MANDALAY RESOURCES

Management's Discussion and Analysis

For the three and nine months ended September 30, 2018

As of November 8, 2018

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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the three and nine months ended September 30, 2018, the 2017 year end MD&A and 2017 year end condensed financial statements, and the Company's annual information form dated March 29, 2018 (the "AIF"), as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States ("U.S.") dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

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

This MD&A contains forward-looking statements. Please refer to "Cautionary Statement Regarding Forward Looking Statements" at the end of this MD&A for a discussion of some of the risks and uncertainties associated with forward-looking statements.

This MD&A contains reference to non-IFRS measures. Please refer to Section 1.15 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

1.0 THIRD QUARTER 2018 FINANCIAL AND OPERATING SUMMARY

Financial Summary

- Revenue in the current quarter was $21.8 million compared to $35.4 million in the prior year quarter. The decline in quarterly revenue this year compared to same quarter in the prior year was primarily due to lower production and therefore sales at Costerfield and Björkdal, as well as a 10% lower realized gold price. Production at Costerfield was impacted by a longer than anticipated dewatering process at the Brunswick lode, which was resolved in August. Production at Björkdal was negatively impacted by a temporary underground ore haulage bottleneck. The Company expects this bottleneck to be resolved in the fourth quarter as the new haulage trucks are delivered to site, allowing the haulage rate of the higher grade underground ore to increase. Further, there was no revenue from the Cerro Bayo mine in the current quarter, versus $2.3 million in the third quarter of 2017.

- Mandalay's consolidated average cash cost[1] of production in the third quarter of 2018 was $1,239 per ounce of gold equivalent versus $907 per ounce of gold equivalent in the third

[1] Consolidated average cash cost is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.

quarter of 2017. Consolidated all-in cost[2] in the current quarter was $1,631 per ounce of gold equivalent versus $1,301 per ounce of gold equivalent in the prior-year quarter. Lower production in the third quarter of 2018 resulted in higher cash and all-in costs relative to metal prices. Should these levels of production persist, the Company's liquidity over the longer term will be negatively affected. The Company believes the operational issues causing the lower production have now largely been resolved and that production going forward will allow for lower cash and all-in costs that are more consistent with the Company's historical results.

- Adjusted EBITDA[2] in the third quarter of 2018 was negative $0.6 million versus $10.7 million in the third quarter of 2017. Lower comparative adjusted EBITDA in the 2018 quarter was mainly due to lower revenue, as mentioned above. This lower comparative revenue in the current quarter was partially offset by a lower cost of sales in the current period, compared to the third quarter of 2017.

- Consolidated after tax net loss in the third quarter of 2018 was $7.5 million ($0.02 loss per share), similar to consolidated net loss of $7.2 million ($0.02 per share) in the third quarter of 2017.

- During the current quarter, the Company received $4.1 million (CAD $5.3 million) via a release of funds which had been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine.

- During the current quarter, the Company drew down $15.0 million on its revolver facility for working capital purposes. As at the end of the quarter, the Company has $10.0 million remaining to drawn down on this facility, if required.

- At September 30, 2018, the Company had $26.7 million of cash and cash equivalents compared to $16.9 million as at December 31, 2017.

Operational Summary

Consolidated Production and Sales

- In the third quarter of 2018, Mandalay produced a total of 16,874 ounces of gold equivalent, including 13,442 ounces of gold and 505 tonnes of antimony. This compares to 25,819 ounces of gold equivalent produced in the third quarter of 2017, consisting of 20,603 ounces of gold and 804 tonnes of antimony.

- Mandalay's consolidated average cash cost of production in the third quarter of 2018 was $1,239 per ounce of gold equivalent versus $907 per ounce of gold equivalent in the third quarter of 2017. Cash costs are considered relatively high for the current period, and as outlined above, the Company expects the cash cost per ounce to decrease in the coming quarters with expected increase

[2] Adjusted EBITDA and all-in cost are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS Measures" for further information.

production. Consolidated average cash cost of production for the nine months to date was $1,097 per ounce of gold equivalent versus $912 per ounce of gold equivalent for the prior year period.

- Consolidated all-in cost in the current quarter was $1,631 per ounce of gold equivalent versus $1,301 per ounce of gold equivalent in the prior-year quarter. Consolidated all-in cost year to date was $1,478 per ounce of gold equivalent versus $1,258 per ounce of gold equivalent in the prior year period. This was mainly due to the higher cash cost, as described above.

- Cash costs and all-in costs mentioned above exclude Cerro Bayo care and maintenance costs of $1.2 million incurred during the current quarter, as compared to $5.5 million in the previous year quarter. The comparative lower care and maintenance costs are expected to continue at the mine going forward at a rate of approximately $1.0 to 1.5 million per quarter.

