MANDALAY RESOURCES CORPORATION

Annual Information Form

March 30, 2020

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1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at December 31, 2019, unless otherwise indicated, and except for information in documents incorporated by reference that has a different date. All dollar amounts in this Annual Information Form are in US dollars, unless indicated otherwise. In this Annual Information Form, references to the "Corporation" or "Mandalay" refer to Mandalay Resources Corporation and its subsidiaries, unless the context otherwise requires or indicates.

2. FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "targeting", "suggests", "continue", "may", "will" and similar expressions. Forward-looking statements include, but are not limited to: statements with respect to the future price of gold ("**Au**"), antimony ("**Sb**") and other metals as well as foreign exchange rates; the estimation of Mineral Reserves and Resources and the related results and timing of such estimates; the performance of Mineral Reserve estimates in predicting amount and quality of ore actually mined; the timing and amount of estimated future production, costs of production, capital expenditures; estimates of expected sales volumes and associated operating and capital costs for its gold and antimony production; costs and timing for the development of new deposits; success of exploration activities; environmental permitting timelines; and the potential impact of the COVID-19 pandemic on the Corporation's operations, supply chain and customers. This Annual Information Form contains forward-looking statements about the Corporation's objectives, strategies, financial condition and results, as well as statements with respect to management's beliefs, expectations, anticipations, estimates and intentions. These forward-looking statements are based on current expectations and various factors and assumptions. Accordingly, these statements entail various risks and uncertainties.

The material factors and assumptions that were applied in making the forward-looking statements in this Annual Information Form include, among others: execution of the Corporation's existing production, capital, and/or exploration plans for each of its properties, which may change due to changes in the views of the Corporation or if new information arises which may make it prudent to change such plans or programs; the accuracy of current interpretation of drill and other exploration results or new information or interpretation of existing information which may result in changes in the Corporation's expectations; the Corporation's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet demand; and that the COVID-19 pandemic will not significantly affect the Corporation's operations, supply chain or customers.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this Annual Information Form describe management's expectations as at the date of this Annual Information Form.
- Readers are cautioned not to place undue reliance on these statements as the Corporation's actual results may differ materially from its expectations as unknown risks or uncertainties may affect its business or estimates or assumptions may prove to be inaccurate. Therefore, no assurance can be provided that forward-looking statements will materialize.
- The Corporation assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason, except as may otherwise be required pursuant to applicable laws.

For a description of material factors that could cause actual results to differ materially from the forward-looking statements in this Annual Information Form, see "Risk Factors".

3. TECHNICAL INFORMATION

Technical information provided herein for the Costerfield gold-antimony mine ("**Costerfield**") and the Björkdal gold mine (**"Björkdal"**) is based upon information contained in the technical reports in respect of the properties, prepared pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") (each, a "**Technical Report**" and collectively, the "**Technical Reports**").

The technical report in respect of Costerfield, entitled "Costerfield Operation, Victoria, Australia, NI 43-101 Report" dated and filed on March 30, 2020 (the "**Costerfield Technical Report**"), was prepared by SRK Consulting (Australia) Pty Ltd. ("**SRK**"), and the Mineral Resource Estimate was carried out under the supervision of Danny Kentwell, FAusIMM, an employee of SRK Consulting and independent of Mandalay. He is a Qualified Person for the purpose of National Instrument 43-101. The Mineral Reserve Estimate was carried out under the supervision of Anne-Marie Ebbels, MAusIMM CP(Mining), an employee of SRK Consulting and independent of Mandalay. She is a Qualified Person for the purposes of NI 43-101.

The technical report in respect of Björkdal entitled "Technical Report on the Björkdal Gold Mine, Sweden" dated March 26, 2020 (the "**Björkdal Technical Report**") was prepared by Roscoe Postle Associates Inc. ("**RPA**"), now part of SLR Consulting Ltd. and the Mineral Resource Estimate was carried out under the supervision of Reno Pressacco, M.Sc.(A)., P.Geo., Principal Geologist and an employee of RPA and independent of Mandalay Resources Corporation. He is a Qualified Person for the purpose of NI 43-101. The Mineral Resource Estimates for Norrberget were carried out under the supervision of Jack Lunnon, CGeol, Senior Geologist and an employee of RPA and independent of Mandalay. He is a Qualified Person for the purpose of NI 43-101. The Mineral Reserve Estimate was carried out under the supervision of David Smith, CEng., FIMMM, Principal Mining Engineer and Derek Holm, FSAIMM, Senior Mining Engineer both employees of RPA and independent of Mandalay. Both are Qualified Persons for the purposes of NI 43-101. The report was filed on March 30, 2020.

The technical information contained in this Annual Information Form with respect to Björkdal and Costerfield has been summarized from the Technical Reports. All summaries and references to Technical Reports are qualified in their entirety by reference to the complete text of the applicable Technical Report, which can be found under the Corporation's profile at www.sedar.com.

4. CORPORATE STRUCTURE

4.1 Name, Address and Incorporation

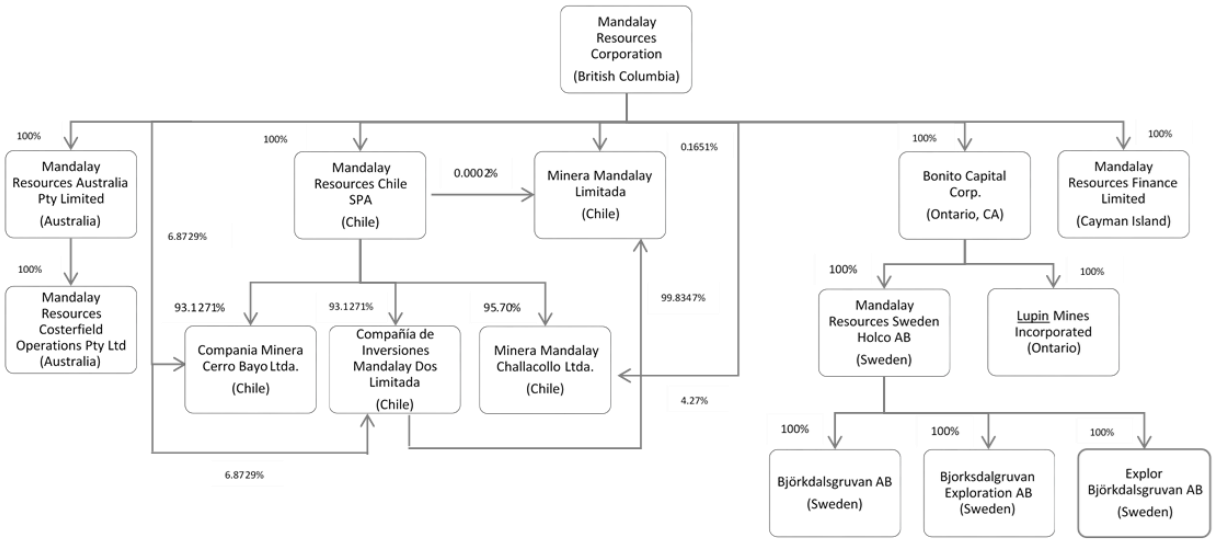
The Corporation was incorporated on January 29, 1997, as Mandalay Resources Corporation under the *Business Corporations Act* (British Columbia) ("**BCBCA**"). The Corporation's principal business is the exploration, development, and mining of natural resource properties.

The Corporation's registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia, Canada, V6C 2G8. The Corporation's head office is located at 76 Richmond Street East, Suite 330, Toronto, Ontario, Canada, M5C 1P1.

4.2 Intercorporate Relationships

The following chart illustrates the structure of the Corporation as at the date of this Annual Information Form. The chart shows the jurisdiction of incorporation of each active subsidiary and the percentage of

voting securities beneficially owned by the Corporation or over which the Corporation has control or direction.



Mandalay Resources Australia Pty ("**MRA**"), formerly Australian Gold Development ("**AGD**"), is a private Australian Corporation that operates Costerfield. All of the issued and outstanding securities of its predecessor Corporation, AGD, were acquired by Mandalay from Cambrian Mining Limited, a wholly-owned subsidiary of Western Coal Corp. and an arms' length third party of the Corporation on December 1, 2009. AGD was renamed MRA in February 2013. MRA is governed by the laws of *The Corporations Act 2001* (Australia). MRA owns 100% of the voting securities of its sole subsidiary, Mandalay Resources Costerfield Operations Pty ("**Costerfield Operations**"). Costerfield Operations is governed by the laws of *The Corporations Act 2001 (Australia)*.

Mandalay Resources (Chile) SPA ("**Mandalay Chile**") is a private Chilean Corporation, incorporated by Mandalay under the laws of Chile on March 15, 2010. The Corporation owns a 100% interest in Mandalay Chile and a 0.1651% interest in Minera Mandalay Limitada ("**MML**"), a private Corporation, incorporated under the laws of Chile on April 12, 2010. Mandalay Chile owns a 0.0002% interest in MML with Compañia de Inversiones Mandalay Dos Limitada ("**CIM**") owning 99.8347%. CIM is a private Chilean Corporation, incorporated under the laws of Chile on September 7, 2018 and is owned 93.1271% by Mandalay Chile with the Corporation owning the remaining 6.8729% interest. Compania Minera Cerro Bayo Limitada ("**Minera Cerro Bayo**") is a private Chilean Corporation that operates Cerro Bayo and was acquired by Mandalay from Coeur d'Alene Mines Corporation ("**Coeur**") and Coeur South America Corp. on August 6, 2010. Minera Cerro Bayo is governed by the laws of Chile and is owned 93.1271% by Mandalay Chile with the Corporation owning the remaining 6.8729% interest. Minera Mandalay Challacollo Limitada is owned 95.70% by Mandalay Chile with the Corporation owning the remaining interest of 4.30%.

Minera Mandalay Challacollo S.A. ("**Mandalay Challacollo**"), formerly Minera Silver Standard Chile S.A. ("**MSSC**"), a private Chilean Corporation that owns Challacollo, was acquired by Mandalay from Silver Standard Resources Inc. ("**SSRI**") and Silver Standard Ventures Inc. on February 7, 2014. MSSC was renamed Minera Mandalay Challacollo Ltda. on February 7, 2014. Mandalay Challacollo is governed by the laws of Chile.

Mandalay acquired all of the issued and outstanding shares of Elgin Mining Inc. ("**Elgin Mining**") on September 10, 2014, in a court-approved plan of arrangement. Elgin Mining was a public Corporation listed on the Toronto Stock Exchange (the "**TSX**"). After the acquisition of Elgin Mining by Mandalay, Elgin Mining was delisted and continued as a private Corporation organized under the BCBCA. In connection with the transaction, 2433119 Ontario Inc. was incorporated as a wholly-owned subsidiary of Mandalay on September 8, 2014. Following the acquisition, 2433119 Ontario Inc. was continued as a BCBCA Corporation under the name Mandalay Elgin Holdings Inc. Effective March 31, 2016, Elgin Mining and Mandalay Elgin Holdings Inc. were amalgamated. Mandalay Elgin Holdings Inc. directly owned 100% of Bonito Capital Corp. Effective February 23, 2017, Mandalay Elgin Holdings Inc. and Bonito Capital Corp. were amalgamated. Bonito Capital Corp. directly owns 100% of Lupin Mines Incorporated, which owns mining interests in Nunavut, Canada. Bonito Capital Corp. also directly owns Mandalay Resources Sweden Holco AB, which was incorporated in 2015 and is governed by the laws of Sweden. Mandalay Resources Sweden Holco directly owns Björkdalsgruvan, Björkdal Exploration AB and Explor Björkdalsgruvan AB, which was formed to hold the tenements for the Norrliden Joint Venture signed May 26, 2017. These entities are governed by the laws of Sweden, and which own and operate the Björkdal mine in Sweden.

Mandalay Resources Finance Limited ("**Mandalay Finance**") was incorporated on April 7, 2014, as an exempted Corporation in the Cayman Islands with limited liability. Mandalay Finance is a wholly-owned subsidiary of the Corporation and was incorporated to be the borrower in connection with a five-year, $60 million, 5.875% debt financing with Gold Exchangeable Limited ("**GEL**"), an unaffiliated special purpose vehicle incorporated in Jersey. The debt financing proceeds were raised by way of a concurrent offering (the "**Bond Offering**") of senior exchangeable bonds (the "**Bonds**") issued by GEL. Mandalay Finance borrowed the proceeds of the Bond Offering from GEL under the terms of a loan agreement and related funding agreement which together mirrored the principal terms of the Bonds. The proceeds of the debt financing with GEL were used to help fund the acquisition of Elgin Mining, and to support the development of the Challacollo project.

5. GENERAL DEVELOPMENT OF THE BUSINESS

5.1 Three Year History

Since 2017, the Corporation has been focused on production and exploration at its Björkdal and Costerfield properties.

2017

On February 23, Mandalay announced its year-end 2016 Mineral Reserves and Resources. In the Proven and Probable Reserve category, contained Au increased by approximately 10%, contained Ag declined by 40% and contained Sb decreased by 7%. In the Measured and Indicated Resource category, contained Au increased by 15%, contained Ag decreased by 14%, and contained Sb decreased by 16%. Contained Cu was unchanged. All changes were net of mine depletion at year-end 2016.

On April 10, the Corporation announced that Brad Mills, Executive Chairman of the Corporation, would be transitioning to Chairman of the Board of Directors. The Corporation also announced that Belinda Labatte would serve as Chief Development Officer (previously Head of Stakeholder Engagement & Corporate Affairs), Chris Gregory would serve as Vice President, Operational Geology and Exploration (previously Vice President Operational Geology and Chief Shield Geologist), Andre Booyzen would serve as Vice President, Leadership Development, Performance & Sustainability (previously General Manager, Costerfield), Melanie McCarthy would serve as General Manager of Costerfield, Pär Göting would serve as General Manager of Björkdal, and Jasmine Virk would serve as Director, Corporate Affairs and Corporate Secretary (previously Director, Corporate Affairs).

On May 24, the Corporation announced that GEL completed a revised repurchase offer and consent solicitation in respect of the Bonds whereby GEL agreed to purchase $29,950,000 in principal amount of the Bonds from the holders thereof, at a price of 105% of their principal amount plus accrued and unpaid interest at the rate of 6.875% per annum for the period from (and including) May 13, 2017 to (but excluding) May 26, 2017. In connection with the revised repurchase offer and consent solicitation, the following amendments were made to the terms of the Bonds:

- extending the maturity date of the Bonds to May 13, 2022;
- removing a condition of the Bonds, which commencing on May 14, 2017, and as additional security for the Bonds, required GEL 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 covenant to the Bonds which requires GEL offers 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 Costerfield 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; and
- reducing the exchange price of the Bonds from $149.99 to $135.00.

On June 9, Mandalay announced that a flooding event occurred in which the Delia 2 ramp section of the Delia NW mine of the Corporation's Cerro Bayo property was completely inundated (the "**Inundation Event**"). Two Mandalay employees were working in this section of the mine at the time of the incident. Mine rescue efforts were immediately initiated but were unsuccessful. Mining operations at Cerro Bayo were suspended immediately as the Corporation worked with authorities to respond effectively.

On July 25, the Corporation announced that it had entered into a senior secured revolving credit facility with HSBC Bank Canada for up to $40 million (the "**Facility**"). The Facility matures on July 24, 2020. Proceeds from the Facility will be used for working capital, capital expenditures, permitted acquisitions and other general corporate purposes. Amounts drawn on the Facility bear interest at LIBOR plus 3.5%-4.5% per annum or at HSBC's "base rate" plus 2.5%-3.5%, depending on the Corporation's leverage ratio. The undrawn portion of the Facility is subject to a standby fee of 1.0% per annum. One of the covenants of the Facility is a prohibition on the payment of dividends by the Corporation without HSBC's consent. As a result, the Corporation suspended its dividend.

On June 30, the Corporation announced that Cerro Bayo had commenced giving notice of force majeure to the primary customers, suppliers and contractors of the mine due to the Inundation Event. The notice suspended Cerro Bayo's obligations under the relevant contracts.

On September 29, Mandalay announced that it had moved to care and maintenance status at its Cerro Bayo operation and that the workforce would be substantially reduced in order to preserve the Corporation's financial capacity to invest in restart applications.

In the fourth quarter of 2017, Mandalay achieved compliance with certain reclamation bonding requirements for the Lupin project that were imposed in 2016 and that resulted in non-completion of a sale of the Lupin and Ulu gold projects to WPC Resources Inc. ("**WPC**"). Mandalay disclosed that following compliance with the reclamation bonding requirements, the Corporation entered into two separate non-binding letters of intent with WPC that contemplate the acquisition of the Lupin and Ulu gold projects on substantially the same terms, in the aggregate, as the earlier definitive agreement and that Mandalay has subsequently entered into a definitive agreement with WPC with respect to the Ulu property and is negotiating a definitive agreement with WPC with respect to the Lupin property.

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On April 3, Mandalay announced multiple high-grade drill intercepts defining the core of the emerging Youle vein beneath the historical Costerfield mine in Victoria, Australia. The drill hole intercepts of Youle reported in this press release contain gold and antimony grades that dilute to potentially minable gold equivalent grades over the minimum mining width of 1.8 m. As well, the strike length (400-600 m) and depth extent (150-200 m) of the intercepts are noted to be consistent with the dimensions of orebodies found beneath the other historic mines in the district.

On May 14, Mandalay announced the resignation of Dr. Mark Sander as President, Chief Executive Officer and Director of the Corporation. Dominic Duffy was subsequently appointed as the new President and Chief Executive Officer.

On August 1, Mandalay announced that it had entered into a non-binding letter of intent with Aftermath Silver ("**Aftermath**") (TSX-V: AAG.H) pursuant to which Aftermath will acquire Minera Mandalay Challacollo Limitada ("**MMC**"), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile in exchange for total consideration of CAD$11,625,000.

On August 15, Mandalay announced changes to its senior management team. Nick Dwyer, the Group Financial Controller of the Corporation, was appointed as Chief Financial Officer. Mr. Dwyer replaced Sanjay Swarup, who announced his resignation in conjunction with Mr. Dwyer's appointment. The Corporation combined the Group Financial Controller and Chief Financial Officer positions. In addition, Ryan Austerberry was appointed as General Manager of Björkdal, previously holding the position of Manager, Technical Services. Mr. Austerberry replaces Pär Göting. With Mr. Austerberry's promotion, the Corporation eliminated the position of Manager, Technical Services.

2019

On January 22, Mandalay announced its year-end 2018 Mineral Reserves and Resources update for Costerfield. The Proven and Probable Mineral Reserves for contained gold ("Au") increased by 48% versus the year prior, while contained antimony ("Sb") replaced depletion in the same period. In the Measured and Indicated Resource category, contained gold increased by approximately 34%, and contained antimony increased by 13%. The Corporation's gold reserve grade increased by 46%.

On February 20, Mandalay closed an underwritten marketed public offering of subscription receipts (the "**Subscription Receipts**") at a price of CAD$1.20 per Subscription Receipts (the "**Offering Price**"). A total of 35,940,000 Subscription Receipts were sold for gross proceeds of $32,273,000 (CAD$43 million) (the "**Public Offering**"), which included a partial exercise of the over-allotment option granted by the Corporation to the underwriters. At the same time, Mandalay 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 Bridge Loan bore interest at a rate of 10% and was convertible at CE Mining's option into Common Shares at a price of CAD$1.08 per share. The Bridge Loan was unsecured and was subordinated to the HSBC Facility. The net proceeds of this financing were intended to fund working capital requirements (including capital development work at Costerfield, and tailings upgrade and capital development requirements at Björkdal), debt restructuring (including establishing a cash reserve relating to the $24.1 million principal amount outstanding of the Bonds); future planned exploration activities at high potential areas including at Costerfield, the Youle lode and deeper hole targets, and the emerging Aurora Zone at Björkdal; and for general corporate purposes.

On February 21, Mandalay announced its year-end 2018 Mineral Reserves and Resources update for Björkdal. The Corporation approximately replaced depletion for production at the Björkdal mine in 2018

while Measured and Indicated Mineral Resources for contained gold increased slightly. The Corporation maintained a 10-year mine life at Björkdal.

On March 29, the shareholders of the Corporation approved the conversion of the Subscription Receipts and Bridge Loan into 35,940,000 Common Shares and 9,936,296 Common Shares, respectively.

On July 2, Mandalay completed a share consolidation on a basis of ten pre-consolidation Common Shares for one post-consolidation Common Share.

On September 12, Mandalay announced commencement of on-vein development on the Youle Lode.

On October 8, the Corporation entered into a binding option agreement with Equus Mining ("**Equus**") whereby Equus has the option to perform exploration work at and acquire the Cerro Bayo mine. Should Equus exercise its option to acquire Cerro Bayo, consideration to Mandalay will consist of the issuance to Mandalay of 19% of Equus' share capital together with a 2.25% net smelter royalty on production from Cerro Bayo once the mine has produced at least 50,000 ounces of gold equivalent. In addition, Equus will assume 50% of the approved site closure costs at Cerro Bayo, and will reimburse Mandalay for any previously paid costs in this regard.

On November 12, the Corporation announced that it has entered into a definitive agreement with Aftermath in respect of the previously announced transaction in which Aftermath will acquire MMC, which owns the Challacollo silver-gold project. Pursuant to the terms of the transaction, Aftermath will purchase 100% of MMC in exchange for total consideration of up to CAD$10.5 million, consisting of CAD$7.5 million in non-contingent consideration (the "**Non-Contingent Consideration**") plus a 3% net smelter returns royalty on production at Challacollo, capped at CAD$3.0 million. The Non-Contingent Consideration is payable as follows (i) CAD$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019), (ii) CAD$1.0 million in cash payable on or before December 30, 2020 and (iii) CAD$5.5 million in cash/shares payable on or before April 21, 2021.

In addition, on November 28, 2018, the Corporation signed a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property for consideration of $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions.

On December 24, the Corporation completed the sale of the Ulu gold property to Blue Star Gold Corporation and received CAD$450,000 as sales proceeds. As part of the transaction, the Corporation sold its remaining 5 million shares to a third party and received CAD$200,000 in proceeds. In addition, the Corporation transferred to Blue Star the full value of the reclamation bond security of CAD$1,685,542 in January 2020.

2020

On March 17, Mandalay announced that it entered into a credit agreement with HSBC Bank Canada ("**HSBC**") and Macquarie Bank Limited ("**Macquarie**") providing for (i) a senior secured revolving credit facility in an aggregate amount of up to $25 million and (ii) a senior secured term credit facility in an aggregate amount of up to $40 million (the "**Syndicated Facility**"). The Syndicated Facility amends and restates the existing Facility. The initial drawdown under the Syndicated Facility will be used to repay the existing Facility in full and to fund the repurchase or redemption of the outstanding Bonds.

5.2 Significant Acquisitions

The Corporation made no significant acquisitions during the year ended December 31, 2019.

6. DESCRIPTION OF THE BUSINESS

6.1 General Description

Mandalay Resources is a Canadian-based natural resource Corporation with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile and Canada. The Corporation 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 Corporation's main objective is to accelerate the mining of the high-grade Youle vein at Costerfield, which is critical to the Corporation's longer-term plan of increasing production. At Björkdal, the Corporation 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. The Corporation is focused on commodities in which management has extensive experience, such as Au, Ag, Sb, and other base metals. The Corporation operates and has interests in countries that have a long-standing tradition of mining, low political risk and clear legal frameworks for tenure and taxation. Today, these jurisdictions include Australia and Sweden.

6.2 Material Properties

Mandalay currently owns 100% interests in two producing assets – Costerfield, Australia (producing Au and Sb) and Björkdal, Sweden (producing Au).

The Corporation's material properties are Costerfield and Björkdal. Costerfield, acquired as a shut-in operation, was initiating the restart of production in the third quarter of 2009 shortly before Mandalay acquired ownership on December 1, 2009. Björkdal was acquired as an operating mine by the Corporation in September 2014.

6.3 Risk Management Systems

Risk is a combination of external and internal factors that constantly change and evolve. The current risk management approach is designed to create visibility on the key material risks at the sites that could adversely impact the Corporation and prevent it from achieving its key operational and strategic priorities.

The General Manager of each property is responsible for identification and mitigation of their risks and have identified team leaders to manage and update risks on a quarterly basis. The CEO, CDO and CFO are responsible for corporate risk identification and mitigation and to ensure all site level risks are identified and managed and communicated to the Board. The Board is responsible for risk oversight and requiring that the CEO and senior executives prioritize risk management so that management policies and procedures around risk are consistent with the Corporation's strategy and risk appetite. At time of writing the Corporation has updated all the material risks in the Corporation with a bottom up and top down approach, and risks pertaining to the ongoing Covid-19 pandemic have been identified, and mitigating actions are in place.

In 2014, Mandalay adopted a risk management system that consists of a bottom-up and top-down risk management process, with the goal of, at the time, identifying, managing, and reducing overall operational, financial and strategic risks faced by the Corporation. The identified risks, risk managers and action plans were tracked on Mandalay's risk register. The key achievements of this process include risk profiles and individual risk records for the Corporation as a whole, Costerfield Operations, Cerro Bayo Operations,

Challacollo Operations and Björkdal Operations. In 2015, Mandalay updated the risk management system across the Corporation as a whole, and integrated new management actions into the strategic planning and budgeting process. The risk management system continues to be reviewed and updated.

In addition, KPMG, the Corporation's third-party internal auditors, have been tasked with a risk-based internal audit process which was initiated in 2015. In 2018, KPMG reviewed Mandalay's operational and environmental permit compliance. Going forward KPMG will be used selectively, and Mandalay is reviewing a more efficient risk management process for the size of the business.

Insurance

Property Insurance – Mandalay Resources purchase All Risks Property Insurance for physical loss or damage to insured property as well as resulting loss of revenue and additional expenses associated with an interruption of certain operations.

Liability Insurance – Mandalay Resources purchase Liability insurance which will pay on behalf of the Corporation for its legal obligation to pay sums as a result of negligence causing bodily injury, property damage, personal injury, products liability, and advertising injury to a third party.

Cyber Liability Insurance – Mandalay Resources purchase Cyber Liability insurance to address first and third-party exposures emanating from a Cyber related breach or attack against the company.

Marine Cargo Insurance – Mandalay Resources maintain a Marine Cargo policy for their global shipments by land, air and sea of product or machinery and equipment.

Directors' and Officers' (D&O) Liability Insurance – Mandalay Resources maintains a Directors' and Officers' Liability insurance program for the benefit of its directors and officers. This provides coverage for loss that a director or officer becomes legally obligated to pay on account of a claim made against them from an alleged or actual wrongful act committed in their executive capacity.

Although Mandalay maintains insurance in amounts that it believes to be reasonable, the Corporation's insurance might not cover all the potential risks associated with its business. The Corporation may be unable to maintain insurance to cover certain risks at economically feasible premiums or insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

As part of its risk management system, the Corporation initiated a process in 2015 to standardize and consolidate site insurance policies into a global platform with a single broker coordinating policies, Marsh & McLennan Companies. This global platform remains in place as of the date of this Annual Information Form.

6.4 Products, Customers, and Distribution

As of the date of this Annual Information Form, the Corporation has over nine years of production and sales history at Costerfield. Costerfield produces two different concentrates: an Au-Sb concentrate and a gravity Au concentrate. The Au-Sb concentrate is sold to the operation's principal customer, Zhongnan Tungsten and Antimony Trading Corporation. The Au concentrate is sold to CPG Group Pty Ltd and Siltech PMR Pty Ltd, both based in Melbourne, Victoria, Australia. Costerfield has also sold some concentrate in the spot market to customers in Asia.

As of the date of this Annual Information Form, the Corporation has over five years of production and sales history at Björkdal. Björkdal produces four different products: a gravity Au concentrate, a Knelson Au concentrate, a middling Au concentrate, and an Au flotation concentrate. The majority of concentrate sales

are to two customers: Aurubis AG in Germany and Boliden Commercial AB in Sweden. Björkdal has also sold some concentrate in the spot market to customers in Europe and Asia.

6.5 Revenues

Revenue for the financial year ended December 31, 2017 was $162,997,000. Cerro Bayo had only six months of production during this year.

Revenue for the financial year ended December 31, 2018 was $112,168,000. The decrease in revenue was due to lower production volumes sold at Costerfield and Björkdal.

Revenue for the financial year ended December 31, 2019 was $107,795,000. The decrease in revenue was a result of lower ounces sold and lower antimony prices partly offset by and increase in gold prices.

