MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

AS OF NOVEMBER 4, 2019

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 and notes to the condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the three and nine months ended September 30, 2019, and the Company's annual information form dated March 28, 2019 (the "AIF"), 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: 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 THIRD QUARTER 2019 FINANCIAL AND OPERATING SUMMARY

Third Quarter 2019 Highlights:

- **Consolidated gold equivalent production of 16,625 ounces** compared to 19,500 ounces in Q2 2019, and 16,874 ounces in Q3 2018. The decrease in ounces produced in the current quarter compared to the previous quarter was due to lower grade of processed ore due to dilution in the Brunswick deposit and lower recoveries of processed tonnes at Costerfield.

- **Consolidated cash cost[1] of $1,277 and all-in cost[1] of $1,629 per ounce of saleable gold equivalent production** compared to $1,130 and $1,452 per ounce, respectively, in Q2 2019. In Q3 2018, these costs were $1,239 and $1,631 per ounce, respectively. The higher unit costs in the current quarter as compared to the previous quarter are mainly due to the decrease in gold production from Costerfield.

- **Revenue of $28.8 million on gold equivalent sales of 17,814 ounces** compared to $26.3 million on 19,995 ounces in Q2 2019. In Q3 2018, revenue was $21.8 million on gold equivalent sales of 18,450 ounces. The increase in revenue in the current quarter compared to the previous quarter is a result of higher gold prices partly offset by the decrease in ounces sold.

- **Adjusted EBITDA[1] of $5.6 million** compared to $4.1 million in Q2 2019, and negative $0.6 million in Q3 2018. The increase in Adjusted EBITDA compared to the previous quarter relates mainly to increased revenue, as mentioned above.

- **Consolidated net loss of $1.4 million** compared to a net loss of $9.8 million in Q2 2019, and a net loss of $7.5 million in Q3 2018.

- **Consolidated capital expenditures of $10.1 million** compared to $10.2 million in Q2 2019, and $12.1 million in Q3 2018.

- **Cash on hand of was $23.2 million at September 30, 2019** compared to $8.4 million at December 31, 2018.

- **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.

[1,2] Adjusted EBITDA, cash cost and all-in cost 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 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	$'000
Björkdal				
Gold produced (oz)	11,880	8,504	40,508	35,237
Gold sold (oz)	13,006	10,400	43,160	40,505
Cash cost[1] per oz gold produced	941	1,304	891	1,058
All-in cost[1] per oz gold produced	1,205	1,615	1,155	1,350
Costerfield				
Gold produced (oz)	3,103	4,938	10,509	16,662
Antimony produced (t)	402	505	1,348	1,613
Gold equivalent produced (oz)[2]	4,745	8,370	17,557	27,158
Gold sold (oz)	3,126	4,744	10,590	17,943
Antimony sold (t)	412	486	1,361	1,725
Gold equivalent sold (oz)[2]	4,808	8,050	17,655	29,145
Cash cost[1] per oz gold eq. produced	1,800	988	1,413	961
All-in cost[1] per oz gold eq. produced	2,290	1,420	1,866	1,412
Consolidated				
Gold equivalent produced (oz)[2]	16,625	16,874	58,065	62,395
Gold equivalent sold (oz)[2]	17,814	18,450	60,815	69,650
Cash cost[1] per oz gold eq.	1,277	1,239	1,121	1,097
All-in cost[1] per oz gold eq.	1,629	1,631	1,458	1,478
Average gold price ($/oz)	1,473	1,213	1,362	1,282
Average antimony price ($/t)	6,015	8,252	6,902	8,348

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

[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 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
Revenue	28,798	21,765	85,058	89,457
Cost of sales	21,610	21,023	65,755	69,191
Income from operations (excl. depreciation & depletion)*	7,188	742	19,303	20,266
General and administrative costs	1,633	1,324	4,397	5,061
Adjusted EBITDA*	5,555	(582)	14,906	15,205
Depreciation and depletion	5,510	6,543	18,831	23,459
Adjusted EBIT*	45	(7,125)	(3,925)	(8,254)
Finance costs, tax, foreign exchange and others**	1,448	343	8,562	24,164
Consolidated net loss	(1,403)	(7,468)	(12,487)	(32,418)
Consolidated loss per share	(0.02)	(0.17)	(0.16)	(0.72)
Total assets	252,042	266,493	252,042	266,493
Total liabilities	139,494	139,488	139,494	139,488
Consolidated capital expenditures				
Capital development	5,396	4,536	15,689	15,735
Property, plant and equipment purchases	3,486	5,548	9,827	13,399
Capitalized exploration	1,212	1,967	2,228	6,152
Total	10,094	12,051	27,744	35,286

* Income from operations (excl. depreciation & depletion), Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
**Others includes such items as write down of assets, mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.

Exploration

Ongoing exploration activities during the third quarter of 2019 included:

Björkdal

In the third quarter of 2019, exploration at Björkdal focused on drilling at the Aurora zone seeking to extend the deposit up dip, down dip and to extend the deposit laterally to both the East and West. The extensional drilling will continue for the remainder of 2019. Exploration drilling was also carried out on the high-grade lake zone skarn deposit which will continue throughout the last quarter of the year.

Costerfield

Exploration at Costerfield has been focused on three areas: extending the Youle lode further to the north and at depth; starting a drilling program at the MacDonald's deposit (approximately 500m to the north of Youle); and drilling the first hole in the deep hole program, seeking to find high-grade mineralization at depth below the Youle and Cuffley lodes. All three programs will continue for the remainder of 2019.

Outlook

Mandalay is focused on increasing production and lowering costs at its existing operations.