- Foreign exchange rates impacted U.S. dollar-denominated costs favorably in the current quarter, compared to the prior year quarter. The Australian dollar averaged 1.3676/US$ in the third quarter of 2018 vs 1.2665/US$ in the prior year period. The Swedish Krona averaged 8.9536 krona/US$ in the period vs 8.1370 krona/US$ in the prior year period. The Chilean Peso averaged 663 peso/US$ vs 642 peso/US$ in the prior year period. Petroleum prices were approximately 45% higher than in the prior period.

- Quantities of metal sold during the quarter were 15,144 ounces of gold and 486 tonnes of antimony compared to 21,749 ounces of gold, 78,805 ounces of silver and 697 tonnes of antimony in the third quarter of 2017. These sales totaled 18,450 ounces of gold equivalent in the 2018 quarter versus 27,310 ounces of gold equivalent in the corresponding quarter of 2017.

- Prices realized during the quarter were $1,168 per ounce for gold and $8,387 per tonne for antimony versus $1,296 per ounce for gold and $8,468 per tonne for antimony in the same period in 2017 (9.8% lower price for gold and 0.9% lower for antimony).

Mandalay Saleable Production

Metal	Source	Three months to 30 September 2018	Three months to 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Gold (oz)	Björkdal	8,504	13,233	35,237	39,993
	Costerfield	4,938	7,370	16,662	24,290
	Cerro Bayo	-	-	-	5,909
	Total	**13,442**	**20,603**	**51,899**	**70,192**
Antimony (t)	Costerfield	**505**	**804**	**1,613**	**2,310**
Silver (oz)	Cerro Bayo	**-**	**-**	**-**	**794,533**
Average quarterly prices:					
Gold US$/oz		1,213	1,278	1,282	1,251
Antimony US$/tonne		8,252	8,293	8,348	8,374
Silver US$/oz		15.00	16.85	16.10	17.12
Au Eq. (oz)[1]	Björkdal	8,504	13,233	35,237	39,993
	Costerfield	8,370	12,586	27,158	39,777
	Cerro Bayo	-	-	-	17,021
	Total	**16,874**	**25,819**	**62,395**	**96,791**

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

Mandalay Sales

Metal	Source	Three months to 30 September 2018	Three months to 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Gold (oz)	Bjorkdal	10,400	13,620	40,505	39,493
	Costerfield	4,744	7,500	17,943	23,959
	Cerro Bayo	-	629	-	6,861
	Total	**15,144**	**21,749**	**58,448**	**70,313**
Antimony (t)	Costerfield	**486**	**697**	**1,725**	**2,211**
Silver (oz)	Cerro Bayo	**-**	**78,805**	**-**	**908,498**
Average quarterly prices:					
Gold US$/oz		1,213	1,278	1,282	1,251
Antimony US$/tonne		8,252	8,293	8,348	8,374
Silver US$/oz		15	16.85	16.10	17.12
Au Eq. (oz)[2]	Bjorkdal	10,400	13,620	40,505	39,493
	Costerfield	8,050	12,023	29,145	38,826
	Cerro Bayo	-	1,667	-	19,501
	Total	**18,450**	**27,310**	**69,650**	**97,820**

[2]Gold equivalent ounces (or "Au Eq. oz") sold is calculated by multiplying the quantities of gold, silver, and antimony sold in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. The source for all prices is www.metalbulletin.com, with price on weekend days and holidays taken from the last business day.

Björkdal Gold Mine, Sweden

- *Production* — Björkdal produced 8,504 ounces of gold in the third quarter of 2018 versus 14,017 ounces of gold in the previous quarter and 13,233 ounces of gold in the third quarter of 2017. The decrease in production in the current quarter was directly related to the milled head grades, as mill tonnage throughput remained broadly constant between periods. As mentioned in the financial summary above, we are expecting improved production from underground in the fourth quarter of 2018. See "Results of Operations – Björkdal".

- *Operating Costs* — Cash cost per saleable ounce of gold produced at Björkdal in the third quarter of this year was $1,304 and the site all-in cost per saleable ounce of gold produced was $1,615, as compared to $876 and $1,155 respectively in the previous quarter and $871 and $1,199 respectively for the prior year quarter of 2017. The higher cost per ounce in the current period compared to the last quarter was due to lower production in the current quarter, as operating costs were similar to the previous quarter.