6.6 Competitive Conditions

The mineral exploration and mining industry is extremely competitive. The Corporation competes globally with mining companies for the acquisition and development of mineral concessions, claims, leases and other interests. The Corporation also competes for smelter capacity for its concentrates and the recruitment and retention of qualified employees and consultants. The prices for the Corporation's products are set in large highly competitive global markets where Mandalay is a very small producer. See "*Risk Factors – Competition*" for further discussion.

6.7 Cyclicality and Seasonality

The Corporation's business and operations are not seasonal, as demand for and pricing of the Corporation's mineral commodities fluctuate throughout the year. All of the Corporation's properties can be and are operated year-round.

Demand for and the pricing of mineral commodities the Corporation produces are volatile and affected by numerous social, political, economic, and event-driven factors beyond the Corporation's control. These factors impact different commodities in different ways. For example, Au, as a traditional store of value, is affected differently than an industrial metal such as Sb. The interaction of supply and demand for mineral commodities leads to periods of high and low metal prices related to high and low metal inventories. Varied interpretations of "price cycles" are common, with the tops and bottoms of cycles often only apparent in hindsight. See "*Risk Factors – Fluctuations in the Market Price of Mineral Commodities*" for more discussion.

6.8 Employees and Contractors

As at January 1, 2020, the Corporation had a total of 458 employees and 157 contractors, as further described in the chart below.

	Employees	**Contractors**	**Total**
Executive [(1)]	7	0	7
Björkdal	230	85	315
Costerfield	205	65	270
Others [(2)]	16	7	23
Total	**458**	**157**	**615**

1. *Includes business development staff and exploration staff not specifically assigned to the Corporation's projects.*
2. *Includes employees and contractors at Cerro Bayo, Challacollo, Santiago Shared Services and Lupin Mines Incorporated.*

6.9 Stages of Development

6.9.1 Producing Stage – Björkdal

From September 10, 2014 (the date on which the Corporation acquired Björkdal), to the date of this Annual Information Form, the Corporation has been engaged in the following activities with respect to Björkdal:

1) accelerating wide-spaced and infill drilling while reducing the previous practice of expensive exploration by large-scale drifting across and on veins;
2) implementing a more detailed block modeling method involving triangulation of all the veins to allow for more detailed resource and reserve tonnes, grade estimation, and subsequent improved mine design and scheduling;
3) implementing grade control measures in the underground mine including production optimization, infill diamond drilling, and channel sampling of all ore development headings with the primary objective to increase the underground feed grade by more selective mining;
4) implementing blast movement monitoring technology into the open pit for improved open pit grade control. Mining of the open pit was paused in July 2019 to focus on the higher grade underground mine;
5) implementing the first phase trial of low-grade ore sorting program (crushing and screening);
6) completing the flotation expansion project in 2017 on time and on budget; and

   exploration drilling of the Aurora zone and higher-grade vein structure in the most northern extent of the known underground operations.

The following table summarizes 2019 production, sales, capital, and costs at Björkdal:

	Unit	Year ended December 31, 2019	Quarter ended December 31, 2019	Quarter ended September 30, 2019*	Quarter ended June 30, 2019	Quarter ended March 31, 2019
Mining Production and Mining Cost						
Operating development	m	5,599	1,536	1,128	1,384	1,551
Mined ore	t	1,155,751	236,815	274,662	297,754	346,520
Ore mined Au grade	g/t	1.43	1.58	1.45	1.43	1.31
Mined contained Au	oz	53,168	12,054	12,791	13,677	14,646
Mining cost per tonne ore	$/t	22.72	25.37	24.26	21.28	20.93
Processing and Processing Cost						
Processed ore	t	1,261,604	288,494	330,044	320,218	322,848
Mill head grade Au	g/t	1.43	1.31	1.28	1.55	1.59

Recovery Au	%	88.89	88.80	88.73	88.83	89.09
Concentrate produced	dry t	4,401	1,147	805	1,123	1,326
Saleable Au produced	oz	51,498	10,990	11,880	14,243	14,385
Processing cost per tonne ore	$/t	7.14	8.49	6.34	7.13	6.76
Sales						
Concentrate sold	dry t	4,356	908	842	1,149	1,457
Au sold	oz	52,280	9,120	13,006	14,376	15,778
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	$/t	38.59	40.79	36.39	36.41	41.03
Site cash operating cost/tonne concentrate produced	$/t	11,062	10,260	14,921	10,381	9,989
Adjusted EBITDA/tonne ore milled	$/t	18.27	9.24	25.63	23.35	15.53
Adjusted EBITDA/tonne concentrate produced	$/t	5,237	2,524	10,508	6,406	3,567
Cash cost per oz Au equivalent produced	$/oz	945	1,071	1,011	818	921
Site all-in cost/oz Au eq. oz produced	$/oz	1,205	1,314	1,275	1,067	1,202
Capital Spending						
Capital development (Underground)	m	2,162	486	615	626	435
Capital pre-strip (Open pit)	t	248,769	-	29,610	87,361	131,798
Capital development cost	$000	6,939	1,441	1,660	2,110	1,728
Capital purchases	$000	10,162	3,408	2,965	2,842	947
Capitalized exploration	$000	1,472	768	412	189	103

** Mining cost per Oz, Site cash operating cost per tonne ore processed, Adjusted EBITDA/tonne ore milled, cash cost per oz, All-in cost per oz for Q3 2019 have been updated since the filing of Q3 2019 MD&A due to an adjustment in mining costs.*

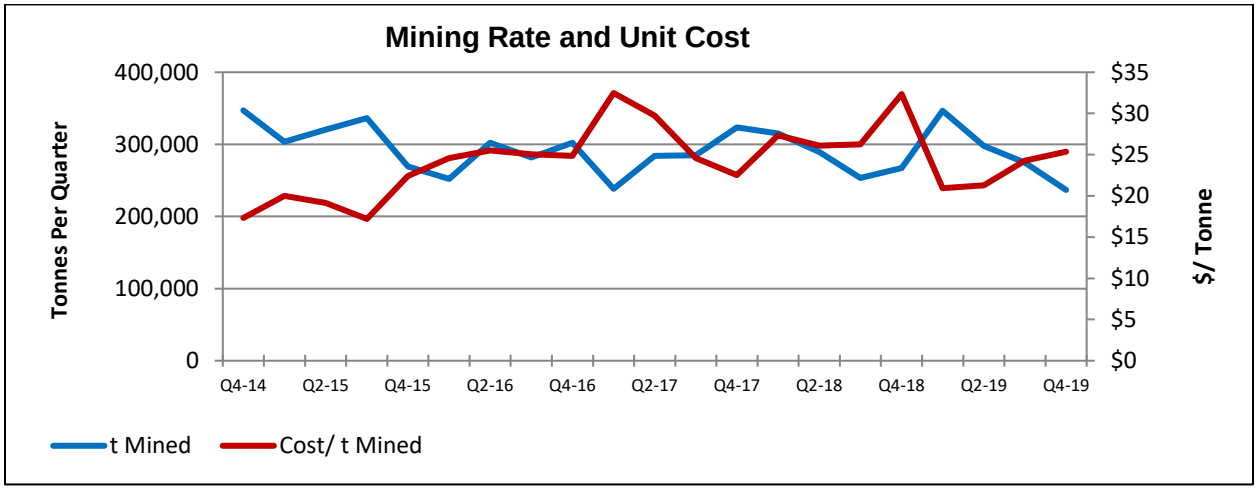
During the 12 months ended December 31, 2019, the Björkdal mine produced 1,155,751 t of ore from both the open pit and underground that averaged 1.43 g/t Au. Ore grades were lower during the year, ending at an average for the year of 1.43 g/t Au. Mining costs decreased to $22.72/t in 2019 versus $28.46/t in 2018. Mining cost per tonne decreased due to better production. In July of 2019, Björkdal suspended the open pit mine to focus production on the higher-grade underground mine.

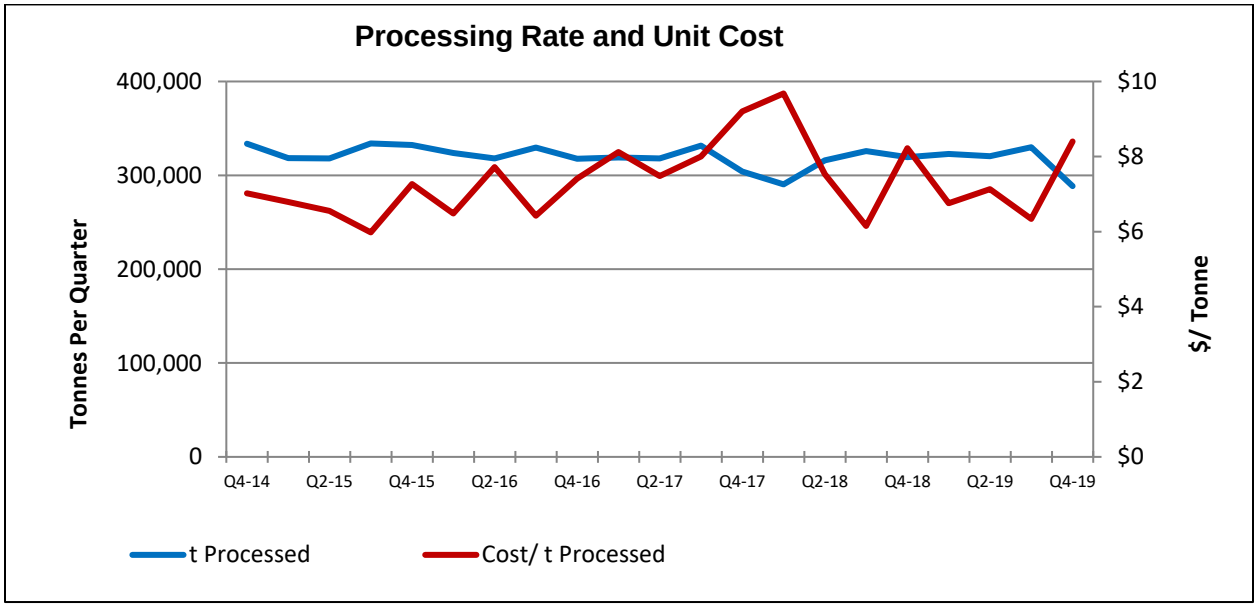
During the 12 months ended December 31, 2019, the Björkdal plant processed 1,261,604 t of ore, producing 51,498 oz of saleable Au. Cost of processing ore was $7.14/t in 2019. Sales in 2019 were 52,280 oz Au.

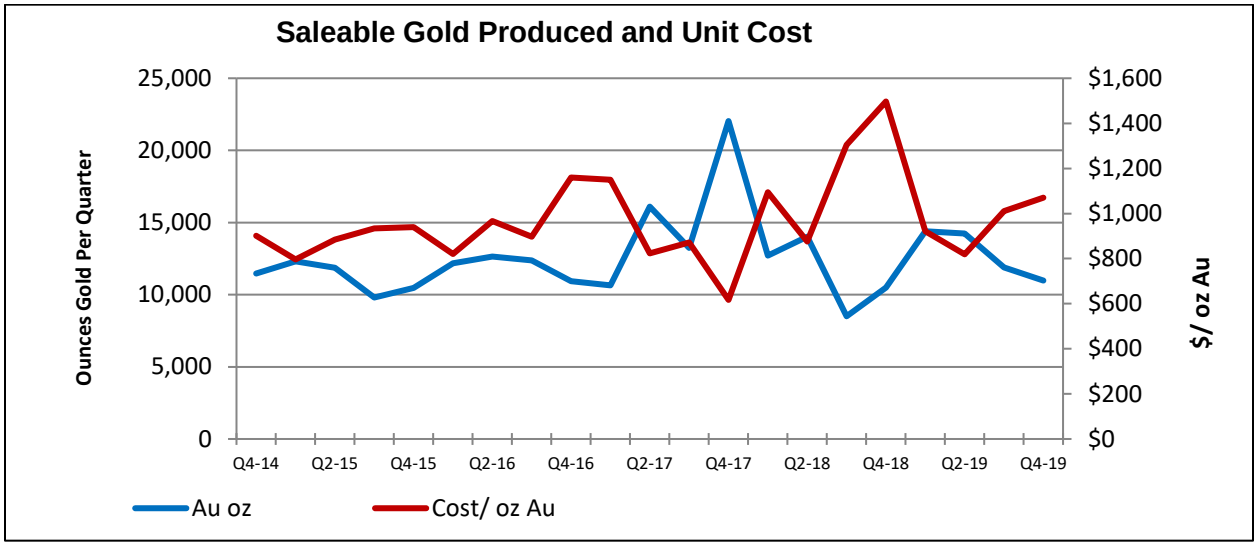
In 2019, the Corporation invested approximately $6.9 million in capital development, $10.2 million in property, plant and equipment and $1.5 million in exploration. Mineral Reserves estimated at December 31, 2019 experienced a small net reduction, predominantly from a 35,000 ounces of gold reduction from the open pit. This can be attributable to a shift in strategy with resources directed towards infill-drilling of the underground Aurora deposit, and the pausing of open pit mining during July 2019. Excluding the open pit reduction, Björkdal increased its underground Reserves by 5,000 ounces of gold net of 2019 depletion.

The Corporation expects to see steady ramp-up from the Aurora Zone at Björkdal in 2020 as more levels are developed and stoping is increased. The increase in saleable gold production to 51,498 oz in 2019 from 45,719 oz in 2018 can be attributed to achieving a higher tonnage from the underground mine over the 2019 year, as well as additional tonnage from a high-grade skarn area.

The Corporation's production and costs since Björkdal was acquired by the Corporation in 2014 are summarized in the charts below:







For more information on Björkdal, refer to section 6.12 of this Annual Information Form.

6.9.2 Producing Stage – Costerfield Mine

From December 1, 2009, to the date of this Annual Information Form, the Corporation has been engaged in the following primary activities with respect to Costerfield:

1) mining ore remaining on the upper levels of the Augusta veins, left over from an earlier episode of mining that ended under previous ownership in the fourth quarter of 2009;
2) driving primary development to access deeper levels of the mine;
3) implementing a new, more efficient mining method incorporating cemented rock fill, allowing significantly improved mining recoveries;
4) ramping up production and sales as the new faces accessed by the decline are developed;
5) drilling exploration holes to delineate new resources below existing workings in the Augusta veins, the Cuffley vein, the N-Lode, the Brunswick vein, and to discover new veins nearby;
6) driving primary development to access the Cuffley vein and carrying out production in the deposit;
7) tailings lift to support continuing plant production;
8) commencing capital development to the Brunswick vein and carrying out production in the deposit;
9) exploring of the Youle vein beneath the old Costerfield workings ending in a reserve estimate and inclusion into the mine plan; and
10) commencing capital development to the Youle vein and carrying out production in the deposit.

The following table summarizes 2019 production, sales, capital, and costs at Costerfield:

	Unit	Year ended December 31, 2019	Quarter ended December 31, 2019	Quarter ended September 30, 2019	Quarter ended June 30, 2019	Quarter ended March 31, 2019
Mining Production and Mining Cost						
Operating development	m	4,433	1,029	1,092	1,256	1,056
Mined ore	t	137,536	34,549	28,622	36,082	38,283
Ore mined Au grade	g/t	5.2	6.9	5.3	3.8	4.9
Ore mined Sb grade	%	2.6	3.6	2.6	1.7	2.5
Mined contained Au	oz	23,001	7,643	4,854	4,443	6,061
Mined contained Sb	t	3,535	1,239	734	615	947
Mining cost per tonne ore	$/t	148	146	181	140	133
Processing and Processing Cost						
Processed ore	t	141,090	32,240	31,256	37,372	40,222
Mill head grade Au	g/t	5.1	6.8	5.1	4.0	4.8
Mill head grade Sb	%	2.5	3.6	2.3	1.7	2.4
Recovery Au	%	78.8	81.7	72.4	78.2	81.4
Recovery Sb	%	95.5	96.0	95.1	94.5	95.6
Concentrate produced	dry t	7,460	2,463	1,562	1,389	2,046
Concentrate grade Au	g/t	62.2	60.6	59.5	67.1	62.8
Concentrate grade Sb	%	51.5	52.4	50.4	50.6	51.9
Au produced in gravity concentrate	oz	5,378	1,613	1,125	1,159	1,481
Au produced in sulfide concentrate	oz	9,880	3,136	1,978	2,142	2,624
Saleable Au produced	oz	15,258	4,749	3,104	3,301	4,104
Saleable Sb produced	t	2,032	684	402	371	575
Saleable Au equivalent produced	oz	25,161	7,604	4,745	5,257	7,555
Processing cost per tonne ore	$/t	34.4	38.2	38.2	32.6	29.9
Sales						
Concentrate sold	dry t	6,335	2,039	1,338	1,348	1,610
Concentrate Au grade	g/t	61.8	58.2	63.5	66.4	61.1
Concentrate Sb grade	%	51.5	52.2	50.1	51.1	52.1
Au sold in gravity concentrate	oz	5,463	1,489	1,071	1,139	1,764
Au sold in sulfide concentrate	oz	9,459	2,843	2,055	2,246	2,315
Au sold	oz	14,922	4,332	3,126	3,385	4,079
Sb sold	t	2,026	665	412	424	525
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	$/t	234	255	273	217	203

Site cash operating cost/tonne concentrate produced	$/t	4,429	3,343	5,467	5,832	3,992
Adjusted EBITDA/tonne ore milled	$/t	7	94	-53	-51	36
Adjusted EBITDA/tonne concentrate produced	$/t	123	1,230	-1,061	-1,382	717
Cash cost per oz Au equivalent produced	$/oz	1,313	1,083	1,800	1,541	1,081
Site all-in cost/oz Au eq. oz produced	$/oz	1,742	1,453	2,290	2,020	1,493
Capital Spending						
Capital development	m	2,871	811	481	862	717
Capital development cost	$000	13,967	3,776	3,736	3,314	3,141
Capital development cost/meter	$/m	4,866	4,660	7,774	3,846	6,944
Capital purchases	$000	3,422	349	521	1,312	1,240
Capitalized exploration	$000	1,776	461	783	459	73

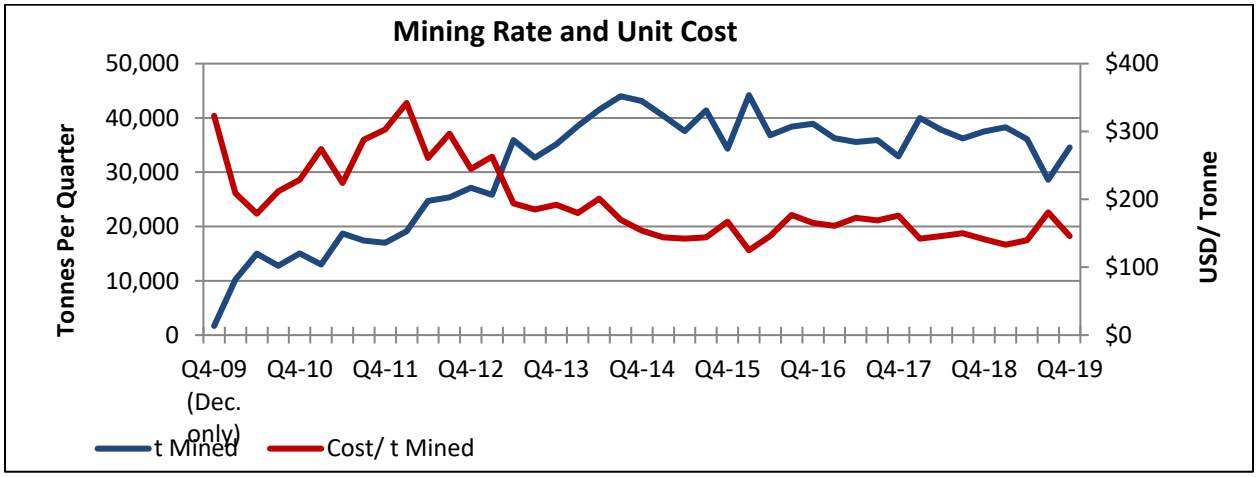
During the 12 months ended December 31, 2019, the Costerfield mine completed 4,433 m of operating development and produced 137,536 t of ore. Through the year, mined ore averaged 5.20 g/t Au and 2.57% Sb. Mining cost averaged $148/t.

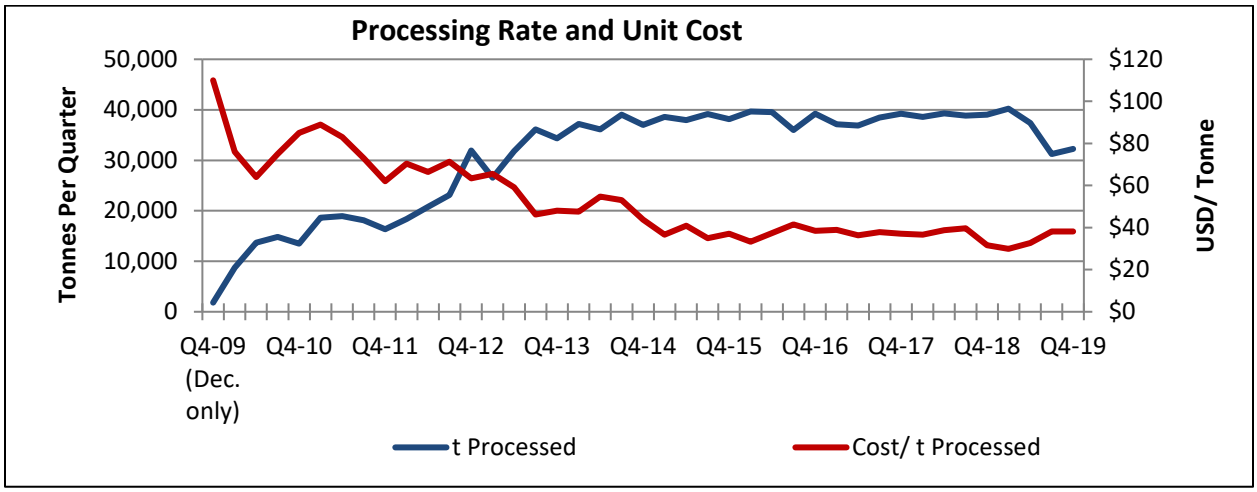
During the 12 months ended December 31, 2019, the Costerfield plant processed 141,089 t of ore, producing 15,258 oz of saleable Au and 2,032 t of saleable Sb. These numbers are lower than 2018 annual production volumes due to slower than anticipated advance rates through the Brunswick deposit arising from geotechnically challenging conditions immediately surrounding the Brunswick ore. Cost of processing ore was $34.4/t in 2019, compared to $36.7/t in 2018. Costerfield sales for 2019 were 14,922 oz Au and 2026 t Sb.

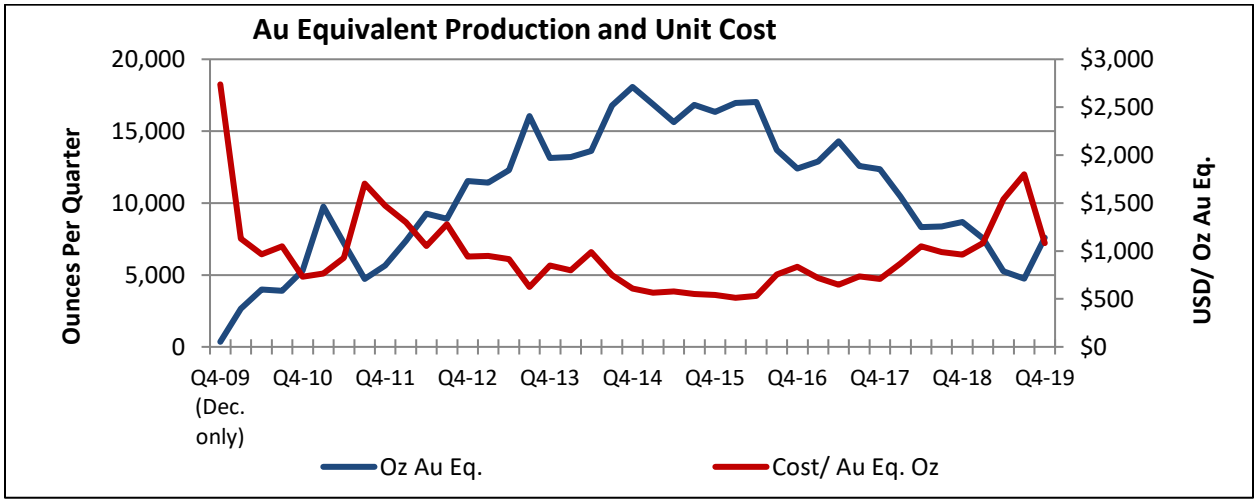
During 2019 at Costerfield, the Corporation invested $13.9 million in capital development, $3.4 million in property, plant and equipment and $1.8 million in exploration. For the exploration spending, the Corporation's Au Mineral Reserves increased by 24,000 oz along side a 600 t increase in Sb Mineral Reserves, both net of 2019 depletion. The current mine life is approximately four years.

The Corporation expects to see a marked improvement in production from Costerfield in 2020 as production volumes decrease from Brunswick and increase from the Youle. The Youle vein has markedly higher grades than Brunswick, better metallurgical recoveries and geotechnical conditions more conducive to mining.

The performance of the Costerfield mine since its acquisition and restart in 2009 is summarized in the charts below:







For more information on Costerfield, refer to section 6.13 of this Annual Information Form.

6.10 Knowledge and Expertise

All aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the disciplines of geology, geophysics, geochemistry, drilling, mineral resource estimation, mining engineering, mine planning, metallurgy and mineral processing, metal and concentrate sales, field operations, tax, and accounting. To date, the Corporation has successfully identified and recruited employees and consultants with the requisite skills to advance the Corporation's strategy and the Corporation believes it will be able to continue to do so.

6.11 Business Outlook for Fiscal 2020

The following section contains forward-looking statements. Reference should be made to "Forward-Looking Statements" herein. For a description of material factors that could cause the Corporation's actual results to differ materially from the forward-looking statements, see "Risk Factors" in this Annual Information Form, including in particular with respect to the potential impact of the COVID-19 pandemic on the Corporation's operations.

The Company has been monitoring closely developments relating to COVID-19 and has taken a number of proactive measures to ensure the safety of its employees and the continuity of its business. To date, the Company has experienced no operating or production disruptions nor any supply chain interruptions as a result of COVID-19.

Despite the steps the Company has taken, COVID-19 has the potential to significantly disrupt its operations. Among other things, COVID-19 has the potential to cause significant illness in the Company's workforce, temporarily shut down mining, milling (processing) and other operations, disrupt supply chains as well as rail and shipping networks used to deliver products to customers. The global effects of COVID-19 are rapidly evolving and cannot be predicted. As a result, the Company's expected performance in 2020, as described below and in the Company's press releases and other public disclosure, could be significantly and negatively affected by disruptions to its operations as a result of COVID-19.

As at December 31, 2019, the Corporation had working capital of $42.4 million, and cash and cash equivalents of approximately $24.5 million. The Corporation began and ended 2019 with no metal price hedging instruments in place.

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 2020. At Costerfield, the Corporation expects production increases in 2020 as it increases production from the high-grade Youle vein. The Youle vein has markedly higher grades as well as better recoveries than the Brunswick vein and is central to Mandalay's organic growth plan. Mandalay also expects production and costs improvements at Björkdal in 2020, as the open pit operations have been paused as of the end of July 2019, to eliminate the associated costs and take advantage of processing the higher-cash margin underground and stockpiled ore.

Björkdal's estimated volumes and costs for 2020 are summarized in the following table:

Björkdal Plan	**2019 Actual**	**2020 Estimate**
Saleable Au Produced (koz)	51.5	51-57
Cash Cost/ oz Au Eq	$945	$750-$900
Capital Expenditure ($M)	18.6	22-27

Costerfield's estimated volumes and costs for 2020 are summarized in the following table:

Costerfield Plan	**2019 Actual**	**2020 Estimate**
Saleable Au Produced (koz)	15.3	32-38
Saleable Sb Produced (t)	2,032	3,000-3,500
Cash Cost/ oz Au Eq	$1,313	$725-$875
Capital Expenditure ($M)	19.2	17-21

6.12 Mineral Project – Björkdal

Information referenced in this section referring to Björkdal is based on the Björkdal Technical Report.

Property Location

The Björkdal property is located in Västerbotten County in northern Sweden, at approximately 20°35′26″ E longitude and 64°56′7″ N latitude (WGS84). Björkdal is located approximately 28 kilometres ("km") northwest of the municipality of Skellefteå and approximately 750 km north of Stockholm. The property is accessible via Swedish national road 95 or European highway route E4 followed by all-weather paved roads.