Mandalay expects to see improvement in production and costs from Costerfield and Björkdal in 2019. At Costerfield, the Company expects production increases in late 2019 as the Company increases production from the high-grade Youle lode. The Youle lode has markedly higher grades than Brunswick and is central to Mandalay's organic growth plan and stated goal of doubling its consolidated production by the end of 2021. Mandalay also expects production and cost improvements at Björkdal for the remainder of 2019 as the open pit operations have been paused at the end of July to eliminate the open pit costs and take advantage of processing the higher margin stockpiled ore.

The Company's 2019 revised guidance is below (see press release dated October 17, 2019):

	Björkdal	**Costerfield**	**Consolidated***
	2019E		
Gold Eq. produced (oz)**	50,000-56,000	23,000-28,000	72,000-84,000
Cash cost, $/oz gold Eq.	800-950	1,300-1,450	975-1,125
All-in cost, $/oz gold Eq.	1,030-1,180	1,700-1,850	1,325-1,500
Capex, $/million***	18-20	21-23	39-43

*Consolidated cost guidance includes expected corporate general and administrative costs

**2019E gold equivalent assumes metal prices of: Au $1,396/oz and Sb $6,682/t

***Includes approximately $3.0 million in exploration expenditures that the Company expects to incur in 2019. This spend was not included in the original 2019 capital expenditure guidance figures but is now possible due to the increased liquidity provided by the financing transaction that was completed in the first quarter of 2019.

The Company's 2019-2021 production guidance is below:

	2019E	**2020E**	**2021E**
Björkdal			
Gold produced (oz)	50,000-56,000	53,000-59,000	55,000-65,000
Costerfield			
Gold produced (oz)	13,000-17,000	40,000-49,000	60,000-75,000
Antimony produced (t)	2,000-2,300	2,200-2,800	2,400-3,300
Consolidated			
Gold Eq. produced (oz)	72,000-84,000*	108,000-127,000**	131,000-162,000**

*2019E gold equivalent assumes metal prices of: Au $1,396/oz and Sb $6,682/t

**2020E and 2021E gold equivalent assumes metal prices of: Au $1,200/oz, Sb $8,200/t.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	U$'000	U$'000	U$'000	U$'000
Revenue	7,070	9,816	23,587	37,252
Cost of sales	8,618	8,267	25,504	27,916
Income (loss) from operations (excl. depreciation & depletion)	(1,548)	1,550	(1,917)	9,336
General and administrative costs (1)	298	(62)	632	589
Adjusted EBITDA (2,3)	(1,658)	1,766	(2,113)	9,320
Depreciation & depletion	2,251	3,497	7,668	11,829
Adjusted EBIT (3)	(4,097)	(1,885)	(10,217)	(3,082)
Finance costs, foreign exchange and others (4)	238	(120)	291	(397)
Loss before tax	(4,335)	(1,766)	(10,508)	(2,685)
Current tax recovery	-	(314)	-	(307)
Deferred tax recovery	(1,272)	(421)	(3,119)	(468)
Consolidated net income (loss) after tax	(3,063)	(1,031)	(7,389)	(1,910)
Capital development	3,736	2,509	10,191	7,765
Property, plant and equipment purchases	521	1,670	3,073	5,461
Capitalized exploration	783	1,609	1,315	4,102
Total capital expenditure (5)	5,040	5,788	14,579	17,328

[1] Includes intercompany transfer pricing recharge costs of $188,000 and $436,000 in the three and nine months ended September 30, 2019 and $154,000 and $573,000 in the corresponding period of 2018.
[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 mark to market derivative adjustments, share based compensation, gain/loss on disposals of properties.
[5] Includes capitalized depreciation on equipment.

Costerfield Operating Results

		Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
Operating development	m	1,092	816	3,404	2,833
Mined ore	t	28,622	36,215	102,987	114,021
Mined ore Au grade	g/t	5.27	5.39	4.64	5.85
Mined ore Sb grade	%	2.56	2.23	2.23	2.37
Mined contained Au	oz	4,854	6,276	15,358	21,445
Mined contained Sb	t	734	808	2,296	2,702
Mining cost per tonne ore	$/t	181	150	149	146
Processed ore	t	31,256	38,856	108,850	116,725
Processed ore mill head grade Au	g/t	5.11	5.11	4.62	5.75
Processed ore mill head grade Sb	%	2.28	2.16	2.11	2.33
Recovery Au	%	72.36	87.86	77.60	87.80
Recovery Sb	%	95.09	94.75	95.18	93.08
Saleable Au produced	oz	3,104	4,938	10,509	16,662
Saleable Sb produced	t	402	505	1,348	1,613
Saleable Au equivalent produced	oz	4,745	8,370	17,557	27,158
Processing cost per tonne ore	$/t	38.20	39.62	33.25	38.36
Au sold in gravity concentrate	oz	1,071	2,264	3,974	7,396
Au sold in floatation concentrate	oz	2,055	2,480	6,617	10,547
Au sold (total)	oz	3,126	4,744	10,591	17,943
Sb sold	t	412	486	1,361	1,725
Capital development metres	m	481	590	2,060	1,972
Capital development cost per metre	$/m	7,774	4,253	4,947	3,938
Cash operating cost per tonne ore processed (1,2)	$/t	273	210	228	221
Adjusted EBITDA per tonne ore processed (1,2)	$/t	(53.05)	45.00	(19.41)	80.00
Cash cost per oz Au equivalent produced (1,2)	$/oz	1,800	988	1,413	961
Site all-in cost per oz Au equivalent produced (1,2)	$/oz	2,290	1,420	1,866	1,412

[1]Does not include intercompany transfer pricing recharge costs and business development costs.
[2]Cash cost, site all-in cost per ounce of gold equivalent produced and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Costerfield – Three Months Ended September 30, 2019 and 2018

- ***Production*** — Saleable gold production for the third quarter of 2019 was 3,104 ounces, a 37% decrease from the 4,938 ounces produced in the third quarter of 2018. Saleable antimony production for the third quarter of 2019 was 402 tonnes, a 20% decrease from the 505 tonnes produced in the third quarter of 2018. Gold equivalent production for the third quarter of 2019 was 4,745 ounces, a decrease of 43% from the third quarter of 2018 when the Company produced 8,370 gold equivalent ounces. Grades at Costerfield in the third quarter of 2019 were below Company expectations mainly due to dilution at Brunswick. In addition, production decreased compared to the year ago quarter due to significantly lower grades processed and lower gold recoveries.