Costerfield Gold-Antimony Mine, Victoria, Australia

- *Production* — Saleable gold production for the third quarter of 2018 was 4,938 ounces versus 5,137 ounces in the previous quarter and 7,370 ounces in the third quarter of 2017. Saleable antimony production for the third quarter of 2018 was 505 tonnes versus 503 tonnes in the previous quarter and 804 tonnes in the third quarter of 2017. Production in the current quarter was lower than in the year-ago quarter due to a delay in transitioning from the Augusta and Cuffley lodes to mining the Brunswick lode, as higher than expected levels of water were encountered in the lode which have had to be dewatered. These issues have been resolved and the Company is expecting production to improve in the coming quarter. See "Results of Operations – Costerfield".

- *Operating Costs* — Cash cost per ounce of gold equivalent produced in the third quarter of 2018 was $988, an improvement against the $1,049 in the previous quarter, however higher than the $736 in the third quarter of 2017. The site all-in cost per ounce of gold equivalent produced in the third quarter of 2018 improved slightly to $1,420 versus $1,512 compared to the previous quarter, but was higher than the $1,068 in the third quarter of 2017. Cash cost per ounce was higher for the current quarter due to lower grades mined of both gold and antimony.

Cerro Bayo Silver-Gold Mine, Aysen, Chile

- *Production and Operating Costs* — there was no production in the current quarter at Cerro Bayo due to the ongoing suspension of operations following the June 9, 2017, flooding in the Delia NW mine. See "Results of Operations – Cerro Bayo" below. The Company currently expects ongoing care and maintenance costs at Cerro Bayo to be maintained at a rate of approximately $1.0 to 1.5 million per quarter going forward.

Exploration

Ongoing exploration activities during the third quarter of 2018 included:

Björkdal

In the current period, drilling focused on near term, underground higher grade areas and wider areas that could allow for larger mining rates. The Company is planning to release year end resources and reserves for Björkdal in February 2019.

Costerfield

On April 3, 2018, and June 27, 2018, the Company released details of the recent and ongoing exploration drilling campaign. During the current period drilling continued into the Youle zone seeking to increase the extents of the vein. Drilling was also carried out on the Brunswick vein, below and to the east and west of the current workings. The Company is planning to release year end resources and reserves late December 2018 or early January 2019, in which the Youle resources and reserves will be added.

1.1 SELECTED QUARTERLY INFORMATION

Summary Financial Information

The following table sets forth a summary of the Company's financial results for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30, 2018 ($'000)	Three months ended September 30, 2017 ($'000)	Nine months ended September 30, 2018 ($'000)	Nine months ended September 30, 2017 ($'000)
Revenue	21,765	35,407	89,457	124,904
Cost of sales	21,023	22,403	69,191	84,421
Income from mining operations before depreciation and depletion	743	13,004	20,266	40,483
Depreciation and depletion	6,543	9,584	23,459	31,922
Income/(loss) from mining operations	(5,801)	3,420	(3,193)	8,561
Administration costs	1,324	2,354	5,062	6,291
Adjusted EBITDA*	(582)	10,650	15,204	34,192
Finance costs, foreign exchange and others**	2,019	7,623	26,151	21,214
Consolidated loss before tax	(9,144)	(6,557)	(34,406)	(18,944)
Current tax expense (recovery)	(951)	768	(289)	1,458
Deferred tax income	(725)	(144)	(1,699)	(768)
Adjusted net loss before special items after tax *	(6,242)	(1,673)	(9,048)	(10,954)
Consolidated net loss after tax	(7,468)	(7,181)	(32,418)	(19,634)
Total assets	266,493	331,241	266,493	331,241
Total liabilities	139,488	141,859	139,488	141,859
Adjusted loss per share before special items*	(0.01)	(0.00)	(0.02)	(0.02)
Consolidated loss per share	(0.02)	(0.02)	(0.07)	(0.04)

* Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share before special items are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS Measures" for further information.
**Others includes such items as mark to market derivative adjustments, write down of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

Summary Balance Sheet

	As at September 30, 2018 ($'000)	As at December 31, 2017 ($'000)
Cash and cash equivalents	26,660	16,935
Inventories, accounts receivables and other current assets	33,285	54,285
Property, plant and equipment	174,632	194,564
Reclamation deposit and other non current assets	31,916	39,277
Total assets	**266,493**	**305,061**
Five year exchangeable loan*	27,207	27,784
Other current liabilities*	27,847	32,683
Non current liabilities	84,434	79,055
Equity attributable to common share holders	127,005	165,539
Total equity and liability	**266,493**	**305,061**

*The five-year exchangeable loan is shown as a current liability on the balance sheet.