The Norrberget property is located approximately four km east of the Björkdal mine and is currently accessible via a forest road.

Ownership

Mandalay holds 100% of Björkdal through the Swedish registered companies Björkdalsgruvan AB and Björkdal Exploration AB.

Granted Tenement Details

The Björkdal property consists of ten mining concessions, owned by Björkdalsgruvan AB, and 15 exploration permits, owned by Björkdal Exploration AB. The mining concession Norrliden K nr 1 and exploration permits Malånäset nr 100 and Malånäset nr 101 are held by Explor Björkdalsgruvan AB. The following tables show the exploitation concession and exploration permit status as of December 31, 2019.

Table: Exploitation Concessions

Permit Name	Area (ha)	Expiry Date
Häbbersfors K nr 1	98.6894	January 1, 2031
Häbbersfors K nr 2	34.8839	February 2, 2025
Häbbersfors K nr 3	18.8864	April 29, 2027
Häbbersfors K nr 4	5.0012	November 21, 2025
Häbbersfors K nr 5	21.8263	March 6, 2034
Häbbersfors K nr 6	23.4887	April 24, 2038
Häbbersfors K nr 7	32.1100	January 17, 2042
Nylunds K nr 1	73.4700	January 30, 2043
Storheden K nr 1	61.27	November 8, 2043
Norrberget K nr 1	25.28	January 25, 2044
Norrliden K nr 1*	18.51	January 1, 2032
Total	**413.42**	

* Permit held by Explor Björkdalsgruvan AB

Table: Exploration Permits

Permit Name	Area (ha)	Expiry Date	Status
Björkdal nr 25	967.70	May 9, 2020	Application for dispensation from moratorium
Björkdal nr 33	1,409.35	October 19, 2020	Application for extension
Björkdal nr 31	540.52	November 7, 2020	Application for extension and exploitation concession
Björkdal nr 34	2,520.16	November 9, 2020	Application for extension
Björkdal nr 29	1,073.89	November 30, 2020	Application for extension
Björkdal nr 30	64.03	February 23, 2021	
Vorsberget nr 1	804.73	May 25, 2021	
Sandfors nr 101	3,267.82	June 9, 2021	
Lillträsket nr 3	246.59	October 17, 2021	
Björkdal nr 35	135.43	October 17, 2021	
Björkdal nr 32	2,219.60	November 27, 2021	
Björkdal nr 36	670.4	April 10, 2022	
Björkdal nr 37	378.45	August 28, 2022	
Malånäset nr 100*	591.84	March 20, 2023	
Malånäset nr 101*	687.77	March 28, 2021	
Vidmyran nr 100	1,197.50	March 10, 2023	
Björkdal nr 28	39.53	October 14, 2023	
Total	**16,815.31**		

* Permit held by Explor Björkdalsgruvan AB

The Björkdal deposit is located on Häbbersfors exploitation concessions.

Permitting

Mandalay reports that Björkdal is fully permitted in accordance with Swedish environmental and health and safety legislation. The latest environmental permit was issued in December 2018 and is in good standing. Under Swedish law, there is no time limit on the water-use permit, however, the government may make adjustments as required to meet any regulation changes. A new permit related to the mine tailings area was obtained on December 3, 2018 and is valid for a period of ten years.

Björkdal is permitted to use the Kåge River as a water source for the processing plant. The allowed amount is 50 l/s (180 m^3 per hour). The plant uses approximately 150 m^3 per hour and of this amount, 59% is recycled from the tailings facility, and the remaining 41% is drawn from the Kåge River. Water used at the mine for purposes other than the processing plant is sourced from wells.

A list of current permits is presented in the table below.

Table: Mandalay Resources – Björkdal Gold Mine Permits

Permits	Valid from Date	Valid to Date	Type
M 771-17	2018-12-03	2028-12-03	Environment permit
VD DVA 9/87	1987-05-26	No expiry date	Water-use permit

Royalties

The holder of an exploitation concession must pay an annual minerals fee to the landowners of the concession area and to the State. The fee is 0.2% of the average value of the minerals mined from the concession, 0.15% of which is paid to the landowners in proportion to their ownership interest in the concession area. The remaining 0.05% is paid to the State for research and development in the field of sustainable development of mineral resources. The fee is estimated after consideration of the amount of mined ore, the amount of minerals in the ore, and the average price of the mineral during the year or by use of an equivalent value.

Environmental Liabilities

Mine closure and reclamation plans are submitted and approved as an annex to the environmental permit and includes a reclamation bond with the Swedish authorities. The approved plan provides an overview of reclamation requirements that follow the July 2004 European Commission guidelines for Best Available Practice for the management of tailings and waste rock in mining activities. Six months prior to mine closure, a detailed remediation plan must be submitted to the regulator.

The environmental permit granted in 2018 includes an updated closure and reclamation plan. Mandalay presently has 43 million SEK (approximately $4.43 million) held in a secured reclamation account by the Swedish authorities.

Local Resources and Infrastructure

Power

The power supply for the site is provided by Skellefteå Kraft AB. The electricity is sourced from low-cost hydro power and is delivered to Björkdal via the Swedish power grid.

Water

Water for the process plant is supplied from two sources. Two submersible pumps located at the Kåge River supply approximately 700,000 m^3 of raw water annually to plant water tanks via two pipelines. Existing water rights allow Björkdal to withdraw up to 50 l/s, equivalent to 180 m^3 per hour and 1.58 million m^3 per year. A second pumping station located at the water treatment plant returns water from the tailings management facility. Approximately 59% of the process water is recycled from the tailings system and the remaining 41% is drawn from the Kåge River.

At present, the Björkdal Mine is diverting approximately 800,000 m^3 per year of water from the underground and open pit mines to the tailings facility and this allows a 59:41 ratio throughout the year. The result is less water discharged from the tailings system and less fresh make-up water required.

Buildings and Facilities

The Björkdal Mine site hosts extensive surface and underground infrastructure, including the following:

- Well-kept gravel site roads,
- An administrative building consisting of office space, kitchen facilities, and a mine dry room,
- An open pit with ramp access to the underground operations,
- Underground development consisting of ramps and sub-levels,
- Raw ore stockpile facility containing eleven 5,000 to 7,000 tonne capacity raw ore stockpiles,
- Primary jaw crushing facility with 400 tonne coarse ore stockpile,
- Secondary crushing facility,
- 5,000 tonne fine ore stockpile and reclaim facility,
- 3,600 tpd mill, gravity gold plant, and flotation plant,
- An internal metallurgical assay laboratory,
- Corporation and contractor maintenance facilities,
- A core logging facility with covered storage, sample preparation laboratory, and grad control assay laboratory,
- 250 ha Tailings Management Facility ("**TMF**"),
- Raw water supply and storage,
- Water treatment plant,
- Explosive magazine and mixing facilities,
- Storage facilities for chemical reagents and bulk supplies,
- An off-site covered core storage facility,

- Swedish grid electrical power,
- Fresh water access.

Tailings and Waste Rock Storage Areas

There are currently two active waste dump areas; the North and South waste dumps. In the new operating permit application received in 2018, the capacity of the waste rock dumps has been expanded to over 53 million t. This capacity is sufficient to cover the needs of the current mine life.

The TMF is located in an area of gently undulating relief approximately 1.5 km north of the processing plant. Approximately 31 million t of tailings have been deposited since mining began at Björkdal in 1988.

A new environmental operating permit was received in the fourth quarter of 2018. The new permit allows for up to 17 Mt with construction expansions. The permit includes +10 m elevation of the central sand cone, + 6 m Western Barrier Dam, + 6 m Dam K1 and the establishment of a new sedimentation clearing pond at Lillträsket.

TMF expansions have been planned by the independent consultants, Tailings Consultants Scandinavia ("**TCS**").

During 2019 Western Barrier Dam was raised with 2.5 m thus giving us volume to deposit tailings until April 2022.

Raising dam K1 will be executed in two stages and is initiated during 2020. Stage 1 will be completed end of 2021 and stage 2 is scheduled to be completed during 2023. With a throughput of 1.3 Mton per year this will give volume for tailings until 2030.

Accessibility

Björkdal is located approximately 40 km by road northwest of the municipality of Skellefteå (population of 72,000) and is accessible via Swedish National Route 95 or European highway route E4, followed by all-weather paved roads. Norrberget is located approximately four km east of the Björkdal mine and is accessible via a forest road. On the property, gravel roads link the main site gate entrance to the surface infrastructure. Gravity concentrate is trucked from the mine to Skellefteå where it is loaded on ships for delivery to smelting customers in Europe. Sulphide flotation concentrates are trucked to nearby processing facilities. The nearest airport, located in Skellefteå, has daily service to Stockholm.

Climate

This area of Sweden has a subarctic climate with mild summers and cold snowy winters. The climate is moderated by proximity to the Gulf of Bothnia, so that while winters are cold, they are much less so than winters at similar latitudes in other parts of the world. The average low temperature for January is -14°C. The short summers are also reasonably warm for latitudes near the Arctic Circle. The average daily high temperature in July is 19°C, although temperatures above 30°C have been recorded. Yearly precipitation is less than 600 mm, with August being the wettest month at over 71 mm. Precipitation is low near the coast, but snow may lie on the ground for up to four months. July is typified by an average of 21 hours of daylight while the average for December is four hours. Björkdal's exploration activities and mining and processing operations function year-round.

Topography and Vegetation

The mine is located at an average elevation of 140 m above sea level. The terrain around Björkdal is relatively subdued with low hills and numerous shallow lakes. Glacial till forms the main soil cover over the area. The vegetation around Björkdal consists predominantly of managed forests of spruce and birch with some areas of cultivated land.

Geology and Mineralization

Regional Geology

The Skellefteå region consists of Paleoproterozoic-aged rocks that host several world-class volcanogenic massive sulphide copper, zinc, and lead deposits that have been worked on for nearly a century. The Skellefteå district lies within a large and ancient cratonic block named the Fennoscandian shield. The Fennoscandian shield spans much of Finland and northwestern Russia, extending further westward throughout Sweden and Norway.

Mineralization in the Skellefteå region is focused within and around a regionally extensive, west- to northwest-trending structural feature named the Skellefteå belt. The Skellefteå belt is 120 km long and 30 km wide and consists of deformed and metamorphosed volcanic, sedimentary, and igneous rocks that are all Paleoproterozoic in age. Deformation and metamorphism is attributed to the Paleoproterozoic-aged Svecokarelian orogeny that occurred around 1.88-1.8 Ga. Metamorphism associated with the Svecokarelian orogeny and ranges in intensity from greenschist to amphibolite facies.

The stratigraphy of the Skellefteå area consists of Paleoproterozoic-aged volcanic, volcanoclastic, and sedimentary rocks. The stratigraphy is divided into two large litho-stratigraphic groupings that are named the Skellefteå Group (lower division) and the Vargfors Group (upper division). The Skellefteå Group is dominated by extrusive volcanic successions that are interbedded/intercalated on a large scale with clastic sediments containing volcanic rock-types within the Skellefte Group classified as Rhyolite, Dacite, Andesite, and Basalt. Sedimentary lithologies consist of pyritic mudstones and shales, volcanoclastic rocks, breccia conglomerates, and minor carbonates. The overlying Vargfors Group is dominated by clastic sedimentary rocks with lesser mudstone and carbonates, sporadically interbedded with thin volcanic successions. The lower portions of the Vargfors Group consist of abundant conglomerate and sedimentary breccia. Locally, rare carbonate beds are observed interbedded within these conglomerates, while the finergrained siliciclastics may contain a carbonate-rich matrix.

The stratigraphic successions are locally intruded by igneous rocks thought to belong to the Jörn Granitoid suite. The relative ages of these intrusive bodies are constrained through radiometric dating and field relationships indicating a contemporaneous emplacement age with the volcanic rocks belonging to the Skellefteå Group. Compositions of these intrusive rocks of the Jörn Granitoid suite range from felsic to mafic with end-member compositions respectively represented by Gabbros and Granites.

The rocks of the Skellefteå belt are observed to have undergone two major shortening events and metamorphism during the Svecokarelian orogeny. The first of the major shortening events resulted in folding and shearing: folding consisting of vertical to upright isoclinal folds with east- to northeast-striking axial planes, while shear zones are oriented sub-parallel to the axial planes of the folds. The later shortening event produced structures mainly dominated by shearing, with only minor folding coaxially overprinting the earlier generation of folding. These late stage shears appear to play a crucial role in the formation of the deposit.

Local Geology – Björkdal

Litho-stratigraphic mapping, petrological observations and geochemical analysis undertaken by Mandalay's Björkdalsgruvan geologists have indicated that host-rock geology, metamorphism and alteration styles are far more complex and variable than previously documented. Instead of a large, massive plutonic-type intermediate intrusion occupying the domal structure observed within the Björkdal area, a variable and complex alteration signature overprints many different rock-types including; pyroclastic, volcano-sedimentary, tuffaceous, extrusive-volcanic (andesitic to basaltic compositions), sub-volcanic intrusive (andesitic compositions) and sedimentary (silici-clastics, shales and carbonates) lithologies. Common alteration and metasomatic styles include silicification, carbonatization, calc-silicate (actinolite) alteration, albitization, chloritization, potassic (biotite and K-feldspar), epidotization, pyritization, tourmalinization, with various skarn-type alteration assemblages common in areas where calcareous host-rock is present (including actinolite, tremolite, pyroxene, and minor garnet). Alteration and metasomatic zonation of these various styles is present however, the spatial distribution has not clearly been defined. Major control on the alteration zonation appears to be host-rock lithology (protolith composition), and proximity to major fluid-driven heat sources (i.e., hydrothermal systems).

Stratigraphy

The lowest succession found at the Mine and in the surrounding area consists of a unit of volcaniclastic sandstones and conglomerates, interbedded with lavas, ignimbrites, tuffs, bedded sandstone, and mudstone/shales. A large sub-volcanic intrusion (interpreted as an andesitic laccolith) locally intrudes this volcanic succession in the south and southwestern margins of the current open pit, but has not yet been encountered elsewhere within the Mine area. A massive unit of crystalline marble sharply overlies these lower volcanic and clastic units. Overlying the crystalline marble is a thin pyroclastic unit (characterized by abundant "fiamme" clasts), which is then abruptly overlain by a basaltic lava containing abundant amygdaloids (defined by actinolite and carbonate in-fill). Above this basalt, the stratigraphy appears to become increasingly marine in genesis, with the overlying units consisting of laminated and interbedded tuffs and mudstone (basaltic geochemical composition), finely laminated mudstones and siltstone, and poorly sorted sandstone. Gradationally overlying these clastic sediments is a monotonous series of graphitic and pyritic shale (pyrite is often altered to pyrrhotite), interbedded with poorly sorted siltstone and sandstone with minor course-sand/grit beds. Partial Bouma sequences are observed within the more clastic intervals of this upper shale succession. The local stratigraphy at the Mine is related with the upper and lower portions of the Skellefte and Vargfors groups, respectively the units present below the upper contact of the crystalline marble are interpreted to correlate with the upper portions of the Skellefte Group.

Structural Controls

The local structure of the Björkdal deposit is dominated by a number of shallow, north to north east-dipping brittle-ductile faults and shears. The dominant structure, which can be traced along the full length of the mine is referred to as the Björkdal Shear. The majority of the kinematic indicators identified along these structures appear to be dominantly oblique strike slip. The brittle structures consist of fault-gouge that has undergone sporadic re-healing and 'cementation' by carbonate, silica and sericite. Brittle-ductile structures consist of highly-sheared fabrics and/or rotated and boudinaged quartz veins that may include masses of very mildly-foliated biotite. Interestingly, this latter set of structures are sometimes significantly mineralised in Au. The relationship between mineralised quartz veins and the structures appears to be complex, with a number of cross cutting relationships, suggesting multiple phases of deformation throughout the emplacement of the mineralisation.

Mineralization

Björkdal

The Björkdal gold deposit is a lode-style, sheeted vein deposit that is hosted within the upper-portions of the Skellefte Group lithologies as they are found at Björkdal (as described above). Gold is found within quartz-veins that range in thickness from less than a few centimetres in width, to over several decimetres in width. These veins are usually observed as vertical to sub-vertical dipping veins that strike between 000° and 090°, with the majority of veins occurring with a strike between 030° and 060°. The veining is locally structurally complex, with many cross-cutting features as well as thin quartz veinlets which introduce mineralization into the wall rocks proximal to the main quartz veins.

Gold-rich quartz veins are most often associated with the presence of minor quantities of sulphide minerals such as pyrite, pyrrhotite, marcasite, and chalcopyrite alongside more common non-sulphide minerals such as actinolite, tourmaline and biotite. Scheelite and bismuth-telluride compounds (i.e., tellurobismuthite and tsumoite) are also commonly found within the gold-rich quartz veins and are both excellent indicators of gold mineralization.

Gold occurs dominantly as free gold, however gold mineralization is also associated with Bi-telluride, electrum and pyroxenes. Silver is seen as a minor by-product of the Björkdal processing plant, however, very little is known about its deportment within the deposit, although it is assumed to be associated with electrum.

Norrberget

The mineralization at Norrberget is strata bound within an interbedded altered volcaniclastic package that sits unconformably below a 30 m to 40 m thick marble unit. Gold mineralization has been observed up to 50 m below this contact. Gold mineralization is principally hosted in an amphibole-albite banded alteration and is also common where volcaniclastics are interbedded with crystalline tuff units. These alteration bands vary between 1 cm and 50 cm in thickness, are typically fine to medium grained and appear to be sheared. Trace sulfides and minor quartz/carbonate are associated with the bands.

Gold is also associated with the amphibole veinlets within the mafic crystalline tuff which is also associated with carbonate and minor sulfides. Lesser amounts of gold can also be found within the heavily silicified volcaniclastics where minor amphibole is observed. Where visible gold can be identified within alteration banding, it is observed to lie between or on the contact of grains.

Although veining is common, gold mineralization is rarely associated with the quartz veins. Visible gold has been identified in veins consisting of grey fractured quartz along with amphibole, carbonate, silver, minor chalcopyrite, pyrrhotite and galena. Veins consisting of quartz, carbonate and albite with euhedral amphibole crystals can also carry gold mineralization. These veins can be intermixed and individual veins can continue for up to 50 m. However, the gold grade is not consistent along them.

History

The Björkdal deposit was originally discovered in 1983 by Terra Mining AB (**"Terra Mining"**) by a till sampling program which returned anomalous gold values. Anomalous bedrock values were obtained in 1985 and definition drilling began in early 1986.

Definition drilling was coincident with metallurgical testwork and positive feasibility studies were completed in May 1987. Terra Mining commenced mining operations at Björkdal in July 1988. In 1996, Terra Mining was purchased by William Resource Ltd. (**"William"**). William continued to operate the

mine until the end of June 1999, when it was petitioned into bankruptcy. The assets were bought through public auction in June 2001 by International Gold Exploration, which operated the mine from September 2001 until 2003, when it was acquired by Minmet plc (**"Minmet"**).

In 2006, Gold-Ore Resources Ltd. (**"Gold-Ore"**) acquired an option from Minmet to purchase the holding Corporation for the mine. On December 31, 2007, Gold-Ore exercised its option and acquired all the shares of Björkdalsgruvan AB. During exploration and development of Björkdal, Gold-Ore generated cash flow from gold sales which commenced on a full scale in mid-2008. In January 2009, Gold-Ore's management concluded that there were sufficient mineral reserves and resources at Björkdal for at least a five-year mine life and declared commercial production.

In May 2012, Elgin acquired all of the issued and outstanding common shares of Gold-Ore. Gold-Ore's common shares were delisted from the TSX and Elgin graduated from a TSX Venture listed Corporation to a TSX listed Corporation.

On June 4, 2014, Mandalay announced that it had entered into an arrangement agreement pursuant to which Mandalay would acquire all the outstanding common shares of Elgin. The transaction was completed on September 10, 2014.

Exploration

For the period of January 2015 to September 2019, Mandalay drilled a total of 131,600 m of exploration diamond-core drilling from underground stations at the Björkdal Mine. This drilling has most recently focused on outlining the newly discovered mineralization of the Aurora Zone as well as outlining the extents of the newly discovered skarn-hosted mineralization. While the majority of the drilling in 2019 was carried out in support of the newly discovered Aurora Zone and skarn mineralization, a lesser amount of drilling also completed to test selected targets in the open pit area.

The drilling programs were successful in extending the known limits of the Aurora Zone, for outlining the limits of the high grade, skarn-hosted zones, and for the discovery of additional gold mineralization in the area to the north of the Aurora Zone. As of September 30, 2019, the Aurora Zone has been outlined by drill hole and channel sample information along a strike length of approximately 500 m and along a dip length of approximately 400 m. As of September 30, 2019, the limits of the mineralization in the Aurora Zone have not been defined by drilling.

There is high likelihood of further discoveries in the Björkdal area, as deposit models currently being formulated and tested by Mandalay geologists are proving successful and much of the held ground remains either unexplored or under-explored.

The Norrberget area was extensively drilled from 1994 to 1996 by COGEMA before interest in the prospect declined under subsequent owners. After the area was purchased by Gold-Ore in 2007 some sporadic drilling campaigns were undertaken without significant discovery.

After Mandalay acquired Elgin, a program of re-logging and reassaying the existing core from the prospect was undertaken. This resulted in renewed interest in the area and in 2016 a 2,542 m diamond-core drilling program confirmed the historical results and extended the limits of mineralization. A 1,400 m RC drill program in-filled and further extended the resource down-dip in 2017. This drilling resulted in a mining concession granted in 2019. No exploration drilling was carried out in 2018 or 2019.

During the summer months of 2015, 2,492 m of diamond-core drilling was completed around the greater Björkdal region to test a number of targets of both geochemical and structural origins. Two of these drill-holes intersected significant mineralization; DDE2015-001 and DDE2015-008 in the Storheden and

Morbacken areas, and these areas are of high exploration interest. The potential of the Storheden area was further tested with 2,136 m of diamond-core drilling and 1,408 m of RC in 2016 and 2017. These drilling programs have confirmed the existence of a mineralized system of shear-hosted quartz veins extending below the current site of the TSF and resulted in a mining concession in 2018.

Target generation in 2015 and 2016 consisted of geophysical surveys and re-interpretation of existing geophysical magnetic and electric surveys. These surveys ranged from regional-scale airborne surveys to high-resolution down-hole electric logging in order to establish geophysical characteristics indicative of mineralized rock-systems in the greater Björkdal exploration land package.

In 2017, ground magnetic surveys and till sampling programs were expanded across high potential areas within the tenement package. High resolution outcrop mapping and sampling was also carried out to further develop the macro-scale understanding of the property's potential.

In 2018, ground magnetic surveys were expanded across high potential areas within the tenement package.

During the summer of 2019, an airborne magnetic survey was completed by Thomson Aviation over the full tenement package in collaboration with Boliden AB. Björkdalsgruvan received the raw data from the flyover and Geovista AB processed the results. Raw data consisted of a digital terrain model, levelled radiometric data, and levelled magnetic data. The survey direction was east-west with 50 m line spacing and 500 m tie line spacing. Areas of significant mineralization have detectable effects on both magnetic (ground magnetics) and electrical (chargeability) properties of the host-geology. These surveys are being incorporated with geochemical and structural geological data in order to identify highly prospective ground. The targets that have been generated will be prioritized and then systematically tested in the immediate future.

Drilling – Björkdal

The cut-off date for the drill hole database used to prepare the 2019 Mineral Resource estimate was September 30, 2019. The following table summarizes the drilling carried out by Mandalay between 2014 and 2019:

Table: Summary of Drilling at Björkdal Completed by Mandalay Resources from 2014 to 2019

		Underground		Open Pit	
Year	**Drill Hole Type**	**Number of Drill Holes**	**Metres (m)**	**Number of Drill Holes**	**Metres (m)**
2014	Core (Infill)	19	1,614		
	RC			65	2,103
	Core	12	3,302	5	632
2015	Core (Infill)	150	11,880		
	RC			439	13,959
	Core	58	14,151	56	9,145
2016	Core (Infill)	280	32,252		
	RC			558	28,468
	Core			14	4,087
2017	Core (Infill)	211	23,839		
	RC			597	24,924
	Core			13	2,377
2018	Core (Infill)	211	24,309		
	RC			621	22,138
	Core	43	9,995	44	8,674
2019*	Core (Infill)	98	11,784		
	RC			194	10,649
	Core	16	3,422		
Total		**1,098**	**136,548**	**2,606**	**127,156**

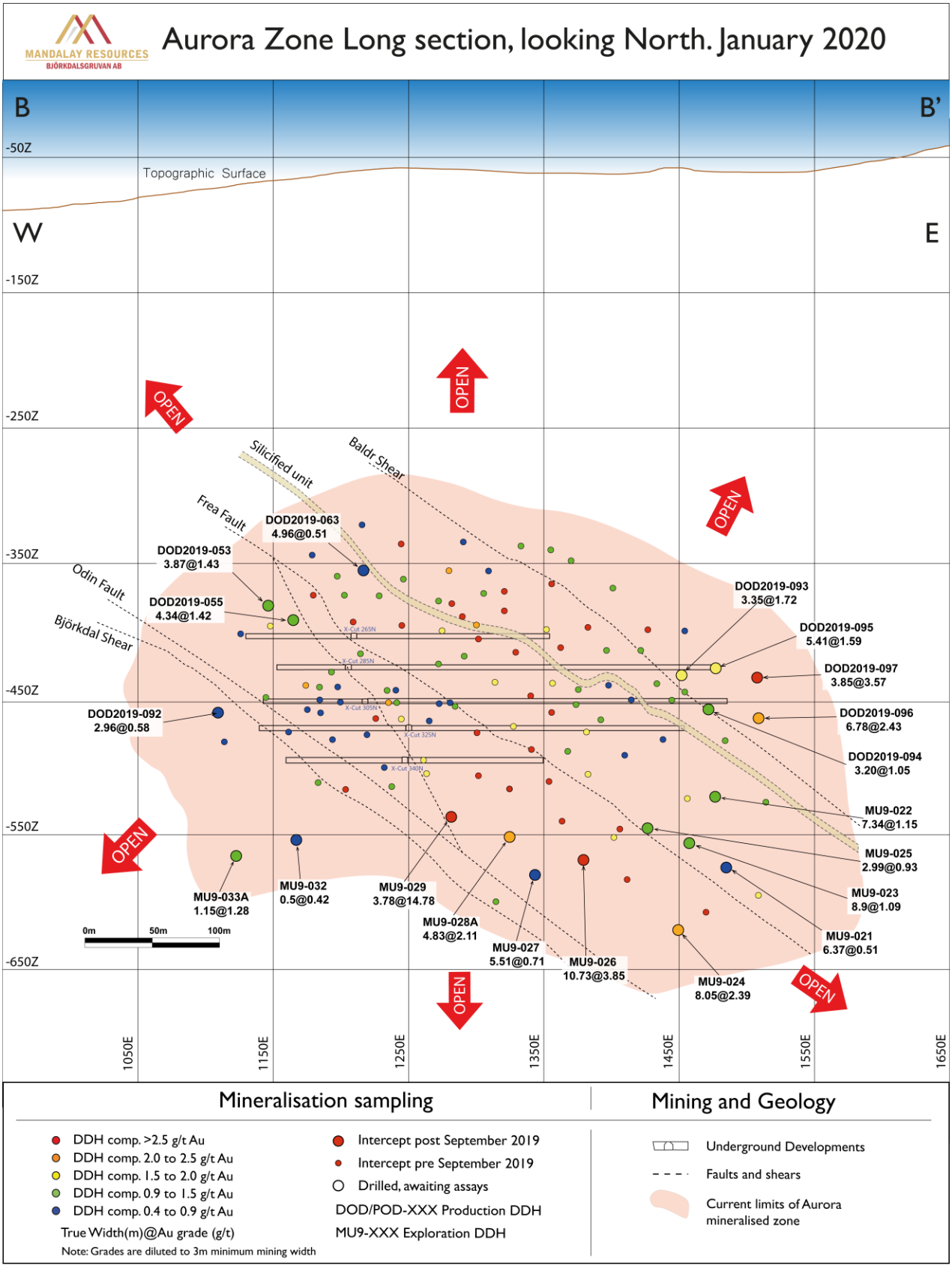
*2019 drilling includes drill holes completed to September 30, 2019.