- ***Revenue*** – Costerfield revenue for the third quarter of 2019 was $7.1 million, a 28% decrease from $9.8 million in the third quarter of 2018, mainly due to a decrease in gold equivalent ounces sold. The current quarter revenue was $0.2 million lower than the second quarter of 2019. Gold equivalent ounces sold decreased by 42% to 4,808 ounces in the third quarter of 2019 compared to 8,050 ounces in the third quarter of 2018. The decrease in third quarter 2019 sales compared to the third quarter of 2018 was due to lower sales from decreased comparable grades and recoveries, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $8.6 million for the third quarter of 2019, compared to $8.3 million for the same period of 2018, increase in cost is mainly due to decrease in inventory.

- ***Income from Operations*** – Loss from mine operations before depreciation and depletion at Costerfield during the third quarter of 2019 was $1.5 million, adjusted EBITDA was negative $1.7 million, net loss before tax was $4.3 million and net loss after tax was $3.1 million. Comparable results for the third quarter of 2018 were income from mine operations before depreciation and depletion of $1.5 million, adjusted EBITDA of $1.8 million, net loss before tax of $1.8 million and net loss after tax of $1.0 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $2.3 million in the third quarter of 2019, compared to $3.5 million for the same period in 2018 mainly due to decreased depletion booked due to lower production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the third quarter of 2019 was $1,800, compared to $988 in the third quarter of 2018. The site all-in cost per ounce of gold equivalent produced in the third quarter of 2019 was $2,290 versus $1,420 in the third quarter of 2018. These per ounce costs were higher than the year ago quarter due to lower gold equivalent ounces produced in the third quarter of 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the third quarter of 2019 totaled $5.0 million ($3.7 million in capital development costs, $0.8 million for exploration, and $0.5 million in property, plant and equipment) compared with $5.8 million ($2.5 million in capital development costs, $1.6 million for exploration, and $1.7 million for property, plant and equipment) during the same period in 2018. The decreased capital expenditures were mainly due to lower amounts spent on exploration in the current quarter.

Costerfield – Nine Months Ended September 30, 2019 and 2018

- ***Production*** — Saleable gold production for the first nine months of 2019 was 10,509 ounces, a 37% decrease from the 16,662 ounces produced in the first nine months ending September 30, 2018. Saleable antimony production for the first nine months ending September 30, 2019, was 1,348 tonnes, a 16% decrease from the 1,613 tonnes produced in the first nine months ending September 30, 2018. Gold equivalent production for the first nine months ending September 30, 2019, was 17,557 ounces, a decrease of 35% from the first nine months ending September 30, 2018, when the Company produced 27,158 gold equivalent ounces. Similar to the third quarter results, production and grades at Costerfield in the first nine months of 2019 were below Company expectations. The decrease in production compared to the year ago period was largely attributable to significantly poorer gold recoveries and lower overall grades from Brunswick versus grades from the Augusta and Cuffley lodes, which the Company was mining in the 2018 period.

- ***Revenue*** – Costerfield revenue for the nine months ending September 30, 2019, was $23.6 million, a 40% decrease from $37.2 million in the nine months ending September 30, 2018, mainly due to a decrease in gold equivalent ounces sold. Gold equivalent ounces sold decreased by 39% to 17,655 ounces in the nine months ending September 30, 2019, compared to 29,145 ounces in the nine months ending September 30, 2018. The decrease in first nine months 2019 sales compared to the first nine months ending September 30, 2018, was due to lower sales from decreased comparable grades and recoveries, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $25.5 million for the nine months ending September 30, 2019, compared to $27.9 million for the same period of 2018. The lower operating cost in the current period relates to lower production between the periods.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during the nine months ending September 30, 2019, was $1.9 million, adjusted EBITDA was negative $2.1 million, net loss before tax was $10.5 million and net loss after tax was $7.4 million. Comparable results for the nine months ending September 30, 2018, were income from mine operations before depreciation and depletion of $9.3 million, adjusted EBITDA of $9.3 million, net loss before tax of $2.7 million and net loss after tax of $1.9 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $7.7 million in the nine months ending September 30, 2019, compared to $11.8 million for the same period in 2018 mainly due to decreased depletion booked due to lower production.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the nine months ending September 30, 2019, was $1,413, compared to $961 in the nine months ending September 30, 2018. The site all-in cost per ounce of gold equivalent produced in the nine months ending September 30, 2019, was $1,866 versus $1,412 in the nine months ending September 30, 2018. These per ounce costs were higher than the year ago period due to lower gold equivalent ounces produced in the first nine months of 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the third quarter of 2019 totaled $14.6 million ($10.2 million in capital development costs, $1.3 million for exploration, and $3.1 million in property, plant and equipment) compared with $17.3 million ($7.7 million in capital development costs, $4.1 million for exploration, and $5.5 million for property, plant and equipment) during the same period in 2018. The increased capital development was due to the accelerated development to the Youle vein, offset by a lower amount spent on exploration in the current quarter.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	U$'000	U$'000	U$'000	U$'000
Revenue	21,728	11,949	61,471	52,125
Cost of sales	12,992	12,745	40,251	41,075
Income from operations (excl. depreciation & depletion) (3)	8,736	(796)	21,220	11,050
General and administrative costs (1)	265	211	720	712
Adjusted EBITDA (2,3)	8,742	(795)	21,217	11,061
Depreciation & depletion	3,126	2,649	10,649	10,286
Adjusted EBIT (3)	5,345	(3,656)	9,851	52
Finance costs, foreign exchange and others (4)	880	560	2,513	1,717
Income (loss) before tax	4,465	(4,216)	7,338	(1,665)
Current tax expense (recovery)	467	(637)	871	18
Deferred tax recovery	(40)	(304)	(71)	(1,231)
Consolidated net income (loss) after tax	4,038	(3,275)	6,538	(452)
Capital development	1,660	2,027	5,498	7,970
Property, plant and equipment purchases	2,965	3,878	6,754	7,938
Capitalized exploration	412	257	704	1,557
Total capital expenditure (5)	5,037	6,162	12,956	17,465

