangeable loan	**585**	695	**1,785**	2,088
Finance charges on Revolver Facility	**746**	432	**2,158**	1,244
Interest on other borrowings and other charges	**238**	92	**651**	446
Accretion of reclamation and site closure costs	**255**	87	**423**	258
	1,824	1,306	**5,017**	4,036

16. Financial instruments

The Company has recognised a gain of $103,000 and loss of $753,000 respectively (2018 – gains of $331,000 and $1,125,000) for the three and nine months ended September 30, 2019. Details are given below:

(a) Five-year exchangeable loan

The Company has valued the conversion feature of the five-year exchangeable loan (see Note 10) using the Black-Scholes option pricing. As at September 30, 2019, the derivative value of the conversion feature amounts to $3,595,000 (2018 – $2,691,000) and is recorded in current liabilities in the condensed consolidated interim statement of financial position. The Company recorded a fair value measurement gain of $8,000 and loss of $904,000 (2018 – gain of $1,095,000 and $852,000) for the three and nine months ended September 30, 2019. The value was estimated using the following Level 2 assumptions: risk free interest rate of 1.75% (2018 – 2.81%); volatility of 16% (2018 – 16%), gold forward curve adjustment of 1.29% (2018 – (0.92%)).

(b) Marketable securities

The value of securities as at September 30, 2019, is $229,000 (December 31, 2018 – $73,000), recorded in trade receivables and other assets. These securities are stated at fair value with any resulting gain or loss recognized in income or loss. The Company recorded a fair value measurement gain of $95,000 and $151,000 (2018 – loss of $58,000 and $75,000) for the three and nine months ended September 30, 2019, using Level 1 fair value assumptions.

17. Income per share

As at September 30, 2019 and 2018, the weighted average number of common shares for the purpose of calculating diluted income per share reconciles to the weighted average number of common shares used in the calculation of basic income per share as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	('000)	('000)	**('000)**	('000)
Net loss for the period	**(1,403)**	(7,468)	**(12,487)**	(32,418)
Basic weighted average number of shares outstanding	**91,049**	45,160	**76,421**	45,147
Diluted weighted average number of shares outstanding	**91,049**	45,160	**76,421**	45,147

The following stock options and RSU's are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of the diluted income per share calculation because the Company has reported a loss for the three and nine months ended September 30, 2019 and 2018.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	('000)	('000)	**('000)**	('000)
Stock options	**1,833**	2,072	**1,833**	2,072
RSU	**348**	37	**348**	37

18. Segmented information

The Company manages its operations by geographical location. These reportable operating segments are summarized in the table below ("Canada" is the provision of corporate services and administrative support and also includes non-core assets held in Canada):

	Three months ended September 30, 2019				
	Australia	**Chile**	**Sweden**	**Canada**	**Total**
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue	7,070	-	21,728	-	28,798
Cost of sales, excluding depletion and depreciation	(8,618)	-	(12,992)	-	(21,610)
Depletion and depreciation	(2,251)	(133)	(3,126)	-	(5,510)
Income (loss) from mine operations	(3,799)	(133)	5,610	-	1,678
Other operating expenses	(445)	(240)	(703)	(367)	(1,755)
Care and maintenance and other operating expenses	-	(442)	-	-	(442)
Other expense (income), except for fair value adjustment	(91)	(102)	(442)	(1,196)	(1,831)
Fair value adjustment loss	-	-	-	102	102
Income (loss) before income taxes	(4,335)	(917)	4,465	(1,461)	(2,248)
Current tax expense	-	-	(467)	-	(467)
Deferred tax recovery	1,272	-	40	-	1,312
Net income (loss)	**(3,063)**	**(917)**	**4,038**	**(1,461)**	**(1,403)**
Net loss per share					
Basic and diluted					($0.02)
Cash expenditure for property, plant and equipment	5,040	17	5,037	-	10,094
Total non-current assets as at September 30, 2019	54,139	19,766	96,255	25,115	195,275
Total assets as at September 30, 2019	63,376	23,470	124,891	40,305	252,042
Total liabilities as at September 30, 2019	21,388	20,027	24,312	73,767	139,494

18. Segmented information (continued)

	Three months ended September 30, 2018				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	9,816	-	11,949	-	21,765
Cost of sales, excluding depletion and depreciation	(8,267)	(11)	(12,745)	-	(21,023)
Depletion and depreciation	(3,497)	(392)	(2,649)	(5)	(6,543)
Loss from mine operations	(1,948)	(403)	(3,445)	(5)	(5,801)
Other operating expenses	(147)	(267)	(455)	(648)	(1,517)
Care and maintenance and other operating expenses	-	(1,226)	-	-	(1,226)
Other expense (income), except for fair value adjustment	329	(141)	(316)	(803)	(931)
Fair value adjustment gain	-	-	-	331	331
Loss before income taxes	(1,766)	(2,037)	(4,216)	(1,125)	(9,144)
Current tax recovery	314	-	637	-	951
Deferred tax recovery	421	-	304	-	725
Net loss	**(1,031)**	**(2,037)**	**(3,275)**	**(1,125)**	**(7,468)**
Net income per share					
Basic and diluted					($0.17)
Cash expenditure for property, plant and equipment	5,760	74	6,215	2	12,051
Total non-current assets as at September 30, 2018	47,525	36,854	91,059	31,110	206,548
Total assets as at September 30, 2018	61,085	45,888	109,195	50,325	266,493
Total liabilities as at September 30, 2018	15,031	20,569	24,677	79,211	139,488