Drilling – Aurora Zone

The main focus of the drilling completed in 2019 was to continue to outline the strike and dip limits of the Aurora Zone and to define the limits of the high grade, skarn-hosted mineralization discovered in 2018. Selected secondary targets in the immediate vicinity of the open pit mine were also evaluated for their potential to host potentially economic grade gold mineralization. A small number of drill holes were also completed to begin the evaluation of the area to the north of the Aurora Zone for the presence of gold mineralization.

The drilling programs were successful in extending the known limits of the Aurora Zone, for outlining the limits of the high grade, skarn hosted zones, and for the discovery of additional gold mineralization in the area to the north of the Aurora Zone. As of September 30, 2019, the Aurora Zone has been outlined by drill hole and channel sample information along a strike length of approximately 500 m and along a dip length of approximately 400 m. As of September 30, 2019, the limits of the mineralization in the Aurora Zone have not been defined by drilling.

Long Section of Aurora Zone



A selection of the significant intersections returned from the Aurora Zone is provided in the table below:

Table: Summary of Significant Intersections, Aurora Zone

Hole ID	From	To	Core Length (m)	Au (g/t)
DOD2018-170	155.01	168.54	13.53	3.50
DOD2018-171	139.96	144.29	4.33	5.28
DOD2018-172	124.52	132.56	8.04	0.54
DOD2018-173	125.97	133.24	7.27	0.94
DOD2019-002	127.87	136.28	8.41	0.64
DOD2019-004	123.88	130.00	6.12	2.54
DOD2019-005	120.41	125.20	4.79	1.11
DOD2019-008	158.55	165.44	6.89	0.29
DOD2019-009	186.35	201.78	15.43	0.10
DOD2019-010	163.96	168.40	4.44	0.47
DOD2019-011	146.88	153.16	6.28	0.36
DOD2019-016	54.73	66.58	11.85	2.07
DOD2019-018	69.85	89.55	19.70	0.27
DOD2019-019	134.89	140.81	5.92	0.98
DOD2019-050	110.38	115.35	4.97	0.20
DOD2019-052	114.73	118.72	3.99	0.02
DOD2019-053	104.16	114.15	9.99	0.73
DOD2019-054	111.54	119.49	7.95	0.73
DOD2019-055	102.75	110.52	7.77	0.22
DOD2019-058	81.01	84.79	3.78	6.87
DOD2019-062	76.93	85.14	8.21	1.11
DOD2019-063	67.16	73.19	6.03	0.43
DOD2019-064	77.13	84.74	7.61	1.23
DOD2019-065	81.44	84.70	3.26	1.02
DOD2019-071	92.71	100.53	7.82	1.89
DOD2019-072	92.36	95.35	2.99	0.66
DOD2019-073	114.42	118.79	4.37	0.78
DOD2019-074	70.44	77.16	6.72	0.83
DOD2019-075	78.41	82.67	4.26	1.50
DOD2019-076	74.82	78.62	3.80	4.74
DOD2019-077	77.91	85.79	7.88	2.57
DOD2019-078	81.15	87.74	6.59	2.25
DOD2019-079	75.30	79.18	3.88	6.35

Hole ID	From	To	Core Length (m)	Au (g/t)
DOD2019-086	0.00	10.68	10.68	0.48
DOD2019-087	0.00	13.59	13.59	0.37
DOD2019-092	129.98	135.64	5.66	1.64
MU8-042	95.85	100.25	4.40	0.31
MU8-043	130.52	137.01	6.49	0.12
MU8-044	224.19	234.97	10.78	2.79
MU8-046	231.65	240.43	8.78	0.02
MU9-001A	317.69	331.90	14.21	0.33
MU9-004	329.03	341.27	12.24	0.31
MU9-019	148.43	159.23	10.80	1.11
MU9-020	204.13	220.61	16.48	1.54
MU9-021	174.61	187.72	13.11	0.46
MU9-023	152.66	166.56	13.90	1.01
MU9-024	223.76	235.54	11.78	2.35

Drilling Procedure

Diamond Drilling

All underground exploration drilling since September 2014 has been conducted with wireline diamond core drilling methods by experienced Swedish drilling contractors Protek Norr AB and Styrud Arctic AB, . Drilling has been carried out with dedicated underground exploration drill rigs in the Hagby series WL66 and WL76 sizes (50.5 mm and 57.5 mm diameter core, respectively). All drill holes are surveyed with modern computerized gyroscopic tools at hole completion, while also being regularly check-surveyed for unexpected deviation as the drilling progresses using modern multi-shot "camera" downhole tools. Core orientation tools are used on all holes in order for geologists to measure the orientation of all geological structures identified. Contractors work two shifts per day (nine hour shift), seven days per week and average approximately 1,000 m per month.

Surface exploration since September 2014 has been carried out with wireline diamond-core drilling methods by experienced Swedish and Finnish drilling contractors Styrud Arctic AB, Katie OY, and Arctic Drilling Corporation OY and experienced international drilling operator Mason & St John; based in the UK. Various drilling equipment sizes have been used depending on project needs and are as follows: WL66 (50.5 mm core diameter), NQ2 (50.7 mm core diameter), and WL76 (57.5 mm core diameter). All drill holes are surveyed with modern computerized gyroscopic tools at hole completion, while also being regularly check-surveyed for unexpected deviation as the drilling progresses using modern multi-shot "camera" downhole tools. Core orientation tools are used on all holes in order for geologists to measure the orientation of all geological structures identified. Contractors work two shifts per day (12 hour shift), seven days per week and average approximately 1,200 m per month. Drill holes that are collared in unconsolidated materials (i.e., soil and till) are cased with traditional methods with either Boart Longyear, or Hagby series casing rods and bits.

Due to the degree of silicification and alteration of the deposit and regional geology, rock quality is generally excellent, reflected in core recovery values generally in excess of 95%.

Production and development optimization holes are primarily drilled with Mandalay-owned and operated drill rigs and drilling staff, although contractors have been used at times when extra capacity is required (Styrud Arctic AB and Protek Norr AB). Starting in 2013, in-fill underground diamond drilling programs using WL46 drill string (28.8 mm diameter core) were implemented, the rig has been decommissioned as of May 2018. In March 2016, an Atlas Copco model Diamec U4 data rig was purchased. The rig is operated by three drillers working single shifts using a WL56/39 drill string (39.0 mm diameter core). They work seven days a week, producing 25 m per shift. In December 2018, a fourth shift was added to this rig. This rig is primarily used for development optimization (DOD-series drill holes).

RC Drilling

Since 2010, RC drilling has been utilized for grade control in the open pit to define gold-bearing quartz veins which vary in scale from 1 cm to greater than 1 m.

The standard drill pattern is a 7.5 m by 15 m by 18 m grid in which holes are directed perpendicular to the quartz vein orientation.

Drilling is performed by drill contractors utilizing five-inch (12.7 cm) diameter drill bits. Drill cuttings are sampled every 1 m via a cyclone. RC drilling can be performed year-round.

Sampling and Analysis

Samples from Björkdal and Norrberget were prepared and analyzed at ALS Minerals, an independent, ISO-accredited laboratory located in Piteå, Sweden, and on-site at Björkdal. Samples were also analyzed by CRS Minlab Oy (CRS), an independent, ISO 9001:2008 certified laboratory located in Kempele, Finland. Whole core samples and RC samples were sent directly to the laboratories for sample preparation and assaying. Assaying was conducted utilizing the PAL1000 and LeachWELL process. Quality assurance and quality control (QA/QC) included the use of standard reference samples, blanks, duplicates, repeats, and internal laboratory quality assurance procedures. Underground chip and sludge samples were collected by geological technicians and delivered directly to the on-site laboratory. The on-site laboratory with a PAL1000 unit was established in June 2016 and was run by CRS until April 2018. Since April 2018, the on-site laboratory has been run by ALS Minerals. The mine sludge samples have not been used for the Mineral Resource estimation.

Data Verification

RPA verified the accuracy of data entry for geologic and assay information to the database and is of the opinion that the Björkdal drill hole and chip sample data are adequate for the purposes of Mineral Resource estimation.

Security of Samples

The Björkdal mine site has not experienced any major security issues. Access to the open pit and underground is restricted to authorized personnel in mine or contractor vehicles.

Drill and mine samples are transported from the site to the Björkdal on-site core logging and sample preparation facility, which is located within a secure area.

All diamond drill core is logged into laptop versions of GeoSpark. Only persons permitted by Björkdal are allowed to handle the samples, and measures are in place to limit and deny access by unauthorized persons.

Commercial freight companies are used to transport samples to the appropriate independent sampling and assaying laboratories. Sample shipment lists are emailed to the assay laboratory.

Quality Assurance and Quality Control

No QA/QC data is available for historical drilling prior to 2004. RC drilling for grade control purposes carried out from 2006 to 2013 and assayed at ALS did not include any QA/QC insertions into the sample stream. From 2013 to 2014, standard and blank samples were inserted into the sample stream with one blank and one standard sample inserted per RC drill hole. In 2014, RC samples were sent to the uncertified CRS and Svartliden laboratories.

Following Mandalay's acquisition of Björkdal in 2014, the QA/QC protocols were updated to include the regular insertion of blanks and multiple standards within each 20 sample batch. A blank sample was also inserted after every sample containing visible gold. All samples collected from the regional exploration programs, the underground and near-mine surface-based exploration programs, and the grade control sampling from 2015 onwards were included in the QA/QC program.

In RPA's opinion, the QA/QC program as designed and implemented by Mandalay is adequate and the assay results within the database are suitable for use in a Mineral Resource estimate.

Mineral Resources and Reserves

Björkdal

Since the 2014 Mineral Resources and Reserves estimate, Mandalay has been carrying out infill drilling programs in both the open pit and underground mines. These drilling programs include a total of 1008 additional diamond drill holes and 2,361 RC drill holes that total approximately 239,756 m in length. This new drill hole information has resulted in the creation of a number of additional mineralized wireframe models for both the open pit and underground mines.

Mandalay built individual mineralized wireframes separately for open pit and underground domains. The open pit wireframes were based on a nominal 0.3 g/t Au cut-off value over a minimum of two m, and the underground wireframes were based on a nominal 2 m minimum width at a cut-off value of 0.5 g/t Au.

Separate cut-off grades were developed for reporting underground and open pit Mineral Resources. Each cut-off grade was developed using the January to September 2019 actual cost information along with a gold price of $1,500 per ounce. The cut-off grade for reporting Mineral Resources was determined to 0.80 g/t Au within the underground mine and 0.34 g/t Au for the open pit mine.

At a cut-off grade of 0.80 g/t Au, the Mineral Resources in the underground mine comprise approximately 9.66 million tonnes at an average grade of 2.58 g/t Au containing approximately 799,000 oz Au in the Indicated Mineral Resource category and approximately 2.14 million tonnes at an average grade of 2.36 g/t Au containing approximately 163,000 oz Au in the Inferred Mineral Resource category.

At a cut-off grade of 0.34 g/t Au, the Mineral Resources in the open pit mine comprise approximately 3.11 million tonnes at an average grade of 2.08 g/t Au containing approximately 208,000 oz Au in the Indicated Mineral Resource category and approximately 3.34 million tonnes at an average grade of 1.30 g/t Au containing approximately 139,000 oz Au in the Inferred Mineral Resource category.

RPA classified the Mineral Resources into either the Indicated or Inferred categories based on drill hole spacing, grade continuity, and reliability of data. For the underground mine model, vein blocks interpolated

in passes 1 and 2, with ranges of up to 35 m, were classified as Indicated. Vein blocks interpolated in pass 3, with ranges of up to 70 m, were classified as Inferred.

For the open pit mine model, vein blocks interpolated in pass 1, with a range of 35 m were classified as Indicated. Vein blocks interpolated in pass 2, with a range of 70 m were classified as Inferred. All blocks that received an estimate within the waste domain were classified as Inferred.

Norrberget

The following description for Norrberget was taken from the 2018 Technical Report (RPA, 2018). No changes have been made to the Mineral Resource estimate since the underlying assumptions have not changed with the exception of the exchange rate (9.0:1 versus 8.4:1). RPA does not expect the change in exchange rate to have a material impact on the Mineral Resource at Norrberget.

RPA reviewed data for Norrberget and has independently prepared Mineral Resource estimates using a drill hole database with a cut-off date of September 30, 2017. The Mineral Resource estimate has an effective date of December 31, 2017. No drilling has been carried out since October 4, 2017.

RPA generated three mineralized domains for Norrberget that reflected packages of mineralized and altered material above a 0.35 g/t Au cut-off that was a minimum of 2 m in horizontal width.

RPA reviewed the Norrberget data and capped the grades to ensure that sporadic high-grade values were not overrepresented. A 24 g/t Au capping value was applied. The capped samples were flagged by the mineralized domain wireframes and the intercepts were composited on a 1.0 m length between the wireframe boundaries, with a minimum residual of 0.5 m.

A block model that encompassed the mineralization wireframes and sufficient waste to constrain the resource within a pit was generated. Au grades were interpolated into the mineralized blocks using ID3. A total of three interpolation passes were carried out to estimate the grades in the block model.

Cut-off grades were developed using the January to September 2017 actual cost information from Björkdal along with an Au price of $1,400 per ounce. The cut-off grade for reporting of Mineral Resources for Norrberget was determined to be 0.35 g/t Au.

RPA classified the Mineral Resources as Indicated and Inferred based on drill hole spacing, grade continuity, and reliability of data.

At a cut-off grade of 0.35 g/t Au, the Norrberget Mineral Resources comprise 144,000 t at an average grade of 3.29 g/t Au containing 15,000 oz of Au in the Indicated Mineral Resource category and approximately 500 oz of Au in the Inferred Mineral Resource category. Mineral Resources were estimated within an open pit.

The Mineral Resource estimates, as shown in the table below, are reported inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table: Mineral Resources at the Björkdal Mine and Norrberget Deposit as of December 31, 2019, inclusive of Mineral Reserves

Category	Area	Tonnage (kt)	Grade (g/t Au)	Contained Au (koz)
Indicated Resources				
	Open Pit	3,114	2.08	208
	Underground	9,656	2.58	799
	Stockpile	2,644	0.64	54
	Sub-total	15,414	2.14	1061
	Norrberget Open Pit	144	3.29	15
Total Indicated		**15,558**	**2.15**	**1,077**
Inferred Resources				
	Open Pit	3,338	1.30	139
	Underground	2,143	2.36	163
	Sub-total	5,481	1.71	302
	Norrberget Open Pit	3	4.03	0.5
Total Inferred		**5,483**	**1.71**	**302**

Notes:

1. Björkdal Mineral Resources are estimated using drill hole and sample data as of September 30, 2019 and depleted for production through December 31, 2019.
2. Norrberget Mineral Resources are estimates using drill hole and sample data as of September 30, 2017.
3. CIM (2014) definitions were followed for Mineral Resources.
4. Mineral Resources are inclusive of Mineral Reserves.
5. Mineral Resources are estimated using an average gold price of $1,500/oz and an exchange rate of 9.0 SEK/$.
6. Bulk density is 2.74 t/m^3. Bulk density is 2.92 t/m3 for skarn ore bodies.
7. High gold assays were capped to 30 g/t Au for the open pit mine.
8. High gold assays for the underground mine were capped at 60 g/t Au for the first search pass and 40 g/t Au for subsequent passes.
9. High gold assays at Norrberget were capped at 24 g/t Au.
10. Interpolation was by inverse distance cubed utilizing diamond drill, reverse circulation and chip channel samples.
11. Open pit Mineral Resources are estimated at a cut-off grade of 0.34 g/t Au and constrained by a resource pit shell.
12. Underground Mineral Resources are estimated at a cut-off grade of 0.80 g/t Au.
13. A nominal two metres minimum mining width was used to interpret veins using diamond drill, reverse circulation, and underground chip sampling.
14. Stockpile Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au and are based upon surveyed volumes supplemented by production data.
15. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
16. Numbers may not add due to rounding.

The Mineral Reserves estimated by RPA with an effective date of December 31, 2019, are listed in the table below.

The Mineral Reserve estimate for Björkdal is 11.38 million tonnes at a grade of 1.58 g/t Au, for a total of 580,000 oz contained Au. The Mineral Reserve estimate for Norrberget is 162,000 tonnes at a grade of 2.80 g/t Au, for a total of 15,000 oz contained Au.

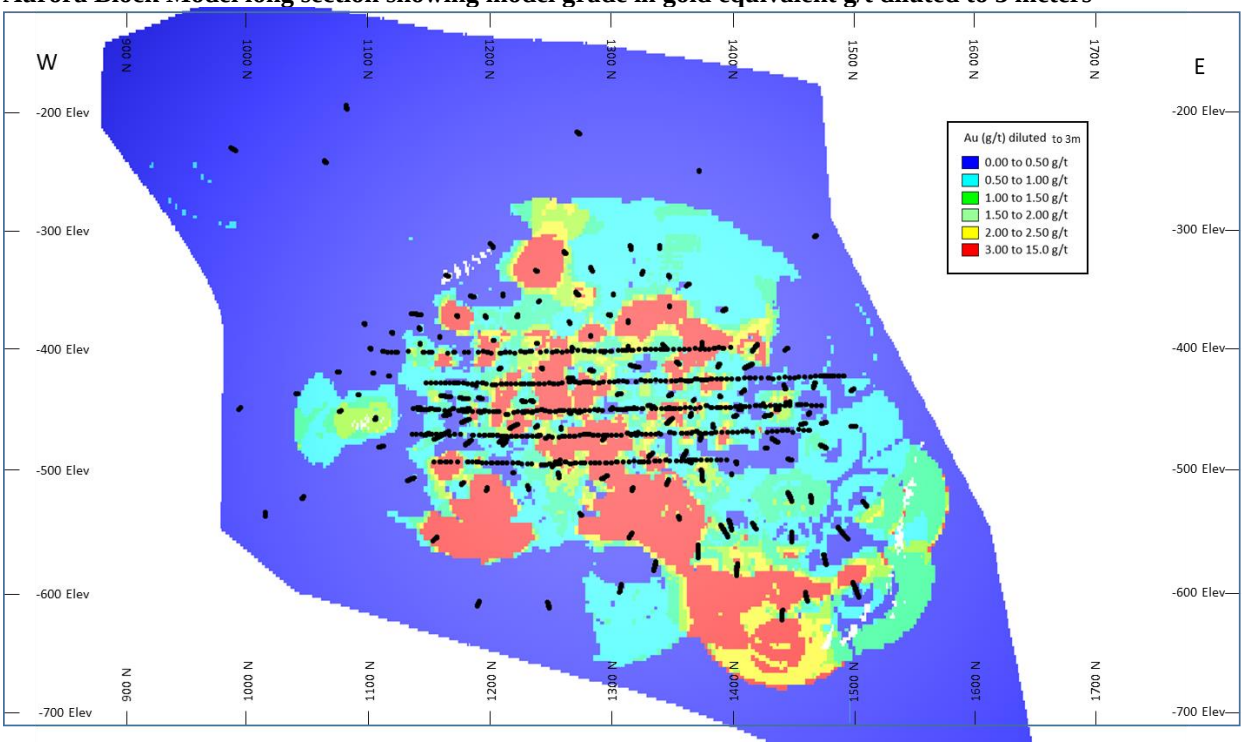
Table: Mineral Reserves at the Björkdal Mine and the Norrberget Deposit as of December 31, 2019

Category/Area	Area	Tonnage (kt)	Grade (g/t Au)	Contained Au (koz)
Probable Reserves				
Björkdal	Open Pit	2,875	1.23	114
	Underground	5,410	2.10	365
Norrberget	Open Pit	162	2.80	15
Stockpile	Stockpile	2,644	0.64	54
Total Probable		**11,090**	**1.54**	**548**

Notes:

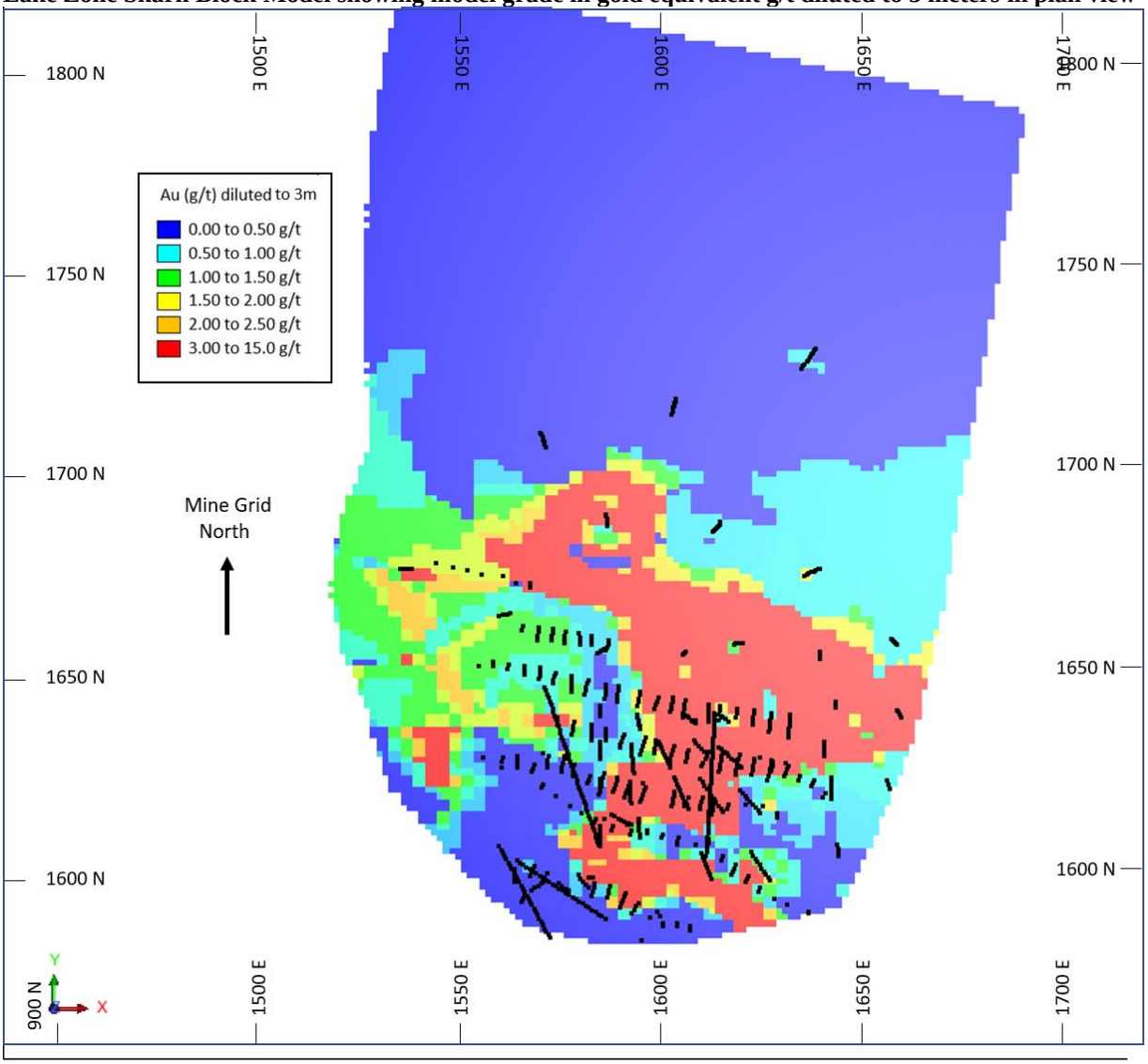
1. Mineral Reserves are estimated using drill hole and sample data as of September 30, 2019 and depleted for production through December 31, 2019.
2. Norrberget Mineral Reserves are estimated using data as of September 30, 2017.
3. CIM (2014) definitions were followed for Mineral Reserves.
4. Open Pit Mineral Reserves are based on mine designs carried out on an updated resource model, applying a block dilution of 100% at 0.0 g/t Au for blocks above 1.0 g/t Au and 100% at in-situ grade for blocks between 0.4 g/t Au and 1.0 g/t Au. The application of these block dilution factors is based on historical reconciliation data. A cut-off grade of 0.4 g/t Au was applied. Open Pit Mineral Reserves for Norrberget are based on 15% dilution at zero grade and 100% extraction.
5. Underground Mineral Reserves are based on mine designs carried out on an updated resource model. Minimum mining widths of 3.85 m for stopes (after dilution) and 4.35 m for development (after dilution) were used. Stope dilution was applied by adding 0.5 m on each side of stopes as well as an additional 10% over break dilution. Further dilution, ranging from 10% to 100%, was added on a stope by stope basis depending on their proximity with other stopes. An overall dilution factor of 14.5% was added to development designs. Mining extraction was assessed at 95% for contained ounces within stopes and 100% for development. A cut-off grade of 0.92 g/t Au was applied. An incremental cut-off grade of 0.4 g/t Au was used for development material.
6. Stockpile Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au and are based upon surveyed volumes supplemented by production data.
7. Mineral Reserves are estimated using an average long-term gold price of $1,300/oz, and an exchange rate of 9.0 SEK/$.
8. Tonnes and contained gold are rounded to the nearest thousand.
9. Totals may appear different from the sum of their components due to rounding.

Aurora Block Model long section showing model grade in gold equivalent g/t diluted to 3 meters



Note: Black dots represent face and drillhole samples used in the resource estimate.

Lake Zone Skarn Block Model showing model grade in gold equivalent g/t diluted to 3 meters in plan view



Note: Black dots represent face and drillhole samples used in the resource estimate

Mining Operations

Underground – Björkdal

Indicated Mineral Resource blocks greater than 0.8 g/t Au were used as a basis for initial stope designs generated by Auto Stope Designer, an automated layout function that is part of the Deswik software package.

The resulting stopes were evaluated manually and adjustments were made where necessary. Stopes were evaluated based on size, grade, and relative distance to existing development. Stopes that were not economically viable were removed from Mineral Reserves. Any stopes that were within 5 m of each other were combined into larger stopes and diluted based on the additional internal waste captured in the new stope. The 5 m pillar requirement is based on actual mining conditions experienced at Björkdal. The current stope designs do not incorporate localized geotechnical and geological considerations including detailed knowledge of hangingwall and footwall contacts, fault zones, and structural features such as folding.

The underground mining method used at the Björkdal Mine is longhole stoping with a sub-level spacing of 15 m to 20 m, depending on the zone. Crosscuts are established perpendicular to the vein system and are within approximately 20 m of the marble contact at 20 m vertical intervals. Veins are developed by drifting on each sublevel from the crosscut. All pre-production vein, crosscut and ramp development is drilled and blasted using conventional trackless mining equipment.

Stoping blocks are drilled with approximately 15 m long 64 mm diameter up-holes connecting to the bottom of the overlying stope using Atlas Copco Simba ME7C or M7C drill rigs. When production drilling is completed, initial slot raises are developed and drill lines blasted in groups of three to five rings using a burden of 1.5 m and retreating towards the hangingwall. The material is removed between blasts, which also allows void space for the following blast. Remotely operated scoops are used to muck the stopes to nearby re-handle stockpiles, or onto haul trucks.

In consideration of the variable vein geometry and existing equipment configuration, 3.5 m has been established as the most practical minimum mining width. This includes provision for a 0.5 m over break on both the hangingwall and footwall sides of the stope.

Open Pit – Björkdal

The open pit has currently been halted and is planned to be restarted in 2023. The planned method is standard truck and shovel mining, as done historically. Details will be redefined closer to the restart date.

Mineral Processing

The mineral processing plant at Björkdal commenced operation in 1989. Since that time, it has processed more than 32.6 million tonnes of ore from open pit and underground sources and produced approximately 1.4 million ounces of gold. Currently, the concentrator throughput is 1.3 Mtpa and the overall gold recovery is 88.3% of which 73% is obtained from the gravity processes and 17% from flotation.

The concentrator includes primary, secondary, and tertiary crushing, primary and secondary grinding, a series of gravity concentration steps, regrinding, and flotation to produce three gravity concentrates and a flotation concentrate.

Markets

Björkdal produces four salable products: a gravity concentrate, a middlings concentrate, a Knelson concentrate and a flotation concentrate. Björkdal has concentrate sales agreements with Aurubis Ag in Germany and Boliden Commercial AB in Sweden. The terms and conditions of commercial sale are not disclosed pursuant to confidentiality requirements. Björkdal has also sold some concentrate on the spot market to customers in Europe and Asia.