Summary Free Cash Flow

The table below reconciles net cash flow from operating activities, to free cash flow, then to net cash flow (increase in cash and cash equivalents) for the three and nine months ended September 30, 2018, and 2017. Free cash flow is a non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS Measures" for further information.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Net cash flows from operating activities	**3,674**	**9,215**	**25,248**	**20,641**
Capital expenditures	(12,051)	(9,890)	(35,286)	(34,980)
Free cash flow	**(8,377)**	**(675)**	**(10,038)**	**(14,339)**
Reclamation deposits	4,846	(7,367)	4,658	(7,500)
Reclamation expenditures	(1,662)	-	(2,820)	-
Other investing activity	-	19	-	37
Net repayment of borrowings	15,953	14,966	16,365	(14,948)
Proceeds from Ulu option agreement	-	-	310	-
Dividend paid	-	-	-	(4,703)
Effects of exchange rate changes	420	(453)	1,250	(615)
Net cash flow	**11,180**	**6,490**	**9,725**	**(42,068)**
Cash and cash equivalents, beginning of the period	15,480	18,359	16,935	66,917
Cash and cash equivalents, end of the period	**26,660**	**24,849**	**26,660**	**24,849**

Adjusted EBITDA and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA and Adjusted Net Income to reported net income for the three and nine months ended September 30, 2018 and 2017. Adjusted EBITDA and Adjusted Net Income are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS Measures" for further information.

	Three months ended September 30, 2018		Three months ended September 30, 2017		Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Consolidated Net loss		(7,468)		(7,181)		(32,419)		(19,634)
Special items								
Write down of assets	-		-		18,533		777	
Care and maintenance	1,226		5,508		4,837		7,903	
		1,226		5,508		23,370		8,680
Adjusted Net Income/(loss) before special items		(6,242)		(1,673)		(9,049)		(10,954)
Add: Non-cash and finance costs								
Depletion and depreciation	6,543		9,584		23,459		31,922	
Loss on disposal of property, plant and equipment	9		6		135		518	
Share based compensation	184		266		588		740	
Interest and finance charges	1,306		1,021		4,036		6,669	
Fair value adjustments	(331)		428		(1,125)		2,999	
Current tax	(951)		768		(289)		1,458	
Deferred tax	(725)		(144)		(1,699)		(768)	
Foreign exchange loss	(177)	5,858	533	12,462	49	25,154	1,775	45,313
		(384)		10,789		16,105		34,359
Less: Interest and other income	(198)	(198)	(139)	(139)	(902)	(902)	(167)	(167)
Adjusted EBITDA		(582)		10,650		15,203		34,192

1.2 RESULTS OF OPERATIONS

Mandalay results – Consolidated

Consolidated Results for the Three Months Ended September 30, 2018 and 2017

Revenue in the quarter was $21.8 million (including $0.1 million in favorable revenue adjustments related to open sales contracts from prior quarters) compared to $35.4 million in the prior year quarter (including $0.1 million adverse revenue adjustments related to open sales contracts from prior quarters). The decline in quarterly revenue this year compared to same quarter in the prior year was primarily due to lower production and therefore sales at Costerfield and Björkdal, as well as a 10% lower realized gold price. Production at Costerfield was impacted by a longer than anticipated dewatering process at the Brunswick lode, which was resolved in August. Production at Björkdal was negatively impacted by a temporary underground ore haulage bottleneck. The Company expects this bottleneck to be resolved in the fourth quarter as the new haulage trucks are delivered to site, allowing the haulage rate of the higher grade underground ore to increase. Further, there was no revenue from the Cerro Bayo mine in the current quarter, versus $2.3 million in the third quarter of 2017.

Cost of sales in the current quarter was $21.0 million compared with $22.4 million in the year ago quarter leaving adjusted EBITDA in the third quarter of 2018 of negative $0.6 million, compared to $10.7 million in the third quarter of 2017. The negative EBITDA was driven primarily by the operational delays in the start of the quarter as described above, however we expect an increase to production early in the fourth quarter.

Consolidated after tax net loss in the third quarter of 2018 was $7.5 million ($0.02 loss per share) similar to consolidated net loss of $7.2 million ($0.02 per share) in the third quarter of 2017.

Capital expenditures in the third quarter of 2018, including capitalized depreciation and exploration, were $12.1 million. Of this amount, $5.8 million occurred at Costerfield, $6.2 million at Björkdal and $0.1 million at Challacollo. By comparison, total capital expenditures, including capitalized depreciation and exploration, in the third quarter of 2017 were $9.9 million.