18. Segmented information (continued)

	Nine months ended on September 30, 2019				
	Australia	Chile	Sweden	Canada	Total
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue	23,587	-	61,471	-	85,058
Cost of sales, excluding depletion and depreciation	(25,504)	-	(40,251)	-	(65,755)
Depletion and depreciation	(7,668)	(509)	(10,650)	(4)	(18,831)
Income (loss) from mine operations	(9,585)	(509)	10,570	(4)	472
Other operating expenses (income)	(1,099)	1,062	(1,807)	(1,130)	(2,974)
Care and maintenance and other operating expenses	-	(2,156)	-	-	(2,156)
Write-down of assets	-	-	-	(4,985)	(4,985)
Other expense (income), except for fair value adjustme	176	(262)	(1,425)	(2,894)	(4,405)
Fair value adjustment loss	-	-	-	(753)	(753)
Income (loss) before income taxes	(10,508)	(1,865)	7,338	(9,766)	(14,801)
Current tax expense	-	(5)	(871)	-	(876)
Deferred tax recovery	3,119	-	71	-	3,190
Net income (loss)	**(7,389)**	**(1,870)**	**6,538**	**(9,766)**	**(12,487)**
Net loss per share					
Basic and diluted					($0.16)
Cash expenditure for property, plant and equipment	14,579	210	12,955	-	27,744
Total non-current assets as at September 30, 2019	54,139	19,766	96,255	25,115	195,275
Total assets as at September 30, 2019	63,376	23,470	124,891	40,305	252,042
Total liabilities as at September 30, 2019	21,388	20,027	24,312	73,767	139,494

18. Segmented information (continued)

	Nine months ended on September 30, 2018				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	37,252	80	52,125	-	89,457
Cost of sales, excluding depletion and depreciation	(27,916)	(200)	(41,075)	-	(69,191)
Depletion and depreciation	(11,829)	(1,330)	(10,286)	(14)	(23,459)
Income (loss) from mine operations	(2,493)	(1,450)	764	(14)	(3,193)
Other operating expenses	(1,503)	(1,083)	(1,780)	(1,418)	(5,784)
Care and maintenance and other operating expenses	-	(4,837)	-	-	(4,837)
Write-down of assets	-	(18,533)	-	-	(18,533)
Other expense (income), except for fair value adjustment	1,311	(182)	(648)	(3,665)	(3,184)
Fair value adjustments gain	-	-	-	1,125	1,125
Income (loss) before income taxes	(2,685)	(26,085)	(1,664)	(3,972)	(34,406)
Current tax recovery (expense)	307	-	(18)	-	289
Deferred tax recovery	468	-	1,231	-	1,699
Net income (loss)	**(1,910)**	**(26,085)**	**(451)**	**(3,972)**	**(32,418)**
Net loss per share					
Basic and diluted					($0.72)
Cash expenditure for property, plant and equipment	17,332	386	17,538	30	35,286
Total non-current assets as at September 30, 2018	47,525	36,854	91,059	31,110	206,548
Total assets as at September 30, 2018	61,085	45,888	109,195	50,325	266,493
Total liabilities as at September 30, 2018	15,031	20,569	24,677	79,211	139,488

18. Segmented information (continued)

For the three and nine months ended September 30, 2019, the Company had three customers from whom it earned more than 10% of its total revenue (2018 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended		**Nine months ended**	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
	($'000)	($'000)	**($'000)**	($'000)
Costerfield (gold and antimony)				
Customer 1	**5,620**	7,191	**18,791**	27,912
Customer 2	**-**	2,625	**-**	9,340
	5,620	9,816	**18,791**	37,252
Björkdal (gold)				
Customer 3	**18,153**	9,780	**50,355**	42,785
Customer 4	**3,575**	2,169	**11,116**	9,340
	21,728	11,949	**61,471**	52,125
Total	**27,348**	21,765	**80,262**	89,377

19. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables (non-provisional pricing portion), reclamation and other deposits, and trade and other payables approximate their carrying value due to the nature of these items.

The Company defines fair value as 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. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company has certain financial assets and liabilities that are measured at fair value or fair value is disclosed. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (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 option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to the Level 3 inputs.

As at September 30, 2019, other receivables and marketable securities are based on Level 1 inputs. Provisional pricing feature included in trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, five year-exchangeable bonds and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.

20. Related party transactions

Mr. Sanjay Swarup was the Chief Financial Officer of the Company until August 16, 2018. He was also the Director of SKS Business Services, which provides contractual accounting services to the Company, the amount of which is outlined in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	($'000)	($'000)	**($'000)**	($'000)
Administration expenses, salaries and consultancy services				
SKS Business Services	**-**	23	**-**	117

On February 20, 2019, the Company completed the Public Offering and Bridge Loan (the "Financing"). The Bridge Loan was entered into with 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. 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 the Company'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 the Company to satisfy its working capital requirements and fund ongoing capital development and exploration programs.

21. Commitments and contingencies

The Company is involved in legal proceedings from time to time arising in the ordinary course of business. Typically, the amount of the ultimate liability with respect to these actions will not materially affect the Company's financial position and financial performance.

The Company's Björkdal and Costerfield mines have entered into several equipment leases and the detailed future minimum payments relating to these leases are outlined in Note 7.

22. Subsequent events

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the sale of the Cerro Bayo mine in Chile.