Contracts

Other contracts that exist with the mine and suppliers include those for:

- Underground Ore Transport: Renfors AB is responsible for the haulage to the surface of all underground mined material and haulage from stockpiles to crusher.
- Skellefteåbränslen AB: supplies diesel and gas to site.
- Blasting: EPC Sverige AB for the supply of emulsion and ANFO explosives and blast hole loading and underground.
- Byggbetong AB: Shotcrete for underground

- Exploration Diamond Drilling: Contracted on an as-needed basis.
- ALS laboratory service on-site
- Variety of leased mining equipment.

Environmental

A full environmental audit is carried out every three years by an independent consultant and the local authorities. The monitoring, control and management, policies and procedures are well documented and entirely appropriate to the type of operation.

The Mine has low sulphide content and, as a result, no acid rock drainage ("**ARD**") potential exists, Gold is recovered by mechanical and gravity processes with no use of cyanide. There are no harmful elements associated with the Mine tailings and the tailings have been declared non-toxic by the authorities. Previous characterization studies conducted have shown that waste rock from open pit mining contains very low levels of heavy metals and sulphur and have concluded that the waste should be considered inert.

Water quality is monitored on a regular basis at eight strategically placed monitoring stations. The Upper Lillträsk Creek and Upper Kåge River stations are located upstream of the mining area and provide reference water quality data; two stations on the mine property monitor discharge quality from the mine water system (PP1) and the TMF (PP2); and four additional stations located in Lower Lillträsk Creek, Kåge River, and Röjmyr Creek monitor changes in the receiving watershed.

Sampling is performed by certified samplers and the protocol includes analyses for a suite of twenty-one metals; pH; temperature; ammonium-nitrogen, phosphates and phosphorus; nitrogen, nitrates and nitrites; oil and total suspended solids (TSS).

Björkdal reports that the discharge water quality from both the mine water management system (PP1) and the TMF (PP2) have historically exceeded permissible levels for nitrates and TSS. Elevated levels of phosphorus and phosphates have also been noted at PP1.

The Mine has conducted several studies to establish the cause for these elevated values and to address elevated nitrogen and TSS levels. In 2015, the underground mine water discharge was diverted into the tailings pond and nitrogen levels declined as a result of degradation of nitrogen due to a longer residence time and dilution. Since 2018, all mine discharge water has been discharged to the TMF through PP2, and PP1 removed from the control and monitoring system. This change has been approved by the environmental court and is anticipated to resolve all issues with elevated nitrites and TSS.

Mine closure and reclamation plans are submitted and approved as an annex to the environmental permit and includes a reclamation bond with the Swedish authorities. Mandalay presently has US$4.43 million (SEK 43 million) in a secured reclamation account held by the Swedish authorities.*Taxes*

The Corporation's profit is subject to a corporate tax at a flat rate of 21.4% applying since January 1, 2019. This is to be decreased to 20.6% in 2021. The Corporation currently have any SEK 37.9 million carry-forward tax losses.

Capital Costs

RPA has completed the LOM and cost estimates in sufficient detail to be satisfied that economic extraction of these Probable Mineral Reserves is justified. The majority of the capital cost estimates contained in this report are based on quantities generated from the open pit and underground development requirements. The following table summarizes the capital costs for the project:

Table: Björkdal Capital Cost Summary

Description	Value ($ '000)
Sustaining Capital Fixed Assets	41,062
Capital Development Underground	22,572
Pre-Strip Open Pit	45,052
Total Sustaining Capital	**108,685**
Growth Capital Fixed Assets	8,011
Total LOM Capital Expenditure	**116,696**

Operating Costs

Björkdal maintains detailed and all-inclusive operating cost records that provide an excellent basis for estimating future operating costs. Björkdal produced a cash flow estimate based on the budgeted costs for 2020.

This estimate was checked by RPA against the 2017 to 2019 costs provided by Björkdal. The majority of Björkdal's operating costs are based in Swedish Kronor.

All costs have been converted to US dollars using exchange rate assumptions of 9.0 SEK/US$.

Table: Björkdal LOM Operating Costs

Description	LOM ($ '000)	Annual Average ($ '000)	Unit Cost ($/t proc)
Mining	135,406	16,926	12.15
Processing	86,693	10,837	7.78
G&A	91,345	11,418	8.20
Royalties and Refining	10,150	1,269	0.91
Total Operating Cost	**323,594**	**40,449**	**29.03**

The LOM has been prepared on the basis that all planned mining activities can be carried out using the existing Björkdal manpower. It is assumed that current contract prices will remain unchanged for mining activities performed by a contractor such as open pit mining and underground rock haulage.

Cost inputs have been priced in real Q4 2019 dollars, without any allowance for inflation or consideration to changes in foreign exchange rates.

Economic Analysis

This section is not required as the property is currently in production. Mandalay is a producing issuer, and there is no material expansion of current production. RPA has verified the economic viability of the Mineral Reserves via cash flow modelling, using the inputs discussed in the Björkdal Technical Report.

Exploration and Development

For 2020, Mandalay anticipates the main focus to be on exploration in the underground. Capital development will continue to the north of the known mineralization proximal to the Aurora zone. Ramping will also continue at the main and central zones following the depth extensions of those zones.

In 2020, Mandalay is seeking to drill extensions of the Aurora zone and surrounding veins. Drilling is expected to occur from surface looking for the upper limit of Aurora and from underground seeking to extend the depth of the mineralization. Drilling will also be focused on higher-grade skarn mineralization in the underground mine.

6.13 Mineral Projects – Costerfield

Information referenced in this section referring to Costerfield is based on the Costerfield Technical Report.

Property Location

The Costerfield Operation is located within the Costerfield mining district, approximately 10 km northeast of the town of Heathcote, Victoria.

The Augusta Mine has been operational since 2006 and was the sole ore source for the Brunswick Processing Plant until December 2013 when ore production started from the Cuffley Deposit located approximately 500 m to the north of the Augusta mine workings. The Cuffley, Augusta and Brunswick deposits are being mined in conjunction with the Youle deposit, which produced its first ore in August 2019.

All ore is processed at the Brunswick Processing Plant, and associated infrastructure, all of which are located within mining licence MIN 4644. The mining licence is located within exploration lease EL 3310, which is 100% held by Mandalay Resources Costerfield Operations Pty Ltd.

The Augusta Mine is located at latitude of 36° 52’ 27” south and longitude 144° 47’ 38” east. The Brunswick Processing Plant is located approximately 2 km northwest of Augusta. The Cuffley Lode is located approximately 500 m north-northwest of the Augusta workings and is accessed by an underground decline from Augusta. The Brunswick deposit is located approximately 1.4 km north-northwest of the Augusta workings and 680 m north-northwest of the Cuffley Deposit. The Youle Deposit is located 2.2 km north of the Augusta workings and 1.6 km north of the Cuffley deposit.

Ownership

Mandalay manages the Costerfield Operation and holds a 100% interest in tenements MIN4644, MIN5567, EL3310, EL 5432 and EL5519. On November 2, 2018, two Exploration Licence Applications (ELA6847 and ELA6842) were submitted to DJPR (Department of Jobs, Precinct and Regions). These two tenements are located to the east and west of the existing Costerfield tenements and cover an area of 64 km^2. These tenement application are still undergoing the right to negotiate (RTA) process, as defined by the Native Title Act (NTA) 1993.

Tenure information for the two Mining Licences, three Exploration Licences, and two Exploration Licence Applications are shown in the following table:

Table: Costerfield Granted Tenement Details

Tenement	Name	Status	Corporation	Area	Grant date	Expiry date
MIN4644	Costerfield	Granted	AGD Operations P/L	1219.3 Ha	25/02/1986	30/06/2026
EL3310	Costerfield	Granted	AGD Operations P/L	59.0 GRATS	17/09/1993	17/09/2020
EL5519	Antimony Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	8.0 GRATS	28/05/2015	27/05/2023
EL5432	Peels Track	Granted	AGD Operations P/L	4.0 GRATS	23/08/2012	22/08/2022
ELA6842	Costerfield West	Under Application	Mandalay Resources Costerfield Operations Pty Ltd	29.0 GRATS	Submitted 2/11/2018	Pending
ELA6847	Costerfield East	Under Application	Mandalay Resources Costerfield Operations Pty Ltd	35.0 GRATS	Submitted 2/11/2018	Pending
MIN5567	Splitters Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	30 Ha	20/02/2013	20/02/2023

1 GRATS is equivalent to 1 km^2

The mining licenses cover all current and future planned mining activity.

Permitting

Primary approval for the operation of Costerfield is held through Mining License MIN4644. In December 2017, this license was renewed for 10 years (until June 30, 2026).

Royalties

Mandalay pays royalties to the State Government of Victoria for antimony production and as of January 01, 2020 the Corporation will pay a royalty on gold production. The Corporation also pays compensation agreement liabilities to the State Government of Victoria.

Royalties payable include a 2.75% royalty on antimony and gold production less any selling expenses, and depend on metal prices and exchange rates at the time of sale.

There are no royalty agreement's in place with previous owners.

Royalties are payable to the Victorian State Government through the DJPR if waste rock or tailings is sold (or provided to) to third parties, because they are deemed to be 'quarry products'. The royalty rate is AUD 0.87/t.

Environmental Liabilities

Costerfield Operations is currently in compliance with all permits and authorizations.

In October 2018, a bond review was carried out and the value of the rehabilitation policy has increased by AUD224,000 to AUD4,079,000 in total for MIN4644 and MIN5567. The rehabilitation bond for MIN4644 is currently AUD3,331,000.

A further AUD10,000 bond is paid to the DJPR for tenements EL3310 and EL5432 and with Vic Roads for licences for pipelines that are crossing roads.

The rehabilitation bond for MIN5567, the lease on which the Splitters Creek Evaporation Facility has been constructed, was calculated in October 2018 and set aside AUD748,000.

The total bond for MIN4464, the lease where the Augusta mine site and Brunswick Processing Plant are situated, is AUD3,331,000. The bond has increased in the latest bond review due to the addition of the Brunswick vent shaft in 2018.

Rehabilitation is undertaken progressively at the Costerfield Operation, with the environmental bond only being reduced when rehabilitation of an area or site has been deemed successful by the DJPR. This rehabilitation bond is based on the assumption that all rehabilitation is undertaken by an independent third party. Therefore, various project management and equipment mobilization costs are incorporated into the rehabilitation bond liability calculation. In practice, rehabilitation costs may be less if Mandalay chooses to use internal resources to complete rehabilitation.

Other than the rehabilitation bond, the Costerfield Operation is not subject to any other environmental liabilities.

Local Resources and Infrastructure

Power

Costerfield's electrical power demand uses grid power and additional onsite diesel fired generation to supplement the site requirement. This is comprised of High Voltage (HV) 22 kV, 11 kV and low voltage (LV) 415 V systems.

The HV infrastructure is supplied via a 22 kV feeder from Powercor (the grid network provider). The system then steps down this power on site to 11kV using transformers which is dispersed to six (6) HV substations. Here the power is then stepped down further to 1 kV and 415 V. The 11 kV system extends from the underground operations back to the surface to supply the Brunswick Processes Plant where it is stepped down to 415 V from 11 kV.

The site demand is supported by 3 MVA of network power and the remainder is provided through synchronised diesel fired generation on site. The systems power quality is also supported by means of an 11 kV Power Factor Correction Unit (PFCU).

The main power system equipment on site consists of;

- Two (2) overhead powerlines
- Seven (7) High Voltage Substations
- Eight (8) High Voltage RMU's (Ring main units)
- Ten (10) High Voltage transformers
- High Voltage PFCU
- Three (3) Synchronised Generators one (1) Island mode Generator

- Site electrical power reticulation

The operations uses between 3000 kVA to 5000 kVA of demand at any given time.

The sites Power system enables peak lopping of any load over the 3 MVA of network capacity with the synchronised generators only when needed. This enables islanded generators to be removed from site and generation from diesel is only used when needed and is synchronised with the grid. The system also enables the site to have up to 3 MVA of backup power isolated from the network if needed.

The autonomous system identifies a grid lose and sheds all non-essential load and supports the operation in island mode. Once the network is available again, the system synchronises and allows for full operating again. PFCU correction at 11 kV ensures the entire sites inefficiency is corrected at the supply source.

Water

Water for the Augusta underground and surface operations is sourced from the Augusta Mine Dam which is fed directly from the rising main that extends from the Cuffley 945 Pump Station to surface, i.e. from underground dewatering.

The Brunswick Processing Facility sources water from a number of sources including recycled process water from the Brunswick and Bombay TSFs.

Potable water is trucked to site by a private contractor and is placed in surface holding tanks for use in the change house and office amenities. Potable water for drinking is provided in 15 litre containers.

Groundwater is currently pumped from the underground workings to the Mine Dam at a rate of approximately 1.8 ML per day. The water is pumped from the Mine Dam to either the Splitters Creek Evaporation Facility, or a sequence of water treatment facilities (an Actiflow unit in sequence with a Reverse Osmosis plant) located at the Brunswick site. The Brunswick Pit is no longer used for water storage due to the proximity of active underground Brunswick workings to the bottom of the pit and plans for Brunswick portal breakthrough.

The Augusta Evaporation Facility comprises of three dams with a total storage capacity of 150 ML. Total site storage capacity including smaller catchment and operational dams such as the mine dam (including Splitters Creek, Brunswick and Augusta) is approximately 370 ML.

The water services at the Brunswick Processing Plant consist of the raw water, process water and excess water disposal systems. The process water supply consists of concentrate thickener overflow, tailing thickener overflow and Brunswick TSF decant return water. Whilst the process plant utilises water from a closed circuit, make-up process water is required to supplement water evaporated at the Brunswick TSF.

Total evaporation water disposal capacity including discharge of Reverse Osmosis treated water and Splitters Creek Evaporation Facility and is currently estimated at 664 ML per year assuming long term average Heathcote climatic conditions. Aquifer Recharge trials have been successful and MRCO is currently in the process of permitting a permanent Aquifer Recharge scheme capable of up to 350 ML per annum.

Buildings and Facilities

The Costerfield office and ablution facilities are located on the Augusta underground mine site and at the Brunswick site.

Currently, all employees live in the surrounding towns and commute to work in private vehicles. There are five houses available for new employees and contractors as required.

Tailings and Waste Rock Storage Areas

Two tailings storage facilities ("**TSF**") have been constructed and operated:

1) Brunswick TSF; and
2) Bombay TSF.

Both TSFs were constructed based on a conventional paddock style/turkey's nest type design with earthen embankments.

Tailings are currently deposited in the Bombay TSF, which currently has capacity to allow tailings to be deposited until Q3 2020. An additional upstream lift is planned to take place on the Brunswick TSF facility, this lift will be completed in Q3 2020 and will provide additional tailings storage until 2022. There is another approval in place for a further lift on the Bombay TSF providing further tailings storage capacity into the future.

Workforce

The workforce for Costerfield is sourced from the surrounding area and the large mining town of Bendigo. There is adequate access to labour available in the area for foreseeable operating plans.

Accessibility

Access to Costerfield is via the sealed Heathcote–Nagambie Road which is accessed off the Northern Highway to the south of Heathcote, at a distance of approximately 100 km north of Melbourne. The Northern Highway links Melbourne and Central and North-Central Victoria.

The Augusta mine site is accessed off the Heathcote–Nagambie Road via McNicols Lane which comprises a sealed/gravel road that continues for approximately 1.5 km to the Augusta site offices.

The Brunswick processing plant is located on the western side of the Heathcote–Nagambie Road, approximately 1 km further north of the McNicols Lane turnoff. The Brunswick site offices are accessed by a gravel road that is approximately 600 m long.

The access road to the mine off the Heathcote-Nagambie Road is a narrow-width bitumen strip with gravel shoulders.

Climate

The local climate of the Costerfield district is 'semi-arid' or 'Mediterranean' in character. The winters are cool and wet, and the summers are hot and dry. There is a high probability of rainfall occurring during the summer and the rainfall often yields high intensity downpours.

Annual rainfall in the area is approximately 500-600 millimetres (**"mm"**), with the majority occurring between April and October. The temperature ranges from -2°C in winter (May to August) to +40°C in summer (November to February).

The weather is amenable to year-round mining operations; however, construction activity is restricted to the summer months as high winter rainfall can lead to saturated ground conditions that can affect surface activities.

Topography and Vegetation

The topography of the Costerfield area consists of relatively flat to undulating terrain with elevated areas to the south and west sloping down to a relatively flat plain to the north and east. The low-lying areas of the plain are a floodplain. The area ranges in elevation from approximately 160 m above sea level in the east along Wappentake Creek to 288 m above sea level in the northwest. Vegetation ranges from mixed species of open forest in the valleys and gentle slopes, with shrubby box gum on the stony gravelly hills and heath and grasses on the dry slopes and ridges. Much of the undulating land and alluvial flats have been cleared of vegetation for farming purposes.

Geology and Mineralization

The Costerfield Au-Sb vein district, of which the Augusta Lodes are part, is located on the northern end of the Darraweit Guim Province. Stratigraphy in this area comprises a thick sequence of Lower Silurian to Lower Devonian shelf and flysch sedimentary rocks, dominated by turbiditic siltstone, with minor sandstone and argillite. These rocks form the Murrindindi Supergroup. At the base of the Supergroup is the Costerfield Formation, which is conformably overlain by the Wappentake (sandstone/siltstone) and Dargile (mudstone) Formations, the McIvor Sandstone and the Mount Ida Formation (sandstone/mudstone).

The north-trending Heathcote-Mt William fault system marks the western boundary of the Melbourne Trough in the Costerfield area.

The Au-Sb veins in the Costerfield district are hosted within the Silurian Costerfield Siltstone unit. Within the district, four north-northwest ("**NNW**") -trending zones of mineralization have been identified. They are, from the west:

1) Antimony Creek Zone, approximately 6.5 km southwest of Costerfield, on the outer western flank of the Costerfield Dome;
2) Western Zone, approximately 1.5 km west of Costerfield, on the western flank of the Costerfield Dome;
3) Costerfield Zone, near the crest of the dome, centred on the Costerfield township and hosting the major producing mines and deposits; and
4) Robinsons – Browns (R-B) Zone, 2 km east of Costerfield (see Figure below).

Au-Sb veins of the Augusta Lodes typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb_2S_3). Minor amounts of arsenopyrite and pyrite occur as well. Stibnite occurs as fine-grained, massive vein fill or as matrix support to vein-quartz breccias. Au is finely dispersed within the massive stibnite. As well, coarse Au is contained in the older quartz veins.

The Augusta Lodes occur within NNW-trending shear zones, which dip steeply to the west. They include E and W-Lodes, previously mined; N-Lode, currently being mined; and the smaller C-Lode. The E-Lode vein is approximately 0.4 m thick with a strike length of about 500 m. W-Lode averages approximately 0.4 m thick and has a strike length of approximately 230 m.

The Cuffley Lode lies approximately 200 m to the west of E-Lode. The lode dips at about 85° to the east and occurs over a strike length of approximately 750 m, with a down-dip extent of approximately 250 m. It has an average true thickness of approximately 0.53 m. At present, the Cuffley Lode is open at depth.

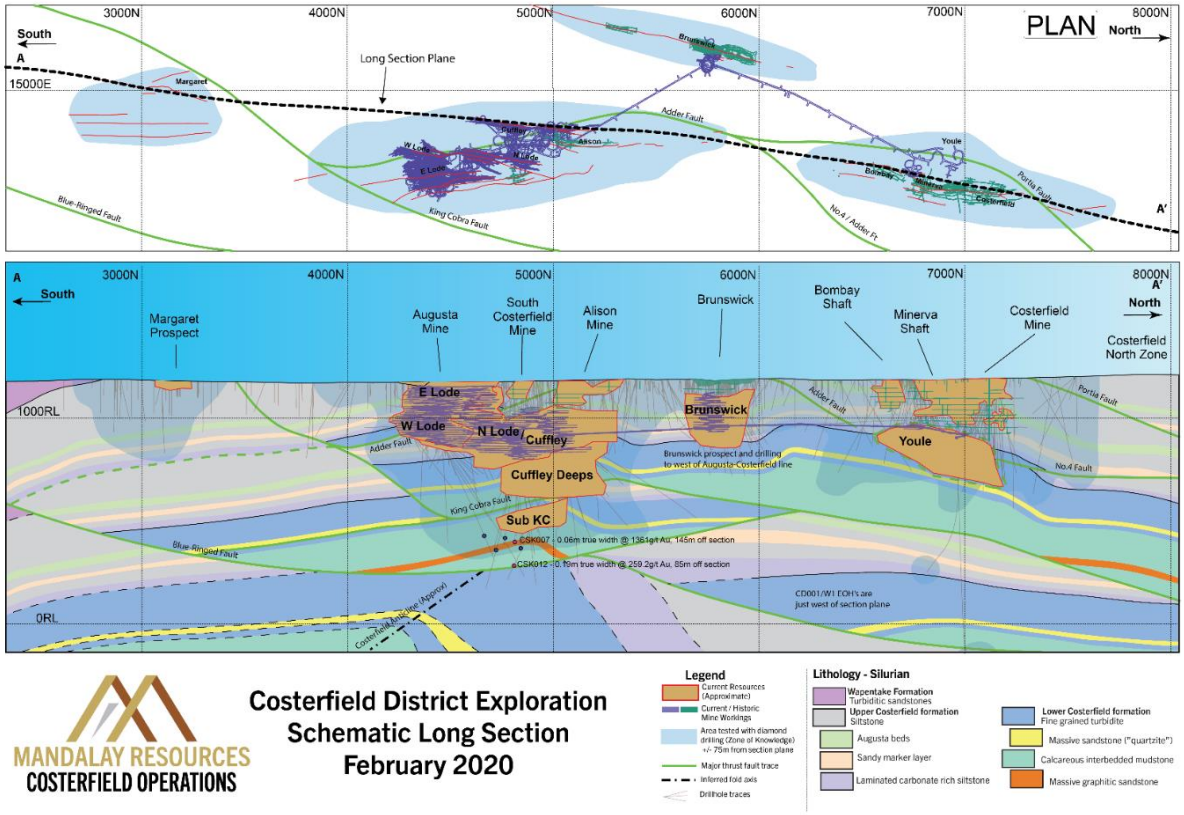
The Brunswick Lode lies approximately 600 m northwest of the northernmost point of the Cuffley Lode. The lode is sub-vertical and occurs over a strike length of approximately 450 m, with a down-dip extent of

approximately 200 m and an average true thickness of approximately 1.28 m. Recent exploration drilling has identified mineralization to the south and at depth below the known Brunswick Lode. Mineralization is broken into two zones of mineralization below the Brunswick Lode, called the P-K domain and Brunswick Deeps. The P-K domain is capped by the shallow west-dipping Penguin Fault,and extends to the Kiwi Fault. The Brunswick Deeps zone is defined by the west-dipping Kiwi Fault and Adder Fault. Similar in nature to Cuffley and N-Lodes, the mineralization in the two domains is generally confined to sub-vertical quartz–stibnite veins.

The Youle deposit extends below the historical Costerfield, Minerva and Bombay group of mines located approximately 1.2 km northeast of Brunswick. Mineralization was identified in 2011 in drill hole MB012, which struck the down-dip continuation of the vertical Kendall Lode, offset westward over the west-dipping No. 3 thrust fault. In 2016, drill hole BC006W1 revealed the existence of a high-grade north–northwest striking, west-dipping lode structure, Youle. The Youle Lode dips at a shallower angle to the mineralized lodes in Augusta and Cuffley and has been identified as the down-dip continuation of the vertical Kendall Lode offset westward over the west-dipping No.5 thrust fault.

Youle has thus far demonstrated consistent structural and grade continuity over much of its extent. The Youle Lode has a strike length of 600 m (width of 150 m) and ranges in true thickness between 0.16 m and 1.37 m. Similar to the Augusta and Brunswick Lodes, mineralization is confined to quartz-stibnite veins.

Plan View and Long Section of Augusta, Cuffley, Brunswick and Youle Lodes



History

Exploration for Sb-Au deposits in the Costerfield area of Central Victoria started in the early 1850s and resulted in the discovery of the main Costerfield Reef in 1860. Around the same time, the Kelburn (Alison) Reef and Tait's Reef were discovered at South Costerfield.

The Alison Mine ceased operations in 1923, while the South Costerfield/Tait's Mine operated sporadically from the 1860s until 1978 and was the last shaft mine to operate on the field.

In 1970, Mid-East Minerals NL identified a large bedrock geochemistry anomaly south of Tait's Shaft, which they called 'Tait-Margaret'. This was subsequently drilled by the Mines Department in 1977 and mineralized veins were intersected.

In 2001, AGD drilled the 'Tait-Margaret' anomaly, which was re-named 'Augusta'. AGD commenced underground mining of the Augusta resource (N, C, W and E-Lodes) in 2006. Brownfield exploration core drilling by Mandalay in 2011 located a faulted offset of the Alison Lode beneath the old Alison Mine and New Alison Mine workings. The deeper offset mineralization was renamed the Cuffley Lode. Subsequent definition drilling throughout 2011 and 2012 resulted in an initial Inferred Resource for the Cuffley Lode being established in January 2012 and the Brunswick Lode in 2016.

Further infill and extension drilling continued to build on Inferred Resources and convert Inferred Resource to Indicated Resource in 2013-2016. Mining of the Cuffley deposit began in 2014. Through 2014 and 2015 the focus of mining moved to N-Lode and Cuffley as extraction from E-Lode and W-Lode neared completion. 2017 ore extraction was predominantly from the N-Lode and Cuffley. In 2017, the Corporation began developing toward the Brunswick Lode, producing from Brunswick in late 2018. In 2018 successful exploration has led to the inclusion of the high-grade Youle Lode in mineral reserves and mining commenced on the Youle deposit in September 2019.

Exploration

The Costerfield antimony-gold deposits were discovered in the 1860s. At that time, prospectors Coster, Field and Youle named and mined the Main Costerfield Reef. Further exploration found the Minerva and Bombay deposits between 1860 and 1883. From 1936, the south Costerfield deposit was defined and mined. This deposit is the northern extent of the Augusta deposits. Mid-East Minerals discovered the Brunswick line of Sb and Au mineralization in 1966. This deposit was further explored and mined by Forsayth Mineral Exploration & Costerfield Mining Pty Ltd. from 1973 to 1975. The Augusta mineralization was discovered by the Victoria Mines Department between 1975 and 1981. Continued exploration and resource definition drilling resulted in the completion of a successful feasibility study and development of the Augusta Lode underground mine by AGD in 2006.

Costerfield Operations continued exploration in the mine area. Mandalay drilled the Augusta E and W-Lodes below the existing mine workings with a single rig from June to December, 2010. Good results of that program led the mine to commit a 12-month, two-rig continuation of the Deeps drilling, in addition to inaugurating a single-rig, 8-month program to explore the district for new mineralized shoots. The 2011 drilling program yielded a number of intercepts in the Augusta E and W-Lodes and discovery of the Cuffley (formerly Alison Deeps) Lode. These results encouraged Mandalay to execute a three-rig program in 2012 that extended W, N, and Cuffley Lode resources.

In 2013, the drill program focused on infill drilling the central, high-grade part of the Cuffley Lode to convert some of the Inferred Mineral Resources to the Indicated category.

In 2014, Costerfield Operations continued extending and infill drilling Cuffley Lode and tested several new targets along the principal strike of the district.

In 2015, exploration focused on extending the Cuffley and Augusta Resources both along strike and at depth. The expansion of the Cuffley Resource included the commencement of drilling in the Cuffley Deeps and Sub King Cobra regions. Exploration drilling was also carried out in West Costerfield and the Margaret areas.

In 2016, exploration focused on drilling on Sub-King Cobra, Cuffley Deeps, Cuffley South/M and New Lode, Margaret and Brunswick Lodes with the purpose of extending and converting the existing Inferred Mineral Resource at Brunswick to an Indicated Resource, infill drilling in the Cuffley Deeps and extending the Cuffley Deeps West Lode.

In 2017, exploration was focused predominantly on near-mine and opportunistic targets close to existing infrastructure and capital development, with the primary focus to increase immediate mine life. A strong focus for the year was carrying out infill and extension of the Brunswick Resource and upgrading the Brunswick Mineral Resource with the aim to convert to Mineral Reserve, while also increasing in-mine Resources through Opportunistic Drilling Projects. A successful target testing campaign was undertaken, investigating the depth continuation of mineralization underneath the Costerfield mine.

In 2018, a strong focus was on replacing depletion, increasing reserve grade and extending the mine life. Exploration in 2018 resulted in the inclusion of the high-grade Youle Lode in Mineral Reserves. At Youle, 121.2 koz Au and 8,800 t Sb was added to the Mineral Reserves at grades of 14.1 g/t Au and 3.3% Sb.