Consolidated Results for the Nine Months Ended September 30, 2018 and 2017

During the first nine months of 2018, consolidated revenue was $89.5 million versus $124.9 million in 2017. The decline in the revenue for the first nine months 2018 versus the first nine months of 2017 was due primarily to suspension of operations at Cerro Bayo. Loss from mine operations during first nine months of 2018 was $3.2 million compared to $8.6 million income in 2017, with the difference caused by the lower revenue in 2018, explained above.

During the first nine months of 2018, the Company recorded adjusted net loss before special items of $9.0 million and consolidated net loss of $32.4 million. This compares to adjusted net loss before special items of $11.0 million and consolidated net loss of $19.6 million during the nine months ended September 30, 2017. The main reason for the increased loss in the first nine months of 2018 was due to the $18.5 million write down of Challacollo due to its imminent sale. Lower adjusted EBITDA was due to lower revenue in the first nine months of 2018 than in the 2017 period.

During the first nine months of 2018, the Company invested $15.7 million in capital development, $6.0 million in exploration, and $13.4 million in property, plant and equipment. The corresponding amounts for 2017 were $17.9 million for capital development, $5.8 million for exploration and $10.8 million for property, plant and equipment.

Björkdal

Björkdal Financial and Operating Results for the Three Months Ended September 30, 2018 and 2017

During the third quarter of 2018, Björkdal produced a total 253,503 tonnes of ore from the open pit and underground operations, with an average grade of 1.18 grams per tonne gold as compared to 285,078 tonnes for third quarter of 2017 with average grade of 1.52 grams per tonne. The lower comparative tonnage production during the 2018 quarter was mainly due to a bottleneck with the haulage contractor delivering higher grade underground ore to the mill.

The weighted average mining cost from the open pit and underground was $26.26 per tonne in the third quarter of 2018, higher than the $24.57 per tonne in the corresponding period of 2017.

During the third quarter of 2018, the Björkdal concentrator processed 325,973 tonnes of ore against 331,748 tonnes of ore in the previous year. The head grade in the current period was lower (0.94 grams per tonne gold) compared to the year-ago quarter (1.45 grams per tonne gold), this is mainly attributable to the processing of lower grade stockpiled ore, due to the haulage bottleneck in the current quarter. Metallurgical recoveries during the third quarter of 2018 were 88.27%, against 86.96% for the third quarter of 2017, mainly due to the commissioning of the floatation expansion project, commissioned by the end of the third quarter of 2017. Processing cost was $6.15 per tonne in the third quarter of 2018, decrease from the previous year cost of $8.00. The Company has also added automation controls to the Björkdal plant and seeing additional recovery improvements of approximately 1% as the circuit has stabilized. This has also resulted in the removal of more gold in the gravity circuit, with the overall impact of improving the site's gold payables in the plant.

During the third quarter of 2018, Björkdal produced 8,504 saleable gold ounces and sold 10,400 ounces. By comparison, in the third quarter of 2017, Björkdal produced 13,233 saleable gold ounces and sold 13,620 ounces. Cash cost per gold ounce was $1,304 and all-in cost was $1,615 in 2018, higher than the costs of $871 cash and $1,199 all-in, respectively, in 2017. The higher cash cost per ounce in the current quarter resulted predominately from decreased gold production.

Björkdal generated revenue of $11.9 million for the quarter ended September 30, 2018, versus $17.8 million in the year-ago quarter. Loss from mine operations before depreciation and depletion was $0.8 million versus income of $6.4 million in the year ago quarter. Adjusted EBITDA was negative $0.8 million versus $6.4 million in the year ago quarter. Net loss before tax was $4.2 million and net loss after tax was $3.3 million in 2018 versus net profit before tax of $1.1 million and after tax of $1.0 million, respectively, in 2017.

During the third quarter of 2018, Björkdal invested $2.0 million in mine development, $3.9 million in property, plant and equipment and $0.3 million in exploration. During the third quarter of 2017, Björkdal invested $4.0 million in mine development, $2.7 million in property, plant and equipment and $0.6 million in exploration.

Björkdal Financial and Operating Results for the Nine Months Ended September 30, 2018 and 2017

During the first nine months of 2018, Björkdal produced a combined 857,862 tonnes of ore from the open pit and underground operations, with an average grade of 1.33 grams per tonne gold as compared to 807,207 tonnes in the prior year period of 2017 with average grade of 1.49 grams per tonne. During the first nine months of 2018, 2,971 metres of operating development was completed against 3,517 metres in the corresponding period of 2017. The weighted average mining cost from the open pit and underground was $26.60 per tonne in the first nine months of 2018 against $28.73 per tonne in 2017. The cost decrease was due to more tonnes being mined in the current period.