[1] Includes intercompany transfer pricing recharge costs of $271,000 and $717,000 for the three and nine months ended September 30, 2019 and $212,000 and $723,000 in the same period of 2018.
[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 mark to market derivative adjustments, share based compensation, gain/(loss) on disposal of property, plant and equipment.
[5] Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
Operating development	m	1,128	1,033	4,063	2,971
Mined ore	t	274,662	253,503	918,936	857,862
Mined ore Au grade	g/t	1.45	1.18	1.39	1.33
Mined contained Au	oz	12,791	9,655	41,114	36,598
Mining cost per tonne ore	$/t	21.22	26.26	21.13	26.60
Processed ore	t	330,044	325,973	973,110	932,221
Processed ore mill head grade Au	g/t	1.28	0.94	1.47	1.26
Recovery Au	%	88.73	88.27	88.87	95.45
Saleable Au produced	oz	11,880	8,504	40,508	35,237
Processing cost per tonne ore	$/t	6.34	6.15	6.74	7.73
Au sold	oz	13,006	10,400	43,160	40,505
Capital development (open pit)	t	29,610	279,478	248,769	920,540
Capital development (underground)	m	615	458	1676	1,638
Capital development cost per metre	$/m	2,480	2,721	2,779	2,722
Cash operating cost per tonne ore processed (1)	$/t	33.87	34.02	37.08	40.00
Adjusted EBITDA per tonne ore processed (1,2)	$/t	26.49	(2.44)	21.80	11.86
Cash cost per oz Au produced (1,2)	$/oz	941	1,304	891	1,058
Site all-in cost per oz Au produced (1,2)	$/oz	1,205	1,615	1,155	1,350

[1]Does not include intercompany transfer pricing recharge costs and business development costs.
[2]Adjusted EBITDA, cash cost and site all-in cost per ounce of gold produced is a non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Björkdal - Three Months Ended September 30, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the third quarter of 2019 was 11,880 ounces, a 40% increase from the 8,504 ounces produced in the third quarter of 2018.

- ***Revenue*** – Björkdal revenue for the third quarter of 2019 was $21.7 million, an 81% increase from $11.9 million in the third quarter of 2018. Gold ounces sold increased by 25% to 13,006 ounces in the third quarter of 2019 compared to 10,400 ounces in the third quarter of 2018. The increase in revenue was due to a higher realized gold price in the current quarter, as well as an increase in metal sold by 25% compared to the third quarter of 2018.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $12.9 million for the third quarter of 2019, slightly higher than $12.7 million for the same period of 2018. The increase in operating costs was due to increase in production in third quarter of 2019 as compared to third quarter of 2018.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the third quarter of 2019 was $8.7 million, adjusted EBITDA was $8.7 million, net profit before tax was $4.5 million and net income after tax was $4.0 million. Comparable results for three months ended September 30, 2018 were loss from mine operations before depreciation and depletion of $0.8 million, adjusted EBITDA of negative $0.8 million, net loss before tax of $4.2 million and net loss after tax of $3.3 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $3.1 million in the third quarter of 2019, compared to $2.6 million for the same period in 2018 due mainly to higher depletion booked due to higher production in third quarter of 2019.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the third quarter of 2019 was $941, 27% lower as compared to the third quarter of 2018 of $1,304. All-in cost per ounce of gold produced at Björkdal for the third quarter of 2019 was $1,205, 25% lower than the all-in cost per ounce of gold produced in the third quarter of 2018 of $1,615. These per ounce costs were lower in the third quarter of 2019 compared to the same period in 2018 due primarily to higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the third quarter of 2019 totaled $5.1 million ($1.7 million in mine development costs, $0.4 million for exploration, and $3.0 in property, plant and equipment) compared with $6.1 million ($2.0 million in mine development costs, $0.2 million for exploration, and $3.9 million for property, plant and equipment) during the same period in 2018.

Björkdal - Nine Months Ended September 30, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the nine months ending September 30, 2019, was 40,508 ounces, a 15% increase from the 35,237 ounces produced in the nine months ending September 30, 2018. The increase can be attributed to achieving a higher constant tonnage from the underground mine over the first nine months of 2019, as well as additional tonnage from a high-grade skarn area.

- ***Revenue*** – Björkdal revenue for the nine months ending September 30, 2019 was $61.4 million, higher than $52.1 million in the nine months ending September 30, 2018. The increase in revenue can be attributed to higher realized gold prices as well as more gold ounces sold during the nine months ending September 30, 2019, as compared to the same period in 2018.