Exploration also involved carrying out infill and extension drilling of the Brunswick and Youle resources while also increasing in-mine resources through opportunistic drilling projects. The Youle resource drilling has also informed the decision to mine the Youle Lode. Capital development commenced on the Youle Lode in 2018 from the Brunswick Lode workings. In August 2019, Mandalay commenced on-vein development of the Youle vein, which lies approximately 800 metres north of the Brunswick lode. With the ore body accessed, Mandalay initiated its first stope in the final weeks of 2019 and expects a ramp-up of development and stoping over the next 12 to 18 months.

In 2019 the goals achieved included:

- Commencement of mining to the Youle vein in August 2019.
- Initiation of northern Youle extension program, aimed at extending the Youle resource to the north and at depth.
- Expanding and increasing the existing Indicated Resource of the Youle vein.
- Regional target generation was completed by conducting extensive surface mapping, drillhole database integration, soil geochemistry and evaluation of geophysical data. This work had aided in the generation of a three dimensional (Leapfrog based) integrated structural and geological model of the Costerfield region.
- Expanding the orebody knowledge and Resource tonnage in the near mine environment, in particular extension and infill in the Brunswick ore system.

In total 9,556.0 metres of diamond drilling was undertaken on Mandalay Resources Costerfield Operations Pty Ltd tenements at Costerfield during 2019. All drilling activity was conducted by Starwest Pty Ltd using

5 Boart Longyear LM90s, 1 Boart Longyear LM75, 1 pneumatic Kempe U2 and 1 Boart Longyear LM30 rig.

Mineralization

Veins at Costerfield typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb_2S_3). In addition to stibnite, arsenopyrite and pyrite occur in minor amounts.

The veins occur within discrete shear systems. The following paragenesis has been interpreted:

- sericitization of host rock sediments with minor pyrite deposition;
- faulting with associated open-space deposition of quartz, locally with coarse gold, and partial replacement of pyrite by auriferous arsenopyrite – only minor replacement of sericite-altered host rock by quartz occurs, with some remobilization of sericite into convoluted cross-cutting veinlets;
- open-space deposition of carbonate in quartz vugs;
- influx of Sb-rich solutions, resulting in massive stibnite infill and replacement of brecciated quartz-carbonate veins. The massive stibnite contains finely-disseminated Au; and
- re-crystallization / annealing of stibnite.

Ore shoots in the veins are typically 0.25-1.0 m thick and extend for 200 m or more along strike. They are typically displaced by flat faults so that they appear flat-bottomed. However, as with the Cuffley Lode, the Corporation is having success finding the offset parts of ore shoots below the flat faults; the deepest intercept in the district, approximately 500 m below surface in the Cuffley Lode, is also one of the highest-grade intercepts.

Drilling

Drilling at Costerfield is largely accomplished through diamond drilling methods with excellent core recoveries. Core sizes vary and include PQ, HQ, HQ3 and NQ2. Drill holes vary in length from 20 m to over 1000 m.

Drilling Procedure

Experienced contract drillers perform all diamond core drilling. Drillers record drilling activities on daily drilling reports. Drilled core is placed into drill core storage boxes, each labeled with the drill hole number and depth. Core blocks listing the hole number and depth are placed at the end of each core run. Drillers include additional blocks marking the location of lost core and the end of hole as required.

Drilling is carried out in a staged fashion with initial exploration drilling occurring on 100 m sections along strike. Resource drilling is then carried out at 40 m spacing along strike and 30 m spacing down dip. In some places, drilling is as closely spaced as 10 m x 10 m, should complexity of the geology warrant the additional drilling.

Veins at Augusta dip to the west, so drilling is designed to drill from the hangingwall to the footwall (east dipping holes) and intersect the lode perpendicular to the structure. In the case of underground drilling, the drill holes are drilled from the footwall to the hangingwall.

Table: Drilling at Costerfield

Corporation	Year	# Holes	Diamond (m)	Percussion/Auger (m)
Surface Drilling				
Mid East Minerals	1966-1971	33	3,676.2	
Metals Investment Holdings	1971	12	1,760.8	
Victoria Mines Department	1975-1981	32	3,213.0	
Federation Resources N.L.	1983-2000	27		2,398.3
AGD/Planet Resources J.V.	1987-1988	23		1,349.2
AGD N.L.	1987-1988	14		1,680.8
	1994-1995	142	1,368.5	5,536.0
	1996	59	195.5	2,310.0
	1997	23		725.0
AGD	2001	27	3,361.1	
	2002	7	907.5	
	2003	30	1,522.0	
	2004	27	3,159.5	
	2005	31	4,793.4	
	2006-2007	67	4,763.4	
	2007-2008	11	2,207.2	
	2008-2009	8	1,785.8	
Subtotal Surface		**573**	**32,714.4**	**13,999.3**
Underground Drilling				
AGD Operations	2008-2009	11	799.8	
Total Pre-Mandalay		**584**	**33,514**	**1,3999**

Mandalay	2009	117	459	547
	2010	129	4,032	0
	2011	295	13,515	0
	2012	4,610	18,581	7,296
	2013	110	24,329	3,838
	2014	427	20,817	3,906
	2015	120	18,439	2,732
	2016	154	32,995	0
	2017	144	27,827	0
	2018	164	34,656	0
	2019	142	9,556	0

Total Mandalay		**6,268**	**205,206**	**18,319**

For more information on drilling, reference is made to section 10 of the Costerfield Technical Report.

Sampling and Analysis

Samples are taken from both the drill core and channel sampling along the ore development drives. Approximately 80% of all drive faces are sampled. Each development cut is approximately 1.8 m along strike. Samples are taken at a frequency of between 1.8 m and 5 m along strike.

Diamond holes are oriented so that the drill holes are perpendicular to the lode. Diamond drill core is logged by Costerfield Operations geology staff using a standardized procedure and legend. Geotechnical, lithological, structural, mineralogical, and alteration logs are produced using a touch-screen ToughBook computer installed with acQuire software. Data collected on hard copy and digitally from previous companies prior to implementing this system has been digitally captured in the acQuire drill hole database.

Drill core is initially noted on core blocks by the drilling contractor and verified by the geologist at the logging stage and recorded within the acQuire database. In order to maximize core recovery and mineralized sample size, 80% of the core drilled at Costerfield Operations is of HQ3 size.

In 2005, McArthur Ore Deposits Assessments Pty Ltd. reported core recoveries in lode intercepts for Augusta holes MH001 – MH064 as 88% and for holes MH065 – M091 as 97%. For the Augusta deposit, much of the current Mineral Resource estimate is based on drilling information (holes MH092 – MH178) where core recovery of the lodes is very high (in excess of 95%).

There are a few general rules that are applied in the selection of sample intervals for assaying, as listed below:

- all stibnite-bearing veins are sampled;
- a waste sample is taken from each side of the mineralized vein (ranging 30-100 cms);
- areas of stockwork veining are sampled;
- laminated quartz veins are sampled;
- massive quartz veins are sampled;
- siltstone is sampled where disseminated arsenopyrite is prevalent; and
- puggy fault zones are sampled at the discretion of the geologist.

A Mandalay Exploration Field Technician samples the core. The diamond drill core is cut in half with a diamond saw along the top or bottom mark of oriented core and a representative sample of the core is taken.

Sampling intervals for drill core used for resource estimation purposes are not shorter than 3 cm and not longer than 1 m. Drill holes that were designed and drilled for metallurgical analysis have had sample intervals up to 2 m in length.

Data Verification

On November 18, 2014, SRK full-time employee Danny Kentwell (QP for Sections 6 to 12 and Section 14 of the Costerfield Technical Report) visited the Augusta and the Brunswick Mine sites and was escorted by Chris Davis, Resource and Exploration Manager for Costerfield Operations. All drill core for Costerfield

is processed at the Brunswick exploration core shed. For data verification purposes, Messrs. Kentwell and Davis had discussions with site geologists regarding:

- sample collection;
- sample preparation;
- core mark-up;
- core recovery;
- core cutting procedures;
- sample storage;
- QA/QC;
- data validation procedures;
- collar survey procedures;
- downhole survey procedures;
- geological interpretation;
- exploration strategy;
- grade control sampling and systems; and
- inspection of Brunswick core shed facilities and drill core intersections (Augusta and Cuffley).

Danny Kentwell also visited the site in August 2015, November 2016, October 2017, October 2018 and October 2019 to examine core and review current operations. The October 2019 visit included an inspection of the Youle underground workings.

Mandalay conducted check assay programmes annually, with the most recent in July 2019 and October 2019. This process involves obtaining a pulped sample from Onsite, splitting it, and submitting pulps to three labs for comparison. In 2019, the same samples were sent to Onsite, ALS Global (Orange) and Bureau Veritas (Perth).

In SRK's opinion, the geological data used to inform the Augusta and Cuffley block model estimates were collected in line with industry best practice as defined in the Canadian Institute of Mining and Metallurgy and Petroleum (CIM) Exploration Best Practice Guidelines and the CIM Mineral Resource, Mineral Reserve Best Practice Guidelines. As such, the data is suitable for use in the estimation of Mineral Resources.

Security of Samples

Sample bags containing sample material and a ticket stub with a unique identifier are placed in heavy duty plastic bags in which the sample submission sheet is also included. The plastic bags are sealed with a metal twisting wire / heavy duty plastic cable-ties. This occurs for both underground face samples and drill core samples. The bags are taken to a storage area that is under constant surveillance. A private courier collects samples daily and transports them directly to Onsite in Bendigo, where they are accepted by laboratory personnel. Sample pulps from Onsite are returned to Mandalay for storage. The pulps are stored undercover, wrapped in plastic.

Sample Assays

The sample preparation practices and standard analytical techniques for Costerfield samples are deemed appropriate by SRK. No directors, staff or other associates of Costerfield Operations or Mandalay are involved in the commercial preparation or assaying of samples from Costerfield.

Assaying of the drill core and face samples is predominantly completed by Onsite Laboratory Services (Onsite) in Bendigo. This laboratory is independent of Mandalay and holds a current ISO 9001 accreditation. ALS Global (Brisbane) and Bureau Veritas (Perth) have also been used to verify the accuracy of Onsite. ALS is NATA-certified (825) for Au and Sb. Genalysis is NATA-certified (3244) for Au and Sb.

After Mandalay dispatches the core or face samples, the assaying laboratory's personnel undertake sample preparation and chemical analysis. Results are returned to Mandalay staff, who validate and input the data into the relevant databases.

Assay Quality

In total, eight standards have been used for quality control in 2019. Five have been made from material collected from Augusta and Brunswick (AGD08-02, MR-C1, MR-C2, MR-F1 and MR-F2), and are routinely submitted to Onsite. AGD08-02 is an Antimony only standard, MR-C1, MR-C2, MR-F1 and MR-F2 are Antimony and Gold standards.

Mandalay also routinely uses three commercially available standards sourced from Geostats Pty Ltd. G310-6 is a gold-only standard, GSB-05 is an antimony certified and gold indicated standard, and GSB-02 is an antimony and gold standard.

At least one standard is sent with each batch of exploration samples (on average 1 standard per 25 samples) and with each batch of the underground face samples (on average 2 different standards per batch).

Mineral Resources and Reserves

Au and Sb grades and lode thickness were estimated using the two-dimensional ("**2D**") accumulation method for all lodes. The 2D accumulation method requires that gold and antimony grades are multiplied by true thickness to give a gold and antimony accumulation. This method assigns weights to composites of different lengths during estimation. The estimated grade is then back-calculated by dividing estimated gold accumulation and estimated antimony accumulation by estimated true thickness. A 3D wireframe was created for both hangingwall and footwall contacts of the lode. Samples within these wireframes were selected and composited to 1 m intervals. Au and Sb grades were estimated into blocks contained within the hangingwall and footwall contacts.

Not all models have been re-estimated due the absence of new data being captured during the year within these areas. Additionally, some low-grade models have been removed from the resource following a review of independent viability. During this review lower grade models, in which the grade was above resource cut-off, were flagged then assessed against the cost of mining in that particular area. In some cases the amount of rehabilitation and access to the area added significant cost that could now be covered by the revenue of metal that could have been recovered.

True thickness, gold accumulation, and antimony accumulation were estimated in the 2D vertical plane using Ordinary Kriging for all domains except Youle Splay where an inverse distance squared method was applied. All search ellipses used for this method were orthogonal to the block model direction. The following summarises the resource estimation process:

- Drillhole and face samples were projected into an arbitrary vertical plane.
- The orientation of the major and semi major directions of the search ellipsoid for each lode was guided by the maximum continuity observed in the variography; and
- The anisotropy of the search ellipsoid for each lode was guided by the anisotropy observed in the grade and thickness distribution.

Each lode structure has been modelled separately with a numeric zone code applied to each. The identified intervals within both drill data and face sample data are incorporated into a wireframe of the lode structure. This wireframe is then used to flag the selected data with the corresponding zone code. The assays are then composited over the full width of the intersections. Data and observations from drill logs, core photography, underground face mapping, face photography and backs mapping were considered during the process of wireframe modelling.

Sub-domaining of NM, CM, CD, Brunswick, AS and Youle Lodes was required to separate high grade and low-grade populations to an acceptable degree. Structural controls on mineralisation were analysed to help determine where a break in subdomain boundary was located.

Statistical analysis of each subdomain was completed to identify extreme values that may cause over estimation. Histograms and log probability plots were utilised to determine appropriate grade caps for gold accumulation, antimony accumulation and true thickness.

For estimation of control boundaries, structural controls on mineralisation have been identified through underground mapping and structural interpretation of drill core. For Youle, Youle Splay, Youle East and Brunswick lodes these relationships have been used to guide estimation domain boundaries, all of which are hard boundaries.

In order to use the 2D method to estimate true thickness from the drillhole intersections and convert the 2D tonnes and grade estimates to 3D tonnes and grade estimates, dip and dip-direction domains were interpreted in long section. Dip and strike domains were identified visually from the wireframe of the lode structure. The dip and strike of each domain was found by adjusting a plane to best fit the dip and strike of the domain. The details of this plane was then recorded and added to the drill data within the particular domain.

Classification of the Mineral Resources takes into account Mandalay's experience in mining the deposit, the comparable reconciliation observed between previous block model resource estimates, and the processing plant head grade during 2018 and 2019. Mandalay's ongoing mining experience continues to improve the geological confidence and understanding of the controls on mineralisation, which guides decisions made during the construction of the geological model. The classification criteria include the following:

- The Measured Resources are located within, and are defined by, the developed areas of the mine. This criterion ensures the estimate is supported by close spaced underground channel sampling and mapping;
- The Indicated Resource is located where drilling spacing on a nominal 40 mN x 40 mRL grid and there is high geological confidence in the geological model; and
- The Inferred Resource has irregular or widely-spaced drill intercepts, is difficult to interpret due to multiple splays, or the structure does not have a demonstrated history of predictable mining.

The classification criteria are consistent with the previous Resource estimate conducted by SRK reported in March 2020 (SRK, 2020).

Table: Mineral Resources at the Costerfield mine as of December 31, 2019, inclusive of Mineral Reserves

Category	Inventory (t)	Gold Grade (g/t)	Antimony Grade (%)	Contained Gold (koz)	Contained Antimony (kt)
Measured	283,000	9.6	4.5	87	12.7
Indicated	830,000	9.6	2.9	256	24.0
Measured + Indicated	**1,113,000**	**9.6**	**3.3**	**344**	**36.7**
Inferred	533,000	6.8	1.7	117	9.0

Table: Summary of the Augusta, Cuffley, Brunswick and Youle Mineral Resource, inclusive of Mineral Reserve

	Lode Name	Resource Category	Tonnes	Au (g/t)	Sb (%)	Au (oz)	Sb (t)
Augusta Deposit	**E Lode**	Measured	50,000	9.5	5.9	15,200	2,900
		Indicated	62,000	5.1	2.8	10,200	1,800
		Inferred	27,000	3.1	2.1	2,700	600
	B Lode	Measured	7,000	5.8	2.3	1,300	200
		Indicated	28,000	5.1	1.8	4,500	500
	B Splay	Measured	3,000	3.5	2.5	300	100
		Indicated	3,000	6.6	1.4	700	0
		Inferred	13,000	4.0	1.0	1,600	100
	W Lode	Measured	29,000	10.1	5.8	9,400	1,700
		Indicated	53,000	4.1	2.3	7,000	1,200
		Inferred	60,000	6.9	3.4	13,300	2,000
	C Lode	Indicated	57,000	5.2	2.6	9,400	1,500
	N Lode	Measured	62,000	9.9	4.2	19,900	2,600
		Indicated	86,000	4.5	1.9	12,400	1,700
		Inferred	69,000	4.4	1.2	9,700	800
	NW Lode	Measured	1,000	6.8	4.1	100	0
		Indicated	3,000	4.7	3.2	400	100
	NS 48	Measured	1,000	3.6	2.6	200	0
		Indicated	4,000	4.8	2.8	600	100
	P1 Lode	Measured	11,000	9.0	2.4	3,100	300
		Indicated	9,000	8.7	2.2	2,500	200
	K Lode	Measured	9,000	5.0	2.4	1,400	200
		Indicated	56,000	3.2	1.9	5,800	1,100
		Inferred	22,000	3.9	2.1	2,700	500
Cuffley Deposit	**CM Lode**	Measured	46,000	10.1	3.6	15,100	1,700
		Indicated	55,000	6.6	2.6	11,600	1,400
		Inferred	6,000	5.0	2.0	900	100

	CE Lode	Measured	10,000	11.6	4.4	3,600	400
		Indicated	13,000	6.0	1.9	2,400	200
	CD Lode	Measured	9,000	12.4	4.9	3,600	400
		Indicated	56,000	5.5	1.6	9,900	900
		Inferred	9,000	4.6	1.2	1,300	100
	CDL Lode	Inferred	26,000	7.4	0.1	6,200	0
	AS Lode	Measured	1,000	18.5	1.6	600	0
		Indicated	29,000	5.7	1.6	5,300	500
		Inferred	6,000	6.2	1.5	1,100	100
Brunswick Deposit	**Main Lode**	Measured	40,000	8.6	4.5	11,100	1,800
		Indicated	66,000	5.1	2.8	10,800	1,800
		Inferred	5,000	3.3	1.6	500	100
	KR Lode	Indicated	15,000	9.3	4.4	4,500	700
		Inferred	25,000	3.9	2.1	3,200	500
Sub King Cobra	**SKC CE**	Inferred	9,000	2.8	1.0	800	100
	SKC LQ	Inferred	7,000	12.0	0.2	2,600	0
	SKC C	Inferred	37,000	9.7	1.1	11,600	400
	SKC W	Inferred	64,000	10.3	0.0	21,300	0
Youle Deposit	**Main Lode**	Measured	3,000	22.4	9.5	2,200	300
		Indicated	182,000	26.3	5.1	153,600	9,300
		Inferred	130,000	8.4	2.3	35,300	3,000
	South Splay	Measured	2,000	4.6	3.8	300	100
		Indicated	4,000	3.1	2.2	400	100
	North Splay	Inferred	2,000	22.0	9.4	1,300	200
	Doyle	Indicated	52,000	2.6	2.0	4,200	1,000
		Inferred	17,000	2.3	2.4	1,300	400
		Measured and Indicated	**1,113,000**	**9.6**	**3.3**	**344,000**	**36,700**
		Inferred	533,000	6.8	1.7	117,000	9,000

Notes:

1. Mineral Resources estimated as of December 31, 2019, with depletion through to this date.
2. Mineral Resources stated according to CIM guidelines and include Mineral Reserves.
3. Tonnes are rounded to the nearest thousand; contained gold (oz) rounded to the nearest thousand and contained antimony (t) rounded to the nearest hundred.
4. Totals may appear different from the sum of their components due to rounding.
5. A 3.5 g/t Au Equivalent (AuEq) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq is calculated at a gold price of $1,500/oz, antimony price of $10,000/t.
6. The Au Equivalent value (AuEq) is calculated using the formula: AuEq = Au g/t + 1.52 * Sb %
7. Geological modelling and sample compositing was performed by Mandalay Resources and Cael Gniel MAIG, full time employee of Mining Plus. The models were independently verified by Danny Kentwell FAusIMM, full time employee of SRK Consulting.
8. The Mineral Resource estimation was performed by Cael Gniel. The resource models were verified by Danny Kentwell. Danny Kentwell is the qualified person under NI 43-101 and is responsible for the Resource estimate.

A 3.5 g/t Au Equivalent (AuEq) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq is calculated at a gold price of $1,500/oz, antimony price of $10,000/t and exchange rate USD:AUD of 0.71. The 3.5 g/t is derived by Mandalay based on recent cost, revenue, mining and recovery data.

Financial viability of Proven and Probable Mineral Reserves was demonstrated at metal prices of $1,300/oz Au and $7,000/t Sb.

Table: Mineral Reserves at the Costerfield mine, as of December 31, 2019

Category	Inventory (kt)	Gold Grade (g/t)	Antimony Grade (%)	Contained Gold (koz)	Contained Antimony (kt)
Proven	114	9.5	4.8	35	5.4
Probable	360	14.6	3.4	169	12.4
Proven + Probable	**474**	**13.4**	**3.8**	**204**	**17.8**

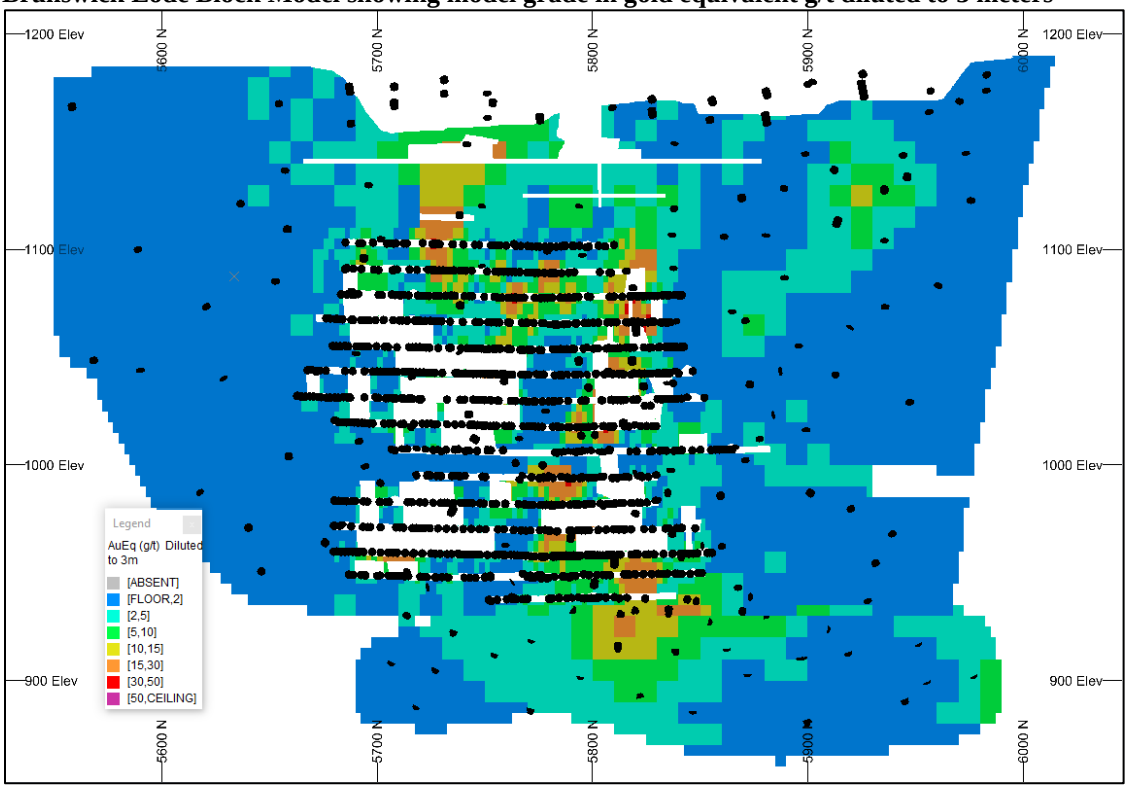
Notes:

1. Mineral Reserve estimated as of Decouember 31, 2019 and depleted for production through to December 31, 2019.
2. Tonnes are rounded to the nearest thousand; contained gold (oz) Rounded top the nearest thousand and contained antimony (t) rounded to nearest hundred.
3. Totals are subject to rounding error.
4. Lodes have been diluted to a minimum mining width of 1.5 m for stoping and 1.8 m for ore development.
5. A 4.0 g/t Au Equivalent (AuEq) cut-off grade is applied.
6. Commodity prices applied are; gold price of $1,300/oz, antimony price of $7,000/t and exchange rate USD:AUD of 0.70.
7. The Au Equivalent value (AuEq) is calculated using the formula: AuEq = Au g/t + 1.28 * Sb %.
8. The Mineral Reserve is a subset, a Measured and Indicated only Schedule, of a Life of Mine Plan that includes mining of Measured, Indicated and Inferred Resources.
9. The Mineral Reserve estimate was prepared by Daniel Fitzpatrick and Dylan Goldhahn, AAusIMM who are full time employees of Mandalay Resources and was independently verified by Anne-Marie Ebbels, MAusIMM, CP (Mining) who is a full time employee of SRK Consulting who is a qualified person under NI 43-101.

For more information in respect of the key assumptions, parameters and methods used to estimate the Mineral Resources and Mineral Reserves presented above, reference is made to sections 14 and 15 of the Costerfield Technical Report.

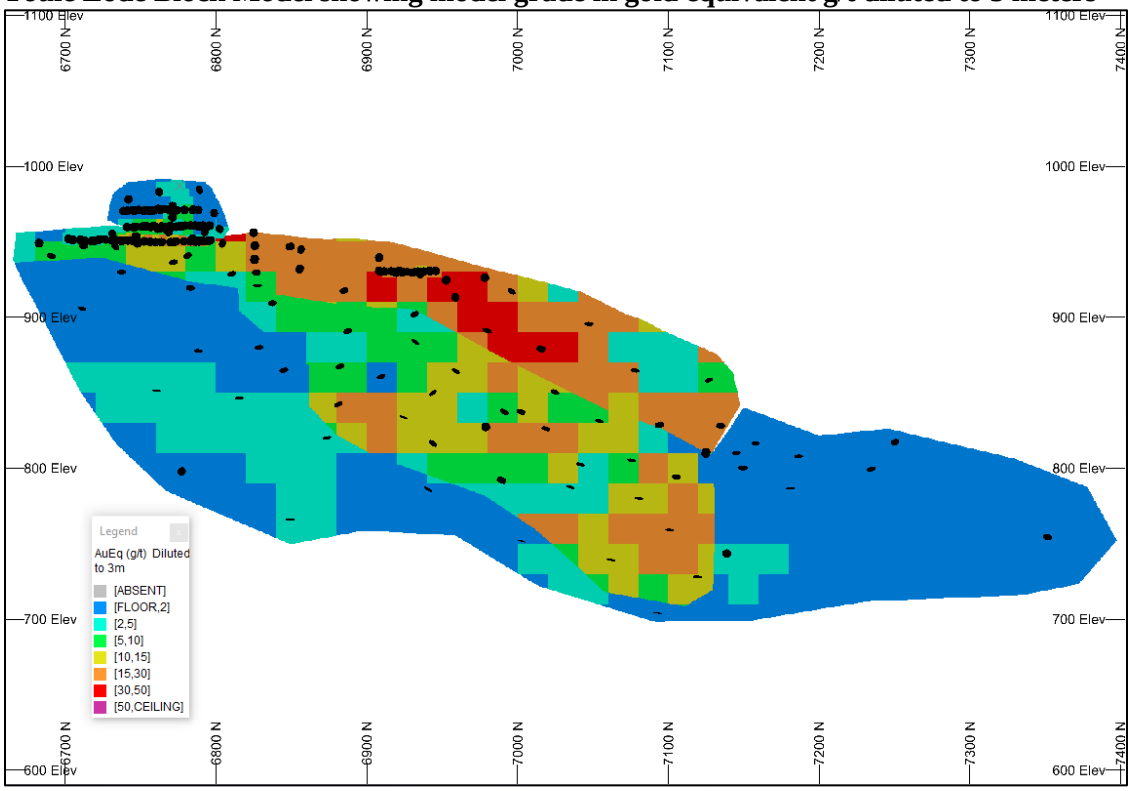
The following long sections of each lode relate the drilling and face sampling results to the limits of Mineral Resources and areas of stoping.