During the first nine months of 2018, the Björkdal concentrator processed 932,221 tonnes of ore with grades of 1.26 grams per tonne gold against 957,757 tonnes of ore with average grade of 1.51 grams per tonne gold in 2017. Metallurgical recoveries during the first nine months of 2018 were 95.45% compared with 87.90% for the year 2017. Processing cost was $7.73 per tonne in the first nine months of 2018 as compared to $7.86 per tonne in 2017.

During the first nine months of 2018, Björkdal produced 35,237 saleable gold ounces and sold 40,505 ounces. In the first nine months of 2017, Björkdal produced 39,993 saleable gold ounces and sold 39,493 ounces. Cash cost per gold ounce was $1,058 and all-in cost was $1,350 in 2018 against $926 and $1,213 respectively in 2017.

During the first nine months of 2018, the Company invested $8.0 million in mine development, $7.9 million in property, plant and equipment and $1.6 million in exploration. During the first nine months of 2017, the Company invested $10.1 million in mine development, $5.8 million in property, plant and equipment and $1.7 million in exploration.

Björkdal Financial Results

	Three months ended September 30, 2018 ($'000)	Three months ended September 30, 2017 ($'000)	Nine months ended September 30, 2018 ($'000)	Nine months ended September 30, 2017 ($'000)
Revenue	11,949	17,816	52,125	50,882
Cost of sales	12,745	11,411	41,075	35,417
Income from mining operations before depreciation and depletion	(796)	6,405	11,050	15,465
Depreciation and depletion	2,649	4,332	10,286	11,466
Income from mining operations	(3,445)	2,073	764	3,999
Administration(1)	211	243	712	808
Adjusted EBITDA(2)(4)	(795)	6,405	11,061	15,465
Finance costs, foreign exchange and others(2)	560	700	1,717	1,773
Income (loss) before tax	(4,216)	1,130	(1,665)	1,418
Current tax expense (recovery)	(637)	162	18	370
Deferred tax recovery	(304)	(79)	(1,231)	(246)
Operating net income after tax(4)	(2,596)	1,869	2,033	3,727
Adjusted net income after tax before special items(4)	(3,275)	1,047	(452)	1,294
Consolidated net income after tax	(3,275)	1,047	(452)	1,294
Capital expenditure (5)	6,162	7,263	17,465	17,548

1Includes intercompany transfer pricing recharge costs of $212,000 in the three months ended in September 30, 2018 and $243,000 in the same period of 2017.

2Does not include intercompany transfer pricing recharge costs.

3Others includes such items as mark to market derivative adjustments, write down of mineral properties, exploration and evaluation, share based compensation, gain/(loss) on disposal of properties

4Adjusted EBITDA, operating net income (loss) after tax and adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS measures" for further information.

5Includes capitalized depreciation on equipment.

Björkdal Operating Statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Björkdal.

	Unit	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended March 31, 2018	Three months ended June 30, 2018
Mining Production and Mining Cost							
Operating development	m	1,033	862	2,971	3,517	1,155	783
Mined ore	t	253,503	285,078	857,862	807,207	314,891	289,468
Ore mined Au grade	g/t	1.18	1.52	1.33	1.49	1.43	1.34
Mined contained Au	oz	9,655	13,955	36,598	38,603	14,480	12,463
Mining cost per tonne ore	$/t	26.26	24.57	26.60	28.73	27.34	26.09
Processing and Processing Cost							
Processed ore	t	325,973	331,748	932,221	957,757	290,456	315,792
Mill head grade Au	g/t	0.94	1.45	1.26	1.51	1.55	1.56
Recovery Au	%	88.27	86.96	95.45	87.90	89.73	89.99
Concentrate produced	dry t	872	1,015	2,303	3,067	1,431	1,431
Concentrate grade Au	g/t	303	405	476	406	276	305
Saleable Au produced	oz	8,504	13,233	35,237	39,993	12,716	14,017
Processing cost per tonne ore	$/t	6.15	8.00	7.73	7.86	9.68	7.53
Sales							
Concentrate sold	dry t	876	928	3,549	3,158	1,337	1,337
Concentrate Au grade	g/t	369	457	355	389	411	289
Au sold	oz	10,400	13,620	40,505	39,493	17,677	12,428
Benchmark Unit Cost							
Site cash operating cost/ tonne ore processed[1]	$/t	34.02	34.75	40.00	38.68	47.91	38.90
Site cash operating cost/tonne concentrate produced[1]	$/t	12,710	11,354	16,189	12,080	9,725	8,585
Adjusted EBITDA/tonne ore milled[1]	$/t	(2.44)	19.31	11.86	16.15	25.77	13.84
Adjusted EBITDA/tonne concentrate produced[1]	$/t	(912)	6,308	4,801	5,042	5,231	3,054
Cash cost per Au oz produced[1][2]	$/oz	1,304	871	1,058	926	1,094	876
Site all-in cost per oz Au oz produced[1][3]	$/oz	1,615	1,199	1,350	1,213	1,387	1,155
Capital Spending							
Capital development (Underground)	m	458	477	1,638	1,435	614	566
Capital development (Open pit)	t	279,478	238,797	920,540	1,273,856	387,704	253,358
Capital development cost	$000	2,027	4,018	7,970	10,103	2,934	3,009
Capital purchases	$000	3,878	2,684	7,938	5,761	2,975	1,085
Capitalized exploration	$000	257	561	1,557	1,683	305	994