- ***Operating Costs*** **–** Cost of sales excluding depletion and amortization at Björkdal was $40.2 million for the nine months ending September 30, 2019, slightly lower than $41.1 million for the same period of 2018. The decrease in operating costs were primarily due to savings in comparable costs as well as favorable foreign exchange rates.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the nine months ending September 30, 2019 was $21.2 million, adjusted EBITDA was $21.2 million, net profit before tax was $7.3 million and net income after tax was $6.5 million. Comparable results for the same period of 2018 were income from mine operations before depreciation and depletion of $11.0 million, adjusted EBITDA of $11.1 million, net loss before tax of $1.6 million and net loss after tax of $0.4 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $10.6 million in the nine months ending September 30, 2019, compared to $10.3 million for the same period in 2018 due mainly from a higher production.

- ***Cost per Ounce*** **–** Cash cost per ounce of gold produced at Björkdal for the nine months ending September 30, 2019 was $891, 15% lower than the cash cost per ounce of gold produced in the nine months ending September 30, 2018, of $1,058. All-in cost per ounce of gold produced at Björkdal for the nine months ending September 30, 2019, was $1,155, 14% lower than the all-in cost per ounce of gold produced in the nine months ending September 30, 2018, of $1,350. These per ounce costs were lower in the first nine months of 2019 compared to the same period 2018 due primarily to higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the nine months ending September 30, 2019 totaled $13.0 million ($5.5 million in mine development costs, $0.7 million for exploration, and $6.8 in property, plant and equipment) compared with $17.4 million ($7.9 million in mine development costs, $1.6 million for exploration, and $7.9 million for property, plant and equipment) during the same period of 2018. The decrease in capital expenditures was due primarily to less capital development work occurring in the open pit compared to the previous year period, as well as less amounts spent on exploration.

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. The signing of this agreement had no impact on the carrying value of the Cerro Bayo mine as at September 30, 2019. See announcement on the Company's website for details.

During the third quarter of 2019 the Company spent $0.4 million on care and maintenance activities at Cerro Bayo compared to $1.2 million in the third quarter of 2018. The decrease in expense was mainly due to a reduction in the number of staff.

Challacollo

On August 1, 2018, the Company announced that it had entered into a non-binding letter of intent with Aftermath Silver Ltd. ("Aftermath"), pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly-owned subsidiary of the Company which owns the Challacollo project. The Company currently expects total consideration of up to CAD$10.0 million from this sale, including consideration of up to CAD$3.0 million from a net smelter returns royalty to be granted to the Company over production from the project.

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. Total consideration is expected to be $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions.

Lupin and Ulu

Care and maintenance spending at Lupin and Ulu was less than $0.1 million during both the three and nine months ending September 2019, approximately equivalent to the prior year periods. Reclamation spending at Lupin and Ulu was $0.8 million during the third quarter of 2019 compared to $1.7 million in third quarter of 2018. For the nine months ending September 30, 2019, reclamation spending was $1.7 million compared to $2.8 million in the prior year period.

During the three months ending June 30, 2019 the Company identified an indicator of impairment for the Ulu property, due to the signing of an amended option agreement for the property. As a result of this amendment, a write down of $1.0 million was recognized in the income statement for nine months ended September 30, 2019.

Also related to this exercise, 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. As a result of this, a write down of $4.0 million was recognized in the Company's income statement for the nine months ended September 30, 2019.

On December 21, 2018, the Nunavut Water Board reached a decision to recommend that the Letter of Credit that has been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine be reduced by CAD$3.2 million. On January 28, 2019, this recommendation was approved by the Minister of Indigenous and Northern Affairs and the Company received these funds on April 18, 2019.

La Quebrada

Care and maintenance spending at La Quebrada was less than $0.1 million during the third quarter of 2019, which was the same as the prior year quarter.

1.2 THIRD QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	28,798	21,765	85,058	89,457
Cost of sales	21,610	21,023	65,755	69,191
Income from mining operations before depreciation and depletion	7,188	742	19,303	20,266
Depreciation and depletion	5,510	6,543	18,831	23,459
Income/(loss) from mining operations	1,678	(5,801)	472	(3,193)
General and administrative costs	1,633	1,324	4,397	5,061
Adjusted EBITDA*	5,555	(582)	14,906	15,205
Finance costs, foreign exchange and others**	2,293	2,019	10,876	26,152
Consolidated loss before tax	(2,248)	(9,144)	(14,801)	(34,406)
Current tax (recovery) expense	467	(951)	876	(289)
Deferred tax recovery	(1,312)	(725)	(3,190)	(1,699)
Adjusted net loss before special items after tax*	(961)	(6,242)	(5,346)	(9,048)
Consolidated net loss after tax	(1,403)	(7,468)	(12,487)	(32,418)
Adjusted loss per share before special items*	0.01	(0.14)	(0.07)	(0.20)
Consolidated loss per share	(0.02)	(0.17)	(0.16)	(0.72)
Total assets	252,042	266,493	252,042	266,493
Total liabilities	139,494	139,488	139,494	139,488
Total equity	112,548	127,005	112,548	127,005
Capital Expenditures – Björkdal				
Underground capital develop. & open pit prestrip	1,660	2,027	5,498	7,970
Property, plant and equipment purchases	2,965	3,878	6,754	7,938
Capitalized exploration	412	257	704	1,557
Capital Expenditures – Costerfield				
Underground capital development	3,736	2,509	10,191	7,765
Property, plant and equipment purchases	521	1,670	3,073	5,461
Capitalized exploration	783	1,609	1,315	4,102
Capital Expenditures – Consolidated***				
Underground capital develop. & open pit prestrip	5,396	4,536	15,689	15,735
Property, plant and equipment purchases	3,486	5,548	9,827	13,399
Capitalized exploration	1,212	1,967	2,228	6,152

*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.