Brunswick Lode Block Model showing model grade in gold equivalent g/t diluted to 3 meters



Note: Black dots represent face and drillhole samples used in the resource estimate.

Youle Lode Block Model showing model grade in gold equivalent g/t diluted to 3 meters



Black dots represent face and drillhole samples used in the resource estimate.

During 2019 the majority of ore came from the Brunswick Deposit with other ore supplemented predominantly from remnant mining of the Augusta Deposit. A representative reconciliation of the remnant ore was not attainable as the relative amounts of in situ and remaining broken ore were not well known. For the purposes of model validation, the previous Brunswick resource model (effective date November 31st) has been reconciled against 2019 mining. The average measured vein width, gold grade and antimony grade is compared to the model by mining level.

One trend that can be seen in the data is the model over-estimation of vein width whilst the grade (both gold and antimony) is largely underestimated. This discrepancy is due the wider compositing of the drill core that is not captured within the face sampling. For example a drill hole composite will be extended to take in a small vein along with the lode horizon whereas an ore drive in the same location may not include the additional small vein.

The grades have been diluted out to a width of 3m (3m width was used as composites and mining areas within Brunswick often extended to 3m. (using grades from a smaller width would have been misleading). When the influences of the vein width overestimation and grade underestimation are combined though this dilution we see an overall underestimation of gold and antimony grade. Overall gold grade diluted to 3m was 5.2g/t versus a model estimate of 4.5g/t for the same area mined. Likewise the overall antimony grade diluted to 3m was 2.3% versus a model estimate of 2.1% for the same area mined.

Mining Operations

The Augusta Mine has been operational since 2006.

The underground mine is accessed by a 4.5 m wide and 4.8 m high decline mined at a gradient of 1.7 down. The decline provides primary access for personnel, equipment and materials to the underground workings.

The Augusta Mine employs predominantly airleg long-hole stoping methods as well as longitudinal uphole retreat working a bottom up sequence. Cemented Rock Fill ("**CRF**") is placed into stoping voids to maximize extraction and assist with mine stability.

Access to the lower levels of the lodes is being achieved by extending the decline to the lower levels.

Mining Methods

The dominant mining method is longitudinal long-hole stoping with cemented rock fill (CRF), panels generally consisting of three to four operating levels mined bottom up over CRF with longitudinal retreat to a quasi-central access. Several other mining methods are applied to access and optimise extraction of ore at Costerfield:

- Capital development with twin boom jumbo;
- Operating development with single boom jumbo or air leg (hand-held rock drill);
- Blind up-hole longitudinal long hole open stoping ('half uppers');
- Floor benching of level ore development;
- Down hole vertical crater retreat (VCR);
- Avoca stoping with CRF ('reverse fill');
- Avoca stoping with rock fill ('reverse fill');

- Overhand cut and fill (Flat backing ore level development); and
- Air leg rise mining.

Mining methods are selected to suit ore drive/ lode geometry and maximise ore recovery while minimising unplanned dilution.

Metallurgical Processing and Recoverability

The processing facility comprises a single stage mobile crushing and screening process, two ball mills in series, with classification and gravity concentration in closed circuit, rougher, scavenger and cleaner flotation for the production of gravity Au and an Sb-Au flotation concentrate. The plant has been operating since 2007, and by Mandalay since late 2009. Since then several processing plant upgrades have seen production increase from approximately 2,000 t/month to the current average of over 12,600 t/month over the 2015, 2016, 2017, 2018 and 2019 calendar years. The concentrator operates 24 hours per day, 7 days per week. Prior to 2013, the gravity Au concentrate was blended into the flotation concentrate before filtering and bagging. In 2013, the Corporation began selling the gravity gold as a separate concentrate. In late 2013, the Corporation upgraded the gravity Au cyclone capacity to allow for a larger percentage of the Au to be separated and sold in gravity concentrate.

Recoveries have been consistent and predictable over the last several years of operation and because of this, there is a high degree of confidence in the future forecast recoveries. The 2019 reconciled plant recoveries were 95.3% Sb and 78.7% Au.

Markets

Costerfield is a combined Au and Sb mine; the business is sensitive to the price of both metals. Sb is not traded on international metal exchanges, with prices being agreed upon between producer and consumer. Pricing is dependent on the quality and form of Sb product sold.

Sb is primarily used as a flame retardant and in the production of lead ("**Pb**") acid batteries. These markets together account for nearly 90% of antimony consumption worldwide. China is the world's largest producer of antimony, accounting for approximately 75-80% of world production.

The Sb-Au concentrate produced from the Costerfield mine is sold directly to smelter(s) capable of recovering both the Au and Sb from the concentrates, such that Mandalay receives payment based on the concentration of both metals in the concentrate. The terms and conditions of commercial sale are not disclosed pursuant to confidentiality requirements. The marketing of the concentrate is conducted through a third party.

Contracts

The Costerfield Operations is employing a contractor to perform capital development to the Youle Lode.

Environmental

The Costerfield Operations is in compliance with all environmental rules and regulations. Other than the rehabilitation bond, the project is not subject to any other environmental liabilities.

Taxes

Income tax on an Australian Corporation's profits is set at 30%.

As at December 31, 2018, Costerfield Operations had approximately AUD14.7 million of carried forward tax losses.

Capital Costs

The economic test of life-of-mine Proven and Probable Reserves through 2022 requires approximately AUD67.8 million in capital purchases and capital development.

Operating Costs

For the life-of-mine economic test model, the following costs were used:

Table: Costerfield Operation – Operating Cost Estimate

Description	Units	Quantity
Mining		
Jumbo Lateral Development	AUD/m	2,468
Stoping	AUD/t	99
Mining Admin	AUD/day	11,425
Geology	AUD/day	5,267
ROM Haulage	AUD/t	5
Processing Plant	AUD/t milled	49
Site Services	AUD/day	10,780
General and Administration	AUD/day	11,331
Selling Expenses including Royalty	AUD/t con	156

Description	Operating Cost (per t mined)			
	AUD M	AUD/t	USD M	USD/t
Mining	113	240	79	168
Processing	23	49	16	34
Site Services, General and Administration	29	61	20	43
Total	**144**	**350**	**116**	**245**

Million dollars rounded to nearest million.

"/ t" rounded to the nearest dollar.

Economic Analysis

This section is not required as the property is currently in production, Mandalay is a producing issuer and there is no planned material expansion of the current production. SRK has verified the economic viability of the Mineral Reserves via cashflow modelling, using the inputs discussed in this report.

Exploration and Development

In 2020, exploration at Costerfield will focus on extending the Youle mineralization and testing further exploration targets around Youle and at depth. Youle drilling will focus along strike of the known vein and at depth following the trend of the main shoot. More regional exploration has commenced in 2020, testing historical second line of lodes to the east, west and north of current mining operations. The Corporation also intends to carry out additional deep drilling below the Augusta, Cuffley and Brunswick Lodes.

The cost of this exploration and development is not included in the base case financial analysis because it is not needed to produce metal from the Proven and Probable Reserves and no additional benefits are included in the analysis resulting from that exploration (i.e., more Resources and Reserves).

6.14 Risk Factors

The Corporation is exposed to a variety of risks in the normal course of operations that could significantly affect its performance and could cause its actual results to differ in material respects from its anticipated results. These risks are discussed below and are in addition to those outlined elsewhere in this Annual Information Form and in the Corporation's public filings with the Canadian securities regulatory authorities, including the Corporation's management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2017 and 2018 and the Corporation's prospectus supplement dated February 12, 2019 (the **"Prospectus Supplement**"), all available on SEDAR at www.sedar.com under the Corporation's profile.

As a result of any one or more of these risks, the Corporation's operating results and Common Share price may be subject to a significant level of volatility.

Risks Factors of the Business

The Corporation's operations are subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. These risks include, but are not limited to: environmental hazards; industrial accidents; labour disputes; unusual or unexpected geologic formations or other geological or grade problems; unanticipated changes in metallurgical characteristics and metal recovery; unanticipated ground or water conditions, rock falls, seismic activity, cave-ins, pit wall failures, flooding (including the Inundation Event discussed below), rock bursts; periodic interruptions due to bad or hazardous weather conditions and other acts of God; unfavourable operating conditions; social unrest; and market conditions and customer performance to which management can react but which management cannot control.

Any of these risks and hazards could adversely affect the Corporation's exploration activities or mining activities resulting in any of the following: an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue; the Corporation writing down the carrying value of one or more properties or mines; delays or a stoppage in the exploration, development or production of the projects; suspensions of contracts with customers; damage to or destruction of mineral properties or processing facilities; environmental damage; and personal injury, death and legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may have a material adverse impact on the business, operations and financial performance of Mandalay.

COVID-19

The Corporation's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises.

For example, in late December 2019, a novel coronavirus ("**COVID-19**") was identified and originating in the Wuhan Province of China, subsequently spread worldwide, with infections being reported globally and on March 11, 2020, the World Health Organization declared it could be characterized as a pandemic. Cases of COVID-19 have now been reported in all the countries in which the Corporation operates, including Canada, Sweden, Australia and Chile.

Further spread of the infection could impact customers, vendors, suppliers and other counterparties and materially impact the Corporation's business, operations and financial condition. The extent to which COVID-19 impacts the Corporation's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the COVID-19 outbreak. In particular, the continued spread of COVID-19 could result in a slowdown or temporary suspension in operations.

The risks to the Corporation's business include, without limitation, the risk of breach of material contracts and customer agreements, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, prolonged restrictive measures put in place in order to control an outbreak of contagious disease or other adverse public health developments in Canada, Sweden, Australia and Chile or any of the Corporation's markets and other factors that will depend on future developments beyond the Corporation's control, which may have a material and adverse effect on the Corporation's business, financial condition and results of operations.

There can be no assurance that the Corporation will not ultimately see its workforce productivity reduced or that the Corporation will not incur increased medical costs / insurance premiums as a result of these health risks. Under the circumstances the Corporation or its customers, suppliers and other counterparties may be forced to declare force majeure on certain contracts. In addition, the coronavirus pandemic could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for gold and antinomy the Corporation's prospects and its ability to achieve its. The Corporation continues to monitor the situation and the impact COVID-19 may have on its business.

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. There is no certainty that the exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors such as the following: the particular attributes of the deposit, including size, grade and proximity to infrastructure; metal prices, which fluctuate widely and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that the financial performance of mineral properties will differ from plans and forecasts made in advance by the Corporation.

In addition, it is also common for mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur that affect production in the future, the Corporation's revenues may be reduced, costs may increase and the Corporation's profitability and ability to continue its mining operation may be adversely affected.

Fluctuations in the Market Price of Mineral Commodities

The profitability of Mandalay's operations is dependent in part upon the market price of mineral commodities and precious metals, particularly Au, Ag, and Sb. Mineral and metal prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate fluctuations can all cause significant commodity price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be uneconomic, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations. Fluctuations in market prices of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility of a project is subsequently questioned, the Corporation may be adversely affected and may have to write off costs previously incurred.

Hedging Risks

The Company uses or may use certain derivative products to hedge or manage the risks associated with gold price volatility, changes in other commodity input prices, foreign currency exchange rates and interest rates. In particular, in March 2020, Mandalay entered into a three-year hedge for a total of 150,000 ounces of saleable gold with the lenders under the over the new Syndicated Facility. This hedge consists of a zero-cost collar hedge for 75,000 ounces of saleable gold with a floor price of $1,550 per ounce and a ceiling of $1,617 per ounce and an Australian dollar gold forward contract for the remaining 75,000 ounces of saleable gold at AU$2,390 per ounce.

The use of derivative instruments involves certain inherent risks including: (i) credit risk - the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Corporation or adversely affect the financial and other terms the counterparty is able to offer the Corporation; (ii) market liquidity risk – the risk that the Corporation has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities or currencies will result in the Corporation incurring an unrealized mark-to-market loss in respect of such derivative products. There is no assurance that any hedging program or transactions which may be adopted or utilized by the Corporation designed to reduce the risk associated with gold price volatility, changes in other commodity input prices, foreign currency exchange rates and interest rates will be successful. Although hedging may protect the Corporation from an adverse price change, it may also prevent the Corporation from benefiting fully from a positive price change.

Licenses and Permits Necessary for Operations

The operations of the Corporation require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex and time-consuming process. Although all current operations are conducted under valid licenses and permits, the Corporation cannot be certain that it will be able to obtain necessary new licenses or permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Corporation from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities being assessed against the

Corporation. The Corporation could also lose its mining concessions under the terms of its existing agreements.

In particular, legislative changes in Chile have resulted in a revised licensing and permitting process. The Corporation is currently in the process of transferring water rights to benefit a potential operation at Challacollo.

In addition, following the Inundation Event at the Cerro Bayo mine, the Chilean Government has required the Corporation to undertake extensive geotechnical studies and risk assessments and to re-permit the mining areas under Laguna Verde. In total, seven permits are currently required to restart mining under Laguna Verde and to complete mining the current Mineral Reserves, including in the Marcela and Raul veins located several kms from the lake. Activities are underway by Cerro Bayo to seek these permits. The Cerro Bayo mine will remain on care and maintenance until all necessary permits are received. There is a risk that one or more of the required permits will not be granted. Accordingly, there is a risk that the Corporation may never resume operations at Cerro Bayo.

Project Development, Expansion Targets and Operational Delays

There can be no assurance that Mandalay will be able to effectively manage the expansion of its operations or that Mandalay's current personnel, systems, procedures and controls will be adequate to support Mandalay's operations. Some of Mandalay's projects may be operated and managed by contractors. Any failure of management to effectively manage Mandalay's growth and development could have a material adverse effect on Mandalay's business, financial condition and results of operations. Any failure to meet disclosed production cost or capital guidance could result in a material adverse effect on Mandalay's share price performance.

Mandalay's operational targets are subject to the completion of planned operational goals on time and according to budget and are dependent on the effective support of Mandalay's personnel, systems, procedures and controls. Any failure of Mandalay's personnel, systems or procedures and controls may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of Mandalay.

Unscheduled interruptions in Mandalay's operations due to mechanical or other failures, geotechnical events, industrial relations issues, local social unrest, or problems or issues with the supply of goods or services or the sale of product could have a negative impact on the financial performance of those operations.

Merger and Acquisition Strategy

As part of Mandalay's business strategy, the Corporation has sought and may continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, the Corporation may fail to select appropriate targets partners or to negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the businesses and their personnel. Ultimately, any merger or acquisition transaction would be accompanied by risks. For example: there may be a significant change in commodity prices after the Corporation has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; There can be difficulties integrating and assimilating the operations and personnel, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt Mandalay's ongoing business and its relationships with employees, suppliers, contractors and other stakeholders; a business combination or acquired assets or companies may have unknown liabilities which may be significant; there may be delays as a result of regulatory approvals; and Mandalay may be

exposed to litigation (including actions commenced by shareholders) in connection with the transaction.

The Corporation may choose to finance a merger or acquisition through its existing resources, a raise of debt capital or the issuance of equity. In the event that Mandalay chooses to raise debt capital to finance any such acquisition, its leverage will be increased. If Mandalay chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution.

Mandalay cannot assure that it can complete any acquisition or business arrangement that it is presented, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business. Furthermore, there can be no assurance that Mandalay would be successful in overcoming the risks identified above or any other risks or problems encountered in connection with such acquisitions.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which the Corporation operates. While the Corporation's operations are currently in compliance with local environmental regulations, environmental legislation is evolving in a manner that will require stricter standards, disclosure and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Material risk disclosure related to climate change, carbon intensity and other environmental and pollution controls, as well as Environment, Social, Governance (ESG) metrics and disclosure will result in additional management systems and controls. There is no assurance that existing or future environmental regulations will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental and climate related hazards may exist on the properties where the Corporation holds interests that are unknown to the Corporation at present and which have been caused by previous or current owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent that such approvals are required and not received, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of mining activities and may be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Tailings Dam Failure, and Unexpected Water Discharge into the Environment

Both operating mines use tailings dams which are subject to annual third party audits. While the tailings dams are in compliance, and the Corporation has only downstream tailings dams, there is no assurance that a tailings dam could be subject to unexpected water discharge into the environment as a result of dam stability failure.

Requirement for Additional Financing

The exploration and development of the Corporation's properties, including continued exploration and development projects, the construction of mining facilities and the commencement of mining operations in the future, may require substantial additional financing. Failure to obtain sufficient financing may result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties and may lead to a loss of an interest in a property. Additional financing may not be available when needed. Even if such additional financing is available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Corporation's assets or properties. Failure to raise capital when needed could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Health and Safety

Mandalay's activities are and will continue to be subject to health and safety standards and regulations in the jurisdiction within which it operates. While the Corporation is currently in compliance with these standards and regulations, failure to comply with such requirements going forward may result in fines and/or penalties being assessed against Mandalay or its officers.

Uncertainty as to Mineral Resource and Reserve Estimates

There is a significant degree of uncertainty attributable to the estimation of size and grade of Mineral Resources and Reserves. Until the mineralized material is actually mined and processed, Mineral Resources and Reserves must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit size or grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in size or grade, stripping ratio or other mining and processing factors may affect the economic viability of the Corporation's projects and life of mine. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Dependence upon Key Management Personnel and Executives

The Corporation will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. When there is a loss of key management personnel, significant management time and effort is required to mitigate the loss. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Corporation faces competition for qualified personnel and there can be no assurance that the Corporation will be able to attract and retain such personnel.

Customer Concentration

The mining industry is characterized by a relatively small number of customers worldwide. A loss of, declaration of force majeure, or a significant reduction in, purchases by one or more of Mandalay's largest customers could have a material adverse impact on the financial performance of Mandalay. The Corporation has several large customers for its concentrates, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Corporation. For the year ended December 31, 2019, five customers accounted for 100% of the Corporation's total sales.

Title Matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties, including native or indigenous groups may have valid, or cause to be valid, claims underlying portions of the Corporation's interests or future exploration concessions. Any such claims could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Governmental Regulation of the Mining Industry

The mineral exploration and production activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment including the potential for carbon taxes. Although the Corporation believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Currency Risk

The Corporation's operations will incur most of its expenditures in Australian dollars, Chilean pesos and Swedish krona, while its products are priced, and its financial performance is reported, in US dollars. As a result of the use of different currencies, the Corporation may be subject to foreign currency fluctuations, which may materially affect the financial position and results of the Corporation. The Corporation occasionally engages in currency hedging to offset the risk of currency fluctuations and gold price.

Uninsured Risks

The Corporation does not carry insurance to protect against certain risks. Risks that are not insured include, but are not limited to: pandemic insurance, business interruption insurance, labour disruption, certain environmental losses and acts of war and terrorism; and other hazards against which the Corporation, and in general, mining corporations, cannot insure or against which the Corporation may elect not to insure due to high premium costs or for other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Please refer to page 10 in this Annual Information Form for disclosure on the Corporation's global insurance program.

Competition for Resources

The mining industry is intensely competitive in all of its phases and the Corporation competes with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for the following: mineral-rich properties which can be developed and produced economically; technical expertise to find, develop, and manage such properties; labour to operate the properties; and capital for the purpose of funding such properties. Many competitors not only explore for and mine precious

metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Corporation being unable to: acquire desired properties (due to the auction process involved in some property acquisitions); recruit or retain qualified employees; or obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Corporation's prospects for mineral exploration and success in the future. Furthermore, increased competition could result in increased costs and lower prices for metal and minerals produced which, in turn, could reduce profitability. Consequently, the Corporation's revenues, its operations and financial condition could be materially adversely affected.

Repatriation of Earnings and Restrictions from Subsidiaries on Internal Transfers

There is no assurance that Chile, Australia, Sweden or any other foreign country in which the Corporation or its subsidiaries may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Properties without Known Mineable Reserves

The activities of the Corporation will continue to be directed towards the search for, evaluation, and development of mineral deposits. There is no assurance that the expenditures of the Corporation will result in discoveries of commercial ore bodies. Furthermore, there can be no assurance that the Corporation's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly different than currently anticipated.

Marketability

The marketability of the minerals owned by Mandalay, or which may be acquired or discovered by Mandalay, will be affected by numerous factors beyond Mandalay's control. These factors include, but are not limited to: market fluctuations; the proximity and capacity of markets; and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection. A combination of one or more of these factors may result in Mandalay not receiving an adequate return on invested capital.

Infrastructure

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Corporation's inability to secure adequate water and power resources, as well as other events outside of its control, including unusual weather, geologic events such as earthquakes or volcanic eruptions, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Corporation's operations and financial condition.

Litigation

Legal proceedings may arise from time to time in the course of Mandalay's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Such litigation may be brought against Mandalay in the future or Mandalay may be subject to another form of litigation.

Difficulty in Enforcement of Judgements

Substantially all of the Corporation's assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgements obtained against the Corporation, including judgements predicated upon the civil liability provisions of applicable Canadian securities laws.

Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws.

The Corporation has subsidiaries incorporated in Canada, Australia, Chile and Sweden. Certain directors and officers, including our Chair of the Board, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Corporation's directors and officers who are not resident in Canada. In the event a judgement is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws, it may not be possible to enforce such judgement against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims in original actions instituted in Australia, Chile or Sweden. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Potential Volatility of Market Price of Common Shares

Securities traded on the TSX have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Shares. In addition, the market price of the Common Shares is likely to be highly volatile. Factors such as metals prices, the average volume of shares traded, announcements by competitors, changes in stock market analyst recommendations regarding the Corporation, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Common Shares. During future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, as a result, the market price of the Common Shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a Corporation's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Possible Conflicts of Interest of Directors and Officers of the Corporation

Certain of the directors and officers of the Corporation also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest.

Risk of Dilution

Under applicable Canadian law and the rules of the TSX, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has a substantial number of stock options to acquire Common Shares under the Stock Option Plan (as defined below). The future business of the Corporation may require substantial additional financing which could

involve the sale of equity capital. The Corporation can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Corporation is not able at this time to predict the future amount of such issuances or dilution.

Instability of Political and Economic Environments

The mining interests of the Corporation may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: temporary or extended loss of access to properties due to social unrest; terrorism; military repression; emergencies; and extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Corporation and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental and climate change legislation, water use, land claims of local, native and indigenous people, and mine safety. The effect of these factors cannot be accurately predicted.

Loan with GEL

The Corporation, through its wholly owned subsidiary, Mandalay Finance, is party to a loan agreement and related funding agreement with GEL which together mirror the principal terms of the Bonds (see "Intercorporate Relationships" and "General Development of the Business – Three Year History – 2017"). As the Bonds are exchangeable at the option of holders of the Bonds for shares of SPDR Gold Trust (or such other shares as provided under the loan agreement) (the "**Gold Shares**"), the holders of the Bonds may choose to exchange the Bonds and receive Gold Shares. Upon being notified by GEL of the exercise by a holder of Bonds of such holder's exchange right, pursuant to the loan agreement and the funding agreement, Mandalay Finance will be required, as agent for GEL, to purchase such Gold Shares on the open market in the name of GEL and transfer such Gold Shares to the relevant Exchange Agent (as such term is defined in the Bonds) for transfer and delivery to the Bondholders, and the amount of the loan from Mandalay Finance will be accordingly reduced. If a significant amount of the Bonds are exchanged by Bondholders, the amount of funds available to the Corporation under the loan will be materially reduced. If Mandalay Finance is unable to make the required deliveries of the Gold Shares, the Corporation will be in default under the loan agreement and may need to obtain alternative sources of financing, which may not be available to the Corporation on terms acceptable or at all. Mandalay Finance's obligations under the loan agreement are guaranteed by the Corporation and are secured by a charge and security interest in all of the shares of MRA, the Corporation's wholly-owned subsidiary that indirectly holds the Corporation's interest in the Costerfield property. In 2017, a covenant was added to the Bonds which requires GEL 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 Costerfield falls below (initially) 232,000 gold equivalent ounces. See "General Development of the Business – Three Year History – 2017".

Syndicated Facility

The Syndicated Facility is secured by a first ranking security interest over substantially all of the Corporation's assets. The Syndicated Facility has customary representations and warranties and positive and negative covenants which, if breached, could lead to a default under the Syndicated Facility and the acceleration of the outstanding debt.

As at December 31, 2019, the Corporation was in breach of two of the financial covenants under the original Facility. On February 12, 2020, the Corporation had received a waiver for these financial covenants for the

quarter ending December 31, 2019. See "General Development of the Business – Three Year History – 2019".

Negative Operating Cash Flow

There can be no assurance that any of the Corporation's current properties or properties the Corporation may hereafter acquire or obtain an interest in will generate earnings, operate profitably, pay liabilities as they are due or provide a return on investment in the future. There can also be no assurance that the underlying assumed levels of expenses will prove to be accurate. There can be no assurance that significant additional losses will not occur in the near future or that the Corporation will be profitable in the future. The Corporation's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amount and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Corporation's acquisition of additional properties and other factors, many of which are beyond the Corporation's control. If the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of its cash reserves or raise equity or debt.

Risk of cybersecurity event

The risk of a cyber attack on the corporate servers or site servers is possible. The Company has local protocols in place to manage security risks related to cyber attacks, with dedicated servers and use of secure cloud based servers, in addition specific insurance coverage for such an event, however there can be no assurance that this can effectively prevent or manage a cyber attack on the company and risks exists related to exposing private non public information or private personnel information.

The Significant Shareholders Exercise Significant Control Over the Corporation

Approximately 70.7% of the issued and outstanding Common Shares are held by the four largest shareholders of the Corporation (the "**Significant Shareholders**"). In addition, pursuant to the terms of the Bridge Loan, CE Mining will have the right to nominate two individuals for election as members of the Mandalay Board for as long as it owns at least 10% of the outstanding Common Shares. As a result of their shareholdings, the Significant Shareholders will have the ability, among other things, to significantly influence the approval of significant corporate transactions and delay or prevent a change of control of the Corporation that could otherwise be beneficial to minority shareholders. The Significant Shareholders will generally have the ability to control the outcome of any matter submitted for the vote or consent of the Corporation's shareholders and to determine the outcome of any election of the Mandalay Board. In some cases, the interests of the Significant Shareholders may not be the same as those of the Corporation's other shareholders or each other, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Corporation or its minority shareholders.

7. DIVIDENDS

The Corporation is prohibited from paying dividends according to the terms and conditions of the HSBC facility.

Background

On May 14, 2013, the Corporation announced that the Mandalay Board had modified the dividend policy from a quarterly discretionary cash dividend based on financial results and the future cash requirements of the Corporation to a quarterly dividend policy pursuant to which the Corporation intends to pay quarterly

dividends in an aggregate amount equal to 6% of the trailing quarter's gross revenue, defined as revenue before royalty payments.

On July 25, 2017, the Corporation announced that in connection with the entering into the Facility, it had agreed to suspend its dividends until it has greater clarity on its future cash flows, including the cost, timing and financial impact of restarting operations at Cerro Bayo. Future payments of dividends will require HSBC Bank of Canada's consent as long as the Facility remains outstanding.

On March 16, 2020, the Corporation signed the Syndicated Facility which, similar to the Facility, defines dividends as restricted payments. This means that future payments of dividends will require HSBC Canada and Macquarie's consent as long as the Syndicated Facility remains outstanding. The Mandalay Board will evaluate the Corporation's financial position on an ongoing basis with a view to potentially reinstating dividends when feasible.

The following table sets forth the dividends paid by the Corporation for each of the three most recently completed financial years:

Dividends Paid	2019	2018	2017
Per Common Share ($)	-	-	0.0104
In aggregate ($)	-	-	4,703,000

8. CAPITAL STRUCTURE

Common Shares

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 91,091,091 were issued as at March 30, 2020. The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders, with each Common Share entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if and when declared by the Mandalay Board. The holders of Common Shares are entitled, upon the liquidation, dissolution or winding up of Mandalay, to receive the remaining assets of Mandalay available for distribution to shareholders.

On March 29, 2029, Mandalay converted the Subscription Receipts and Bridge Loan into 35,940,000 and 9,936,296 common shares respectively.