1 Does not include intercompany transfer pricing recharge costs and business development costs.

2 The cash cost per ounce of gold produced is a non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS Measures" for further information.

3 Site all-in cost per ounce of gold produced is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.

Costerfield

Costerfield Financial and Operating Results for the Three Months Ended September 30, 2018 and 2017

Production and therefore financial results were lower in the current period, due to a delay in transitioning from the Augusta and Cuffley lodes to mining the Brunswick lode, as higher than expected levels of water were encountered in the lode which had to be dewatered.

In the third quarter of 2018, Costerfield produced a total of 8,370 ounces of gold equivalent at cash costs and all-in costs of $988 and $1,420 per ounce of gold equivalent, respectively. This compares to the prior year quarter production of 12,586 ounces of gold equivalent at $736 cash costs and $1,068 all-in cost per ounce gold equivalent.

Costerfield generated revenue of $9.8 million for the quarter ended September 30, 2018. Income from mine operations before depreciation and depletion was $1.6 million, adjusted EBITDA was $1.8 million, net loss before tax was $1.8 million and net loss after tax was $1.0 million. Comparable results for the quarter ended September 30, 2017 were revenue of $15.3 million, income from mine operations before depreciation and depletion of $6.4 million, adjusted EBITDA of $6.3 million, net loss before tax of $1.8 million and net income after tax of $1.3 million.

The Costerfield mine completed 816 metres of operating development in the third quarter of 2018 versus 1,384 metres in 2017.

36,215 tonnes of ore were mined in third quarter of 2018 as compared to 35,917 tonnes in the third quarter of 2017. Mining cost decreased to $150 per tonne from the previous year's quarter of $169 per tonne. As expected, the mined gold grade in the third quarter of 2018 was 5.39 grams per tonne versus 7.54 grams per tonne in 2017, while the mined antimony grade was 2.23% in 2018 versus 3.05% in the prior year quarter. The Company expects these grades to lift as it mines the higher-grade areas of the Brunswick lode.

During the third quarter of 2018, Costerfield processed more ore than in the year ago quarter (38,856 tonnes versus 38,482 tonnes). Processing costs in the third quarter of 2018 of $39.62 per tonne were slightly higher than in the third quarter of 2017, which were $37.85 per tonne.

Plant gold head grade in 2018 was 5.11 grams per tonne versus 7.74 grams per tonne in the year ago quarter, while the antimony head grade was 2.16% in 2018 versus 3.19% in 2017. These grade declines were expected and account for the reduced metal output despite more tonnes being processed. The plant achieved recoveries of 87.86% for gold and 94.75% for antimony versus 89.13% for gold and 94.60% for antimony in third quarter of 2017.

Total saleable metal production in the third quarter of 2018 was 4,938 ounces of gold and 505 tonnes of antimony versus 7,370 ounces of gold and 804 tonnes of antimony in the third quarter of 2017. A total of 4,743 ounces of gold and 486 tonnes of antimony were sold in the third quarter of 2018 versus 7,500 ounces of gold and 697 tonnes of antimony sold in the third quarter of 2017.

During the third quarter of 2018, Costerfield incurred $2.5 million in capital development costs, spent $1.6 million in exploration and $1.7 million in property, plant and equipment. The corresponding amounts for the prior year quarter were nil, $0.8 million and $1.1 million, respectively.

Costerfield Financial and Operating Results for the Nine Months Ended September 30, 2018 and 2017

For the first nine months year 2018, Costerfield produced 27,157 ounces of gold equivalent at cash costs and all-in costs of $961 and $1,412 per ounce of gold equivalent, respectively, which compares to 39,778 ounces of gold equivalent at cash costs and all-in costs of $699 and $1,019 per ounce of gold equivalent, respectively, in the prior year period. The lower production for the current period relates to the lower grade processed due to the production delays at the Brunswick lode, which have now been rectified, as previously mentioned.