**Others includes such items as mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.

*** Includes capitalized spend from non-operating sites.

Summary Balance Sheet

	As at September 30	As at December 31
	2019	2018
	($'000)	($'000)
Cash and cash equivalents	23,238	8,395
Inventories, accounts receivables and other current assets	33,529	30,505
Property, plant and equipment	162,822	168,380
Reclamation deposit and other non-current assets	32,453	30,423
Total assets	**252,042**	**237,703**
Five-year exchangeable loan*	22,396	25,235
Other current liabilities	66,370	62,857
Non-current liabilities	50,728	53,475
Equity attributable to common shareholders	112,548	96,136
Total equity and liability	**252,042**	**237,703**

*The five-year exchangeable loan is shown as a current liability on the consolidated statements of financial position.

Adjusted EBITDA and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA and Adjusted Net Income to reported Net Income for the three and nine months ended September 30, 2019 and 2018. Adjusted EBITDA and Adjusted Net Income are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	($'000)	($'000)	($'000)	($'000)
Consolidated net loss	(1,403)	(7,468)	(12,487)	(32,418)
Special items				
Write down of assets	-	-	4,985	18,533
Care and maintenance	442	1,226	2,156	4,837
Adjusted net income/(loss) before special items	**(961)**	**(6,242)**	**(5,346)**	**(9,047)**
Add/less: Non-cash and finance costs				
Depletion and depreciation	5,510	6,543	18,831	23,459
(Gain) Loss on disposal of property, plant and equipment	-	9	(1,854)	135
Share based compensation	122	184	431	588
Interest and finance charges	1,824	1,306	5,017	4,036
Fair value adjustments loss (gain)	(103)	(331)	753	(1,125)
Current tax expense (recovery)	467	(951)	876	(289)
Deferred tax recovery	(1,312)	(725)	(3,190)	(1,699)
Foreign exchange loss (gain)	183	(177)	(115)	49
Interest and other income	(175)	(198)	(497)	(902)
Adjusted EBITDA	**5,555**	**(582)**	**14,906**	**15,205**

Consolidated Financial Results - Three Months Ended September 30, 2019 and 2018

- ***Revenue*** – Consolidated revenue for the third quarter of 2019 was $28.8 million, a 32% increase from $21.7 million in the third quarter of 2018, mainly due to higher realized gold prices but was partly offset by a decrease in gold ounces sold. Consolidated gold equivalent ounces sold decreased by 3% to 17,814 ounces in the third quarter of 2019 compared to 18,450 ounces in the third quarter of 2018.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $21.6 million for the third quarter of 2019 compared to $21.0 million for the same period of 2018. The 3% increase in costs was mainly due to a decrease in the valuation of inventory, although there was absolute cost savings during the quarter.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the third quarter of 2019 was $7.2 million, adjusted EBITDA was $5.6 million, net loss before tax was $2.3 million and net loss after tax was $1.4 million. Comparable results for three months ended September 30, 2018, were income from mine operations before depreciation and depletion of $0.7 million, adjusted EBITDA of negative $0.6 million, net loss before tax of $9.1 million and net loss after tax of $7.5 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $5.5 million in the third quarter of 2019 compared to $6.5 million for the same period in 2018 due to mainly due to lower production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for the third quarter of 2019 was $1,277, 3% higher than the third quarter of 2018 of $1,239. Consolidated all-in cost per ounce of gold equivalent produced for the third quarter of 2019 was $1,629, slightly lower than the third quarter of 2018 of $1,631. These per ounce cash cost was higher in the third quarter of 2019 as compared to the same period in 2018 due to lower metal produced.

- ***Capital Expenditures*** – Consolidated capital expenditures for the third quarter of 2019, totaled $10.1 million ($5.0 million occurred at Costerfield and $5.1 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the third quarter of 2018 were $12.1 million ($5.8 million occurred at Costerfield, $6.2 million at Björkdal and non-core assets $0.1 million). The reduction in capital expenditures was due primarily to cost saving measures at each site that were in place in the first quarter of 2019.

Consolidated Financial Results - Nine Months Ended September 30, 2019 and 2018

- ***Revenue*** – Consolidated revenue for the nine months ending September 30, 2019, was $85.1 million, a 5% decrease from $89.5 million in the nine months ending September 30, 2018, mainly due to a decrease in gold ounces sold partly offset by increase in gold price. Consolidated gold equivalent ounces sold decreased by 12% to 60,815 ounces in the nine months ending September 30, 2019, compared to 69,650 ounces in the nine months ending September 30, 2018.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $65.8 million for the nine months ending September 30, 2019, compared to $69.2 million for the same period of 2018. The 5% decline was primarily due to cost savings and favorable movements in currencies.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the nine months ending September 30, 2019, was $19.3 million, adjusted EBITDA was $14.9 million, net loss before tax was $14.8 million and net loss after tax was $12.5 million. Comparable results for the nine months ended September 30, 2018, were loss from mine operations before depreciation and depletion of $20.3 million, adjusted EBITDA of $15.2 million, net loss before tax of $34.4 million and net loss after tax of $32.4 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $18.8 million in the nine months ending September 30, 2019, compared to $23.5 million for the same period in 2018 mainly due to lower production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for the nine months ending September 30, 2019, was $1,121, 2% higher than the cash cost per ounce of gold equivalent produced in the nine months ending September 30, 2018, of $1,097. Consolidated all-in cost per ounce of gold equivalent produced for the nine months ending September 30, 2019, was $1,458, slightly lower than the all-in cost per ounce of gold equivalent produced in the nine months ending September 30, 2018 of $1,478. These per ounce cash cost was higher in the year to date 2019 compared to the same period in 2018 due to lower metal produced.