Stock Options

The Corporation successfully renewed the second amended and restated stock option plan (the "**Stock Option Plan**") at the Corporation's Annual and Special Meeting of Shareholders held on May 11, 2017. Pursuant to the Stock Option Plan, the Mandalay Board is authorized to grant options for up to 10% of the issued and outstanding Common Shares. As at the date of this Annual Information Form, the following options were outstanding under the Stock Option Plan, each option exercisable to purchase one Common Share:

Issue Date	Exercise Price CDN$	Number of Options	Expiry Date
Mar 20, 2020	0.61	917,000	Jun 30, 2027
Apr 8, 2019	1.10	460,000	Jun 30, 2026
Jun 15, 2018	2.00	92,500	Jun 30, 2025

Issue Date	Exercise Price CDN$	Number of Options	Expiry Date
Apr 2, 2018	2.00	344,500	Jun 30, 2025
Mar 27, 2017	6.00	290,000	Jun 30, 2024
Mar 23, 2016	9.10	301,300	Mar 23, 2021

For additional information on the Stock Option Plan, see the Corporation's management information circular dated April 11, 2017, on the Corporation's SEDAR profile. The total number of outstanding options as at March 30, 2020, is 2,405,300.

Share Purchase Warrants

As at the date of this Annual Information Form, there are no outstanding warrants.

Rights Plan

On April 13, 2018, the Corporation amended and restated its shareholder rights plan, which was initially adopted on April 13, 2015 and subsequently ratified at the Corporation's annual and special meeting of shareholders held on May 13, 2015 (the "**Rights Plan**"). The amended and restated Rights Plan was ratified at the Corporation's annual and special meeting of shareholders held on May 16, 2018.

The Rights Plan has the following purposes: (i) to prevent creeping acquisitions of control of the Corporation; (ii) to provide adequate time for Shareholders to properly assess a take-over bid without undue pressure; (iii) to provide the Mandalay Board adequate time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge; and (iv) to ensure that Shareholders are provided equal treatment under a take-over bid.

A summary of the principal terms and conditions of the Rights Plan is set out below. This summary is qualified in its entirety by reference to the complete text of the Rights Plan, which is available on the Corporation's SEDAR profile at www.sedar.com. Capitalized terms that are used in the following summary that are not otherwise defined have the meanings given to them in the Rights Plan.

Issuance of Rights

The Rights Plan provides that one right (a "**Right**") be issued to Shareholders of record as of the close of business on April 13, 2015 in respect of each of the outstanding Common Shares, as well as in respect of each Common Share issued after the effective date of the Rights Plan and prior to the earlier of the Separation Time or the Expiration Time.

Trading of Rights

Notwithstanding the effectiveness of the Rights Plan, the Rights are not exercisable until the Separation Time and certificates representing the Rights will not be sent to the Shareholders. Certificates for the Common Shares issued after the effective date of the Rights Plan will contain a notation incorporating the Rights Plan by reference. Until the Separation Time, or earlier termination or expiry of the Rights, the Rights are evidenced by and transferred with the associated Common Shares and the surrender for transfer of any certificate representing Common Shares also will constitute the surrender for transfer of the Rights associated with those Common Shares. After the Separation Time, the Rights will become exercisable and begin to trade separately from the associated Common Shares. The initial "**Exercise Price**" under each Right in order to acquire a Common Share is five times the Market Price per Voting Share at the Separation Time. "**Market Price**" is generally defined as the average of the daily closing prices per Common Share

on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "**Separation Time**", which, unless deferred by the Mandalay Board in the instances permitted by the Rights Plan, is generally the close of business on the tenth trading day after the earliest to occur of: (i) a public announcement that a person or a group of affiliated or associated persons (including persons known to be non-arm's length for the purposes of the Tax Act) has acquired beneficial ownership of 20% or more of the outstanding Common Shares (i.e. become an Acquiring Person), other than as a result of, among other things, (A) a reduction in the number of Voting Shares outstanding (a "**Voting Share Reduction**"), (B) a Permitted Bid or a Competing Permitted Bid, (C) certain specified Exempt Acquisitions, (D) an acquisition by a person of Voting Shares pursuant to a stock dividend, stock split or other Pro Rata Acquisition, or (E) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person pursuant to (B), (C) or (D), above (a "**Convertible Security Acquisition**"); (ii) the date of commencement of, or the first public announcement of an intention of any person (other than the Corporation or any of its Subsidiaries) to commence a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares that are subject to the bid together with the Voting Shares beneficially owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the then outstanding Voting Shares; and (iii) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such. An "**Exempt Acquisition**" would include the acquisition of Voting Shares or securities convertible into Voting Shares: (i) in respect of which the Mandalay Board has waived the application of the Rights Plan; or (ii) pursuant to a distribution made under a prospectus or private placement provided that the person does not acquire a greater percentage of the securities offered in the distribution than the percentage of Voting Shares beneficially owned by that person immediately prior to the distribution; or (iii) pursuant to an amalgamation, merger or other similar procedure requiring shareholder approval.

As soon as practicable following the Separation Time, separate certificates evidencing rights will be mailed to the holders of record of the Common Shares as of the Separation Time; certificates alone will evidence the Rights.

When Rights Become Exercisable

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at the Exercise Price. Following a transaction that results in a person becoming an Acquiring Person (a "**Flip-in Event**"), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares that have an aggregate market value (as of the date of the Flip-in Event) equal to twice the then Exercise Price for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or certain transferees of any such person, will be void. By permitting holders of Rights other than an Acquiring Person to acquire Common Shares at a discount to the Market Price, the Rights have the potential to cause substantial dilution to an Acquiring Person. Accordingly, the Rights Plan acts as a deterrent to potential Acquiring Persons and forces them to either make a Permitted Bid or negotiate with the Mandalay Board to avoid application of the Rights Plan.

Permitted Bids

The Rights Plan includes a "Permitted Bid" concept whereby a take-over bid will not trigger a separation of the Rights (and will not cause the Rights to become exercisable) if the bid meets certain conditions. A

"**Permitted Bid**" is defined as an offer to acquire Voting Shares made by means of a take-over bid circular where the Voting Shares (including Voting Shares that may be acquired upon conversion of securities convertible into Voting Shares) subject to the offer, together with Voting Shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and others acting jointly or in concert therewith), constitute 20% or more of the outstanding Voting Shares and that also complies with the following additional provisions: (i) the bid must be made to all the holders of Voting Shares as registered on the books of the Corporation, other than the offeror; and (ii) the bid must also contain the following irrevocable and unqualified conditions: (A) no Voting Shares will be taken up or paid for prior to the close of business on the 105th day following the date of the bid or such shorter minimum initial deposit period that a take-over bid (that is not exempt from the general take-over bid requirements contained in Part 2 Division 5 [Bid mechanic] of National Instrument 62-104 *Take-Over Bids and Issuer Bids* ("NI 62-104") must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104, and then only if more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered to the bid and not withdrawn, (B) Voting Shares may be deposited pursuant to the bid, unless it is withdrawn, at any time prior to the date Voting Shares are first taken up or paid for under the bid, (C) Voting Shares deposited pursuant to the bid may be withdrawn until taken up or paid for, and (D) if the deposit condition referred to in (ii)(A) above is satisfied, the offeror will extend the bid for deposit of Voting Shares for at least 10 business days from the date such extension is publicly announced and, if such bid is a partial bid, not take up any Voting Shares under the bid until the expiry of such 10 business day period. "**Independent Shareholders**" is defined generally as holders of Voting Shares other than (i) an Acquiring Person, (ii) any offeror making a take-over bid, (iii) any affiliate or associate of an Acquiring Person or offeror, (iv) persons acting jointly or in concert with an Acquiring Person or offeror, and (v) employee benefit, stock purchase or certain other plans or trusts for employees of the Corporation unless the beneficiaries of such plans or trusts direct the voting or tendering to a take-over bid of the Voting Shares.

Competing Permitted Bids

A "**Competing Permitted Bid**" is defined generally as a take-over bid made after a Permitted Bid has been made and prior to the expiry, termination or withdrawal of such Permitted Bid that satisfies all of the provisions of a Permitted Bid, except that it must remain open for acceptance until the close of business on the last day of the minimum initial deposit period that such take-over bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the date of the take-over bid, and only if at that date more than 50% of the Voting Shares owned by Independent Shareholders have been deposited to the Competing Permitted Bid and not withdrawn.

Redemption and Waiver

Under the Rights Plan, the Mandalay Board can (i) waive the application of the Rights Plan to enable a particular take-over bid to proceed, in which case the Rights Plan will be deemed to have been waived with respect to any other take-over bid made prior to the expiry of any bid subject to such waiver, or (ii) with the prior approval of the holders of Voting Shares or Rights, as the case may be, redeem the Rights at a redemption price of $0.000001 per Right at any time prior to a Flip-in-Event. Rights are deemed to have been redeemed if a bidder successfully completes a Permitted Bid or a Competing Permitted Bid.

Protection Against Dilution

The Exercise Price, the number and nature of Common Shares that may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

Supplements and Amendments

The Corporation may, without the approval of the holders of Common Shares or Rights, make amendments to (i) correct clerical or typographical errors, and (ii) to maintain the validity and effectiveness of the Rights Plan as a result of any change in applicable law, rule or regulatory requirement. Any amendment referred to in clause (ii) must, if made before the Separation Time, be submitted for approval to the holders of Voting Shares at the next meeting of shareholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

At any time before the Separation Time, the Corporation may with prior written consent of the shareholders amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally, in order to effect any amendments, variations or rescissions of any of the provisions of the Rights Plan which the Mandalay Board, acting in good faith, considers necessary or desirable. At any time after the Separation Time, the Corporation may with prior written consent of the holders of Rights amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

Reconfirmation

The Rights Plan must be reconfirmed at every third annual meeting following the Corporation's annual and general meeting held on May 16, 2018, or the Rights Plan and the Rights will otherwise terminate on the date of the meeting if the Rights Plan is not reconfirmed or presented for reconfirmation.

9. MARKET FOR SECURITIES

The Common Shares trade on the TSX under the symbol "**MND**". Information concerning the trading prices and volumes of the Common Shares on the TSX and Over-the-Counter Markets (OTCs) during fiscal 2019 is set out below.

Month	High CDN($)	Low CDN($)	Close CDN($)	Total Monthly Volume
Jan-19	$1.60	$0.80	$1.45	2,430,142
Feb-19	$1.50	$0.95	$1.50	3,601,849
Mar-19	$1.50	$1.10	$1.20	4,185,312
Apr-19	$1.20	$0.95	$1.00	1,015,941
May-19	$1.05	$0.65	$0.85	494,814
Jun-19	$1.50	$0.75	$1.30	1,475,222
Jul-19	$1.57	$1.04	$1.31	3,850,316
Aug-19	$1.49	$1.04	$1.23	5,634,493
Sep-19	$1.40	$1.12	$1.16	3,759,886
Oct-19	$1.21	$0.75	$0.80	1,723,705
Nov-19	$0.86	$0.77	$0.85	609,196
Dec-19	$1.09	$0.68	$1.08	1,636,374

10. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Other than as described elsewhere in this Annual Information Form or in the Prospectus Supplement, the Corporation does not have any securities subject to regulatory escrow, or any securities subject to any contractual restriction on transfer.

11. DIRECTORS AND OFFICERS

The following table sets forth the name, province or state, country of residence, position held with the Corporation and principal occupation of each of the directors and executive officers of the Corporation as of the date of this Annual Information Form:

Name, Province/State and Country of Residence	Position with the Corporation	Principal Occupation (1)(2)	Director/Officer Since
Abraham Jonker (3)(6) British Columbia, Canada	Lead Independent Director	Corporate Director Chief Financial Officer, Nevada Copper	August 2010
Bradford A. Mills (5) Texas, United States	Chair	Chair of the Mandalay Board (7)	September 2009
Robert Doyle (3)(4) Ontario, Canada	Director	Corporate Director	April 2010
Peter Rhys Jones (4)(5) Ontario, Canada	Director	Corporate Director	August 2010
Amy Freedman (3) (4) Ontario, Canada	Director	Chief Executive Officer, Kingsdale Advisors (8)	May 2016
Dominic Duffy Ontario, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation (9)	Officer: March 2013 Director: May 2018
Terry Ackerman(5) Montana, United States	Director	Corporate Director	June 2019
Nick Dwyer Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation (10)	Officer: August 2018
Belinda Labatte Ontario, Canada	Chief Development Officer	Chief Development Officer of the Corporation (11)	Corporate Secretary: March 2010 to March 2017 Officer: January 2015
Jasmine Virk Ontario, Canada	Director of Corporate Affairs and Corporate Secretary	Director of Corporate Affairs and Corporate Secretary of the Corporation	Corporate Secretary: March 2017

Notes:
1. The information in this table is supplied by the directors and officers of the Corporation.
2. The information provided reflects the principal occupation of the individual over the preceding five years.
3. Member of the Corporation's audit committee (the "**Audit Committee**").
4. Member of Compensation, Corporate Governance and Nominating Committee.
5. Member of Safety, Health and Environmental Committee.
6. Abraham Jonker was appointed Lead Independent Director on March 23, 2016.
7. Brad Mills transitioned from Executive Chairman of the Corporation to Chair of the Mandalay Board on March 27, 2017.
8. Amy Freedman was promoted from President, Canada to the role of Chief Executive Office, Kingsdale Advisors on January 10, 2017.

9. Dominic Duffy transitioned from Chief Operating Officer to President and Chief Executive Officer on May 14, 2018.
10. Nick Dwyer transitioned from Group Financial Controller to Chief Financial Officer on August 15, 2018.
11. Belinda Labatte transitioned from Head of Stakeholder Engagement and Corporate Affairs to Chief Development Officer on March 27, 2017.

The term of office for each director of the Corporation will expire upon the completion of the next annual meeting of shareholders of the Corporation.

As of March 30, 2020, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 23,778,953 Common Shares, representing approximately 26.10% of the outstanding Common Shares. The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors and officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To our knowledge, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any Corporation (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, except for the following:

- Abraham Jonker was Director, President and Interim CFO of EastCoal Inc. ("**EastCoal**") when EastCoal filed a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada) on November 5, 2013. EastCoal emerged from creditor protection on May 21, 2014 following the successful implementation of a compromise agreement with creditors, in which the creditors agreed to reduce the claim amount providing for the full and final settlement of all the claims against the Corporation.

To our knowledge, no director or executive officer of the Corporation is, as at the date hereof or has been, within the 10 years before the date hereof, a director, Chief Executive Officer or Chief Financial Officer of any Corporation (including the Corporation), that:

(a) was the subject of a cease trade or similar order or an order that denied the relevant Corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or

(b) was subject to a cease trade or similar order or an order that denied the relevant Corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To our knowledge, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of the Corporation and its subsidiaries also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any director or officer involving the Corporation will be made in accordance with such director or officer's duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each director of the Corporation is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the BCBCA and applicable laws.

12. Audit Committee Information

12.1 Description of the Audit Committee

The Audit Committee assists the Mandalay Board in fulfilling its oversight responsibilities with respect to the following: (i) the quality and integrity of the financial statements of the Corporation; (ii) the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure; (iii) the qualification, independence and performance of the Corporation's independent auditor; (iv) the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Corporation's business; and (v) the performance of the Corporation's Chief Financial Officer. The Audit Committee's charter is set out in Schedule "**A**" to this Annual Information Form.

As of the date of this Annual Information Form, the members of the Audit Committee are: (i) Robert Doyle; (ii) Abraham Jonker; and (iii) Amy Freedman. All members of the Audit Committee are, for the purposes of National Instrument 52-110 - *Audit Committees*, independent and financially literate. The following is a description of the education and experience of each member of the committee that is relevant to the performance of such member's responsibilities as a member of the Audit Committee.

Robert Doyle

Mr. Doyle has over 40 years of experience in all facets of international resource exploration, development and production. Currently, Mr. Doyle serves as a director of Golden Star Resources Ltd and Caldas Gold Corp. He was Chief Executive Officer of Medoro Resources Limited until October 2009 and was Executive Vice President prior to that. Previously, Mr. Doyle was Chief Financial Officer of a number of companies including Pacific Stratus Energy Corp., Coalcorp Mining Inc., Bolivar Gold Corp. and HMZ Metals Inc., Lac Minerals and Falconbridge Limited. In addition, he was previously a gold market analyst at RBC Capital Markets and Credit Suisse First Boston. Mr. Doyle holds CPA, CA and C.Dir designations and graduated with an HBA in Business Administration from the Ivey School of Business, University of Western Ontario.

Abraham Jonker

Mr. Jonker is a registered Chartered Accountant in British Columbia, (Canada), England and Wales as well as South Africa. He is also a member of the Chartered Institute of Management Accountants in the United Kingdom and holds a Masters degree in South African and International Tax from the Rand Afrikaans University. Mr. Jonker has more than 20 years of extensive management, accounting and corporate finance experience across five continents, mostly in the mining industry. Mr. Jonker currently serves as the Lead Independent Director of the Mandalay Board and CFO of Nevada Copper Corp. Previously he was the Chief Financial Officer of Western Coal Corp at the time of its take-over by Walter Energy for $3.3 billion. During his career Mr. Jonker has played a pivotal role in several business recoveries, has been a key team member at management level in the strategic growth of several public companies, has raised and overseen the raising of more than $500 million in the form of equity and debt instruments and has been involved in corporate transactions aggregating several billion dollars.

Amy Freedman

Ms. Freedman is CEO at Kingsdale Advisors, a firm that specializes in corporate governance and shareholder advisory matters with a focus on proxy battles and hostile takeovers. Prior to Kingsdale Ms. Freedman spent over 14 years as a capital markets professional with various roles within investment banking both in the US and Canada. Ms. Freedman obtained her JD/MBA from the University of Toronto.

12.2 External Auditor Service Fees

Fees paid to Mandalay's auditor, Ernst & Young LLP for 2019 and 2018 were as follows:

	2019 (CDN$)	2018 (CDN$)
Audit Fees	$582,000	$658,000
Audit-related Fees	$120,000	$45,000
Tax Fees	$85,000	$162,000
All other Fees	-	$9,000
Total Fees	$787,000	$874,000

1. **"**Audit Fees**"** include assurance and related services related to the performance of the audit or review of financial statements.
2. "Audit-related Fees" for 2018 include fees associated with the implementation of new accounting standards and prospectus related services. For 2019, fees include costs associated with a short form prospectus.
3. **"**Tax Fees**"** include tax compliance, tax advice and tax planning.

13. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As at the date of this Annual Information Form, there are no material legal proceedings against or by the Corporation and no regulatory actions against the Corporation.

14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form or in the Prospectus Supplement, since January 1, 2019, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or Corporation, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

15. TRANSFER AGENTS AND REGISTRARS

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., and its office is in Toronto, Ontario.

16. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business and not required to be filed under Section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") or contracts described in the Prospectus Supplement, there are no contracts which are regarded as material and which were entered into by the Corporation within fiscal 2018 or before fiscal 2018 but are still in effect.

17. INTERESTS OF EXPERTS

17.1 Names of Experts

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 during, or relating to, the Corporation's financial year ended December 31, 2019.

Ernst & Young LLP is the auditor of Mandalay and is independent within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

The Costerfield Technical Report filed on March 30, 2020, was prepared by SRK, authored by Anne-Marie Ebbels, BEng (Mining), MAusIMM(CP), Principal Consultant; Simon Walsh, BSc (Extractive Metallurgy & Chemistry), MBA (Hons), MAusIMM (CP), GAICD, Associate Principal Consultant (Metallurgy) and Danny Kentwell, MSc Mathematics and Planning (Geostatistics), FAusIMM, Principal Consultant, all independent Qualified Persons under NI 43-101.

The Björkdal Technical Report was prepared by RPA and authored by Reno Pressacco, M.Sc.(A)., (P. Geo)., Jack Lunnon (CGeol.), David JF Smith (CEng.), Derek Holm (FSAIMM), and Kathleen Ann Altman Ph.D., (P.E.), all independent Qualified Persons under NI 43-101, and filed on March 30, 2020.

17.2 Interests of Experts

To the knowledge of the Corporation, the persons above, as a group, beneficially owned, or controlled or directed, directly or indirectly, less than 1% of the issued and outstanding Common Shares, at the time of or after such person prepared the statement, report or valuation, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

18. ADDITIONAL INFORMATION

Additional financial information and information regarding directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Corporation's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2019, management information circular dated May 13, 2019, and the Prospectus Supplement, which are available on the Corporation's SEDAR profile.

SCHEDULE A

MANDALAY RESOURCES CORPORATION

(the "**Corporation**")

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in its oversight and evaluation of:

- the quality and integrity of the financial statements of the Corporation,
- the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure,
- the qualification, independence and performance of the Corporation's independent auditor,
- the performance of the Corporation's internal auditor,
- the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Corporation's business (the "Risks"), and
- the performance of the Corporation's Chief Financial Officer.

In addition, the Audit Committee provides an avenue for communication between the independent auditor, the internal auditors, the Corporation's Chief Financial Officer and other financial senior management, other employees and the Board of Directors concerning accounting, auditing and Risk management matters.

The Audit Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Corporation.

The Audit Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Corporation's financial statements or that those financial statements are in accordance with generally accepted accounting principles.

Each member of the Audit Committee shall be entitled to rely in good faith upon:

- financial statements of the Corporation represented to him or her by senior management of the Corporation or in a written report of the independent auditor to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

"Good faith reliance" means that the Audit Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

The fundamental responsibility for the Corporation's financial statements and disclosure rests with senior management. It is not the duty of the Audit Committee to conduct investigations, to itself resolve disagreements (if any) between senior management and the independent auditor or to assure compliance with applicable legal and regulatory requirements.

In discharging its obligations under this Charter, the Audit Committee shall act in accordance with its fiduciary duties.

REPORTS

The Audit Committee shall report to the Board of Directors on a regular basis and, in any event, before the public disclosure by the Corporation of its annual financial results. The reports of the Audit Committee shall include any issues of which the Audit Committee is aware with respect to the quality or integrity of the Corporation's financial statements, its compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditor and changes in Risks.

The Audit Committee also shall prepare, as required by applicable law, any audit committee report required for inclusion in the Corporation's publicly filed documents.

COMPOSITION

The members of the Audit Committee shall be three or more individuals who are appointed (and may be replaced) by the Board of Directors on the recommendation of the Corporation's Corporate Governance and Nominating Committee. The appointment of members of the Audit Committee shall take place annually at the first meeting of the Board of Directors after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Audit Committee is not so made, the directors who are then serving as members of the Audit Committee shall continue as members of the Audit Committee until their successors are appointed. The Board of Directors may appoint a member to fill a vacancy that occurs in the Audit Committee between annual elections of directors. Any member of the Audit Committee may be removed from the Audit Committee by a resolution of the Board of Directors. Unless the Chair is elected by the Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the members of the Audit Committee.

Each of the members of the Audit Committee shall meet the Corporation's Categorical Standards for Determining Independence of Directors and shall be financially literate (or acquire that familiarity within a reasonable period after appointment) in accordance with applicable legislation and stock exchange requirements. No member of the Audit Committee shall:

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries[1] (other than remuneration for acting in his or her capacity as

[1] A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise).

a director or committee member) or be an "affiliated person"[2] of the Corporation or any of its subsidiaries, or

- concurrently serve on the audit committee of more than three other public companies without the prior approval of the Board of Directors and their determination that such simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Corporation's annual management information circular).

RESPONSIBILITIES

Independent Auditor

The Audit Committee shall:

- Recommend the appointment and the compensation of, and, if appropriate, the termination of the independent auditor, subject to such Board of Directors and shareholder approval as is required under applicable legislation and stock exchange requirements.

- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Audit Committee and the Board of Directors.

- Oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting.

- Pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators).

- Adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Corporation and any of its subsidiaries for any audit or non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.

- Provide notice to the independent auditor of every meeting of the Audit Committee.

- Approve all engagements for accounting advice prepared to be provided by an accounting firm other than independent auditor.

- Review quarterly reports from senior management on tax advisory services provided by accounting firms other than the independent auditor.

Internal Auditor

The Audit Committee shall:

- Review and approve the internal auditor's audit plan and all major changes to the plan.

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[2] An "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.

- Review and discuss with the internal auditors the scope, progress and results of executing the internal audit plan.

- Review the charter, reporting relationship, activities, staffing, organizational structure and credentials of the internal auditors.

- Review and concur on the appointment, replacement, reassignment or dismissal of the personnel responsible for the internal audit function.

- Review the annual performance of the internal auditors.

The Audit Process, Financial Statements and Related Disclosure

The Audit Committee shall:

- Meet separately and periodically with senior management, the internal auditor and/or the independent auditor to review and discuss,

    - the planning and staffing of the audit by the independent auditor,

    - before public disclosure, the Corporation's annual audited financial statements and quarterly financial statements, the Corporation's acCorporationing disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board of Directors as to their approval and dissemination of the annual financial statements and acCorporationing disclosure,

    - financial information and earnings guidance provided to analysts and rating agencies: this review need not be done on a case by case basis but may be done generally (consisting of a discussion of the types of information disclosed and the types of presentations made) and need not take place in advance of the disclosure,

    - any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial statements,

    - all critical accounting policies and practices used,

    - all alternative treatments of financial information within GAAP or IFRS, as applicable that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,

    - the use of "*pro forma*" or "adjusted" non-GAAP or non-IFRS, as applicable information,

    - the effect of new regulatory and accounting pronouncements,

    - the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Corporation's financial statements,

    - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Audit Committee in connection with

certification of forms by the Chief Executive Officer and/or the Chief Financial Officer for filing with applicable securities regulators, and

- the adequacy of the Corporation's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies.

- Review disclosure of financial information extracted or derived from the Corporation's financial statements.

- Review with the independent auditor,

the quality, as well as the acceptability of the accounting principles that have been applied,

any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Corporation's response to that letter or communication, and

any changes to the Corporation's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

Enterprise Risk Management

The Audit Committee will oversee management's identification and monitoring of risks related to financial systems and reporting and recommending strategies to mitigate against such risks.

Compliance

The Audit Committee shall:

- Review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.

- Review senior management's written representations to the independent auditor.

- Review with the Corporation's General Counsel (or, if the Corporation does not have a General Counsel, its principal external legal advisors) legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

- Establish procedures for,

    - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and

    - the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.

Delegation

To avoid any confusion, the Audit Committee responsibilities identified above are the sole responsibility of the Audit Committee and may not be allocated by the Board of Directors to a different committee without revisions to this Charter.

MEETINGS

The Audit Committee shall meet at least quarterly and more frequently as circumstances require. All members of the Audit Committee should strive to be at all meetings. The Audit Committee shall meet separately, periodically, with senior management, the internal auditor and the independent auditor and may request any member of the Corporation's senior management or the Corporation's outside counsel or independent auditor to attend meetings of the Audit Committee or with any members of, or advisors to, the Audit Committee. The Audit Committee also may meet with the investment bankers, financial analysts and rating agencies that provide services to, or follow, the Corporation. The Audit Committee will also meet *in camera* at each of its regularly scheduled meetings.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine. The powers of the Audit Committee may be exercised at a meeting at which a quorum of the Audit Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Audit Committee. Each member (including the Chair) is entitled to one (but only one) vote in Audit Committee proceedings.

Meetings of the Audit Committee shall be held from time to time and at such place as a member of the Audit Committee may request upon 48 hours prior notice. The notice period may be waived by a quorum of the Audit Committee.

Except as otherwise provided in this Charter, the Audit Committee may form and delegate authority to individual members and subcommittees of the Audit Committee where the Audit Committee determines it is appropriate to do so.

INDEPENDENT ADVICE

In discharging its mandate, the Audit Committee shall have the authority to retain (and authorize the payment by the Corporation of) and receive advice from special legal, accounting or other advisors as the Audit Committee determines to be necessary to permit it to carry out its duties.

ANNUAL EVALUATION

Annually, or more frequently at the request of the Chief Executive Officer as a result of legislative or regulator changes, the Audit Committee shall, in a manner it determines to be appropriate:

- Conduct a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this Charter.

- Review and assess the adequacy of its Charter and the position description for its Chair and recommend to the Board of Directors any improvements to this Charter or the position description that the Audit Committee determines to be appropriate, except for minor technical amendments to this Charter, authority for which is delegated to the Chief Executive Officer, who will report any such amendments to the Board of Directors at its next regular meeting.

Appendix A

- Review the experience and qualifications of the senior members of the independent auditor's team.

- Discuss with the independent auditor its internal quality-control procedures.

- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.

- Confirm with the independent auditor that it is a participating audit firm of the Canadian Public Accountability Board in compliance with all restrictions or sanctions imposed on it (if any).

- Review and approve clear policies for the hiring by the Corporation of partners, employees and former partners and employees of the present and former independent auditor.

- Review periodic reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board of Directors take appropriate action to satisfy itself of the independence of the independent auditor.

- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.