- ***Capital Expenditures*** – Consolidated capital expenditures for the nine months ending September 30, 2019, totaled $27.7 million ($14.6 million occurred at Costerfield, $13.0 million at Björkdal and $0.1 million at non-core assets). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the nine months ending September 30, 2018, were $35.2 million ($17.3 million occurred at Costerfield, $17.4 million at Björkdal and $0.5 million at non-core assets). The reduction in capital expenditures was primarily due to cost saving measures at each site that were in place during first nine months of 2019.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 3 2019	**Quarter 2 2019**	**Quarter 1 2019**	**Quarter 4 2018**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Revenue	28,798	26,344	29,916	22,711
Net loss	(1,403)	(9,750)	(1,344)	(31,299)
Net loss per share – Basic and diluted	(0.02)	(0.11)	(0.03)	(0.69)

	Quarter 3 2018	**Quarter 2 2018**	**Quarter 1 2018**	**Quarter 4 2017**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Revenue	21,765	27,944	39,747	38,093
Net loss	(7,468)	(23,711)	(1,237)	(23,073)
Net loss per share – Basic and diluted	(0.17)	(0.53)	(0.03)	(0.51)

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, silver 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 July 1, 2019 - September 30, 2019	Average Rate July 1, 2018 - September 30, 2018	Average Rate January 1, 2019 – September 30, 2019	Average Rate January 1, 2018 – September 30, 2018
1A$ = C$	0.9055	0.9559	0.9298	0.9755
1 A$ = US$	0.6856	0.7312	0.6994	0.7578
1 US$ = C$	1.3208	1.3072	1.3294	1.2875
1 US$ = Chilean Peso	706	663	686	629
1 US$ = SEK	9.5901	8.9536	9.4047	8.5837

Markets – Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of all the metals were lower in the third quarter of 2019 than in the third quarter of 2018. Realized prices in the third quarter of 2019 was broadly similar to average market prices for gold, and lower for antimony.

Commodity	Prices July 1, 2019 September 30, 2019	Prices July 1, 2018 September 30, 2018	Prices January 1, 2019 September 30, 2019	Prices January 1, 2018 September 30, 2018
Realized gold US$/oz[1]	1,643	1,168	1,411	1,290
Gold – US$/oz – Average London PM close (Metal Bulletin)	1,473	1,213	1,362	1,282
Realized antimony US$/tonne[1]	5,570	8,387	6,512	8,272
Antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	6,015	8,252	6,902	8,348

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

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At September 30, 2019, the Company's working capital was negative $32.5 million compared to negative $49.2 million at December 31, 2018. Working capital would have been negative $10.1 million as of September 30, 2019, had the Loan (as defined below) been classified as long-term debt. The Company had cash and cash equivalents of $23.2 million at September 30, 2019, as compared to $8.4 million at December 31, 2018.

On February 20, 2019, the Company 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, the Company received the net proceeds from the Public Offering. The Company expects that the net proceeds of the Financing will be sufficient to fund operations and its planned capital development and exploration activities for the balance of 2019.

In connection with the Financing, the Company was required to establish two separate cash reserves. Under the terms of the Bridge Loan, the Company is required to maintain a cash reserve in respect of its obligations under the Loan (as defined below) equal to the lesser of $15.0 million and the outstanding principal amount of the Bonds. In addition, in connection with its receipt of a waiver from HSBC of the financial covenants in the Facility for the quarters ending March 31, 2019, and June 30, 2019, the Company has agreed that the aggregate of its unrestricted cash (as defined in the Facility) plus undrawn availability under the Facility shall be not less than $10.0 million. These two separate cash reserve requirements do overlap and are not in addition to each other. The Company will be unable to use the funds subject to these two reserves for any other corporate purposes for as long as they are reserved.

The Company is facing liquidity challenges as a result of operational underperformance and the requirement to fund recent exchanges of the Company's five-year exchangeable loan. 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. As at September 30, 2019 the facility is classified as a current liability as it is due within 12 months.

To assure adequate liquidity and provide financial flexibility for Mandalay, the Company is looking into long-term debt repositioning options. Currently, the Company is in discussions with a syndicate of lenders including HSBC Canada in respect of a potential new senior credit facility.

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

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Five-Year Exchangeable Loan

In May 2014, Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey issued $60.0 million of senior exchangeable gold bonds at an interest rate of 5.875% for proceeds of $60.0 million (the "Bonds"). 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 has 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.

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 US$9.0 million or less in the principal amount of the Bonds remains outstanding.

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.

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. 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 as of the Loan as a current liability, determined using the effective interest rate method, in the consolidated statements of financial position of the Company. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date.

Repurchase and Amendment

On May 26, 2017, the Issuer repurchased $29.95 million of the Bonds from the holders thereof at a price of 105% of their principal amount resulting in a remaining principal amount of $30.05 million.

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

- extending the maturity date of the Bonds to May 13, 2022;
- deleting a condition of the Bonds that required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of shares of the SPDR Gold Trust 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 (in ounces) at the Company'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.

Bond Exchanges

On December 3, 2018, the Company was required to repurchase $2.3 million principal amount of Bonds for a cost of $2.0 million as a result of an exchange request. As at December 31, 2018, there was a current liability of $25.2 million recognized on the statement of financial position related to this Loan. The outstanding principal amount of the Bonds at year-end was $27.5 million.

On February 11, 2019, the Company exchanged a principal amount of $3.65 million of Bonds for Gold Shares at a cost $3.3 million. The outstanding principal amount of the Loan was reduced by the aggregate principal amount of the Bonds that were repurchased or exchanged and is currently $24.1 million.

Illustrative Exchange and Repayment Costs

For clarity, the Company has provided some examples below to further explain the details of the Loan, all of which exclude the interest that is payable on the principal until the date of redemption or maturity at the rate of 6.875%:

i) If all the Bondholders exercised their right to exchange their Bonds on June 30, 2019, assuming a gold price of $1,402/oz (which is equivalent to US$133.2 per Gold Share), then the repayment cost to the Company would be approximately $22.3 million.

   $24.1 million ÷ $1,400/oz × $1,402 = $24.1 million

ii) The repayment cost to the Company to repay the Loan on maturity will be minimum $24.1 million if the Gold Share price remains constant or below $135 per share.

iii) If the price of gold during the Loan term reaches $1,700/oz (which is equivalent to US$161.5 per Gold Share), for example, and the Bondholders elect to redeem the Gold Shares prior to maturity date, then the repayment cost to the Company will be $29.3 million.

$24.1 million ÷ $1,400/oz × $1,700 = $29.3 million

$40 Million Revolving Credit Facility

On July 25, 2017, the Company announced the Facility. The Facility matures on July 24, 2020. Proceeds from the Facility are used for working capital, capital expenditures, permitted acquisitions and other general corporate purposes.

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 Facility is subject to a standby fee of 1.0% per annum. The Facility is secured by a second 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. In order to satisfy cash flow requirements to the Costerfield mine, on December 21, 2018, the Company entered into an amended agreement with HSBC to allow for the remaining $10.0 million to be drawn by directly by the Costerfield operating company directly. In return for this, the Company has provided HSBC a general security of the operating assets of Costerfield for any drawn amount.

The Facility includes 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 $105.0 million 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 (as defined in the Facility) plus undrawn availability under the Facility shall be not less than $10.0 million.

As at September 30, 2019, the Company was in breach of the Interest Coverage Ratio, the Leverage Ratio and Current Ratio for this facility. The Company received a waiver for these financial covenants for the quarter ended September 30, 2019. As at September 30, 2019 the facility is classified as a current liability as it is due within 12 months.

During the nine months ended September 30, 2019, the Company had drawn $10,000,000 from this facility, and there is $40,000,000 drawn as at September 30, 2019. The Company had fully drawn the facility as at September 30, 2019.

Fair-value Adjustments

As at September 30, 2019, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

Conversion feature under debt financing – In May 2014, the Company borrowed $60 million in a debt financing at an interest rate of 5.875% as described above.

In May 2014, the Company computed and initially allocated $4.6 million to the value of derivative financial instruments associated with the Loan. This amount was revised with the repurchase of a portion of the Loan that occurred in the second quarter of 2017. As at September 30, 2019, the Company has recomputed the derivative portion of the Loan at $3.6 million, as compared to $2.7 million as at December 31, 2018. As a result, there is a mark-to-market adjustment gain of $0.01 million in the third quarter of 2019 was booked as compared to gain of $1.1 million in the third quarter of 2018. For nine months ended September 30, 2019 the market adjustment loss of $0.9 million was booked as compared to $0.9 million of gain for the same period of 2018.

Marketable securities – The Company holds marketable securities with a fair market value of $0.2 million as at September 30, 2019, as compared to $0.1 million as at December 31, 2018, recorded in trade and other receivables on the statement of financial position. 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 $0.1 million for three months ended September 30, 2019, as compared to loss of $0.06 in the year ago quarter. For nine months ended September 30, 2019 the Company recorded fair value measurement gain of $0.2 million as compared to loss of $0.08 million in previous year period.

Contractual Obligations as at September 30, 2019

Contractual obligations	**Payments due by year ($ '000)**			**Total ($ '000)**
	Less than 1 year	**1-3 years**	**4-5 years**	
Five-year exchangeable loan*	24,100	-	-	24,100
HSBC Revolver Facility	40,000	-	-	40,000
Lease obligations	1,651	3,458	-	5,109
Other equipment loan obligations	281	337	120	738
Total contractual obligations	**66,032**	**3,795**	**120**	**69,947**

**Classified as less than one year due to the conversion feature available to bond holders, maturity date is May 2022.*

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

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.

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

On February 20, 2019, the Company completed the Financing. As part of the Financing, the Company 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. 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 the Company 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 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.

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 September 30, 2019, the Company had no past overdue trade receivables.

The Company invests its excess cash principally in highly rated government and corporate debt securities. The Company has established guidelines related to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

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 91,049,423 common shares issued and outstanding. The weighted average number of shares outstanding during the third quarter used for the calculation of per share results was 91,049,423.

During the first nine months of 2019, the following events added to the total amount of outstanding shares of the Company:

Financing

On February 20, 2019, the Company received the Bridge Loan and completed the Public Offering. On March 29, 2019, the subscription receipts issued in the Public Offering were exchanged for 35,940,000 Common Shares (359,400,000 Common Shares prior to the share consolidation) and the Bridge Loan was converted into 9,936,296 (99,362,963 Common Shares prior to the share consolidation).

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 September 30, 2019	As of November 4, 2019	Expiry Date
1.10	520,000	520,000	30 June, 2026
2.00	467,000	467,000	30 June, 2025
6.00	315,000	315,000	30 June, 2024
9.10	333,300	333,300	23 March, 2021
9.10	198,000	198,000	24 March, 2020
Total	**1,833,300**	**1,833,300**	

During the three months ended September 30, 2019, no options were exercised, or in the 2018 comparative quarter. There were 1,833,300 options outstanding as of September 30, 2019, 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 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**

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, Chris Gregory (BSC Geology, MAIG, MAICD), Mandalay's Vice President, Operational Geology & Exploration and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 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.

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 net income, income after tax from underlying operations and operating net income/(loss) 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 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) 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/(loss)* – 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 non-recurring nature or the expected infrequency of the events giving rise to them. Refer to Section 1.2 for 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; average Ag price in the period is calculated as the average of the daily London Broker's silver spot price 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.

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 cost per ounce of saleable gold equivalent produced* – Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. For all sites, the all-in cost per ounce of saleable gold equivalent in a period equals the all-in 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 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 plus royalty expense, accretion, depletion, depreciation and amortization, divided by the total saleable gold equivalent ounces produced in the period.