The Costerfield mine completed 2,833 meters ("m") of operating development in the first nine months ended September 30, 2018 versus 4,175 m in 2017. There was 408 m of capital development in the first nine months of 2017, while there was 1,972 m completed in 2018.

The operation mined higher amounts of ore in 2018 than in 2017 – 114,021 tonnes this year versus 107,744 tonnes in 2017. Mining costs decreased to $146 per tonne from $167 per tonne in the prior year. The mined gold grade in 2018 decreased to 5.85 grams per tonne from 8.37 grams per tonne in 2017, while the mined antimony grade declined to 2.37% in 2018 from 3.30%.

Plant throughput in first nine months of 2018 was higher (116,725 tonnes) than in 2017 (112,521 tonnes) and unit costs were $37.69 per tonne in 2017 versus $38.36 per tonne in 2018.

Plant gold head grade in the first nine months of 2018 was 5.75 grams per tonne versus 8.48 grams per tonne gold a year ago, while the antimony head grade was 2.33% in 2018 versus 3.36% in 2017. The plant achieved recoveries of 87.80% for gold and 93.08% for antimony versus 89.75% for gold and 95.61% for antimony in the first nine months of 2017.

Total saleable metal production in the first nine months of 2018 was 16,661 ounces of gold and 1,613 tonnes antimony versus 24,290 ounces of gold and 2,310 tonnes antimony in 2017. A total of 17,943 ounces gold and 1,725 tonnes antimony were sold in the first nine months of 2018 versus a total of 23,959 ounces gold and 2,211 tonnes antimony sold in the first nine months of 2017.

In the first nine months of 2018, the Company spent $7.8 million on capital development, $4.1 million on exploration and $5.5 million on property, plant and equipment at Costerfield. The corresponding amounts for the prior year period were $1.9 million, $3.2 million and $3.5 million, respectively.

Costerfield Financial Results

	Three months ended September 30, 2018 ($'000)	Three months ended September 30, 2017 ($'000)	Nine months ended September 30, 2018 ($'000)	Nine months ended September 30, 2017 ($'000)
Revenue	9,816	15,323	37,252	49,048
Cost of sales	8,267	8,936	27,916	29,067
Income from mining operations before depreciation and depletion	1,550	6,387	9,336	19,981
Depreciation and depletion	3,497	4,009	11,829	12,176
Income from mining operations	(1,948)	2,378	(2,493)	7,805
Administration (1)	(62)	167	589	614
Adjusted EBITDA (2)(4)	1,765	6,341	9,320	19,839
Finance costs, foreign exchange and others (3)	(120)	404	(397)	1,674
Income before tax	(1,766)	1,807	(2,685)	5,517
Current tax expense (recovery)	(314)	606	(307)	1,939
Deferred tax expense	(421)	(65)	(468)	(518)
Operating net income after tax(4)	(834)	1,546	(1,037)	5,357
Adjusted net income after tax before special items(4)	(1,031)	1,266	(1,910)	4,096
Consolidated net income after tax	(1,031)	1,266	(1,910)	4,096
Capital expenditure (5)	5,788	1,921	17,328	8,662

[1]Includes intercompany transfer pricing recharge costs of $154,000 in the three months ended September 30, 2018 and $121,000 in the corresponding period of 2017.

[2]Does not include intercompany transfer pricing recharge costs.

[3]Others includes such items as mark to market derivative adjustments, write down of mineral properties, exploration and evaluation, share based compensation, gain/loss on disposals of properties.

[4]Adjusted EBITDA, operating net income after tax and adjusted net income are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS measures" for further information.

[5]Includes capitalized depreciation on equipment.

Costerfield operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Costerfield.

	Unit	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended March 31, 2018	Three months ended June 30, 2018
Mining Production and Mining Cost							
Operating development	m	816	1,384	2,833	4,175	1,141	875
Mined ore	t	36,215	35,917	114,021	107,744	39,990	37,816
Ore mined Au grade	g/t	5.39	7.54	5.85	8.37	6.73	5.36
Ore mined Sb grade	%	2.23	3.05	2.37	3.30	2.52	2.35
Mined contained Au	oz	6,276	8,711	21,445	29,000	8,652	6,516
Mined contained Sb	t	808	1,097	2,702	3,558	1,006	888
Mining cost per tonne ore	$/t	150	169	146	167	142	146
Processing and Processing Cost							
Processed ore	t	38,856	38,482	116,725	112,521	38,558	39,311
Mill head grade Au	g/t	5.11	7.74	5.75	8.48	6.72	5.44
Mill head grade Sb	%	2.16	3.19	2.33	3.36	2.64	2.18
Recovery Au	%	87.86	89.13	87.80	89.75	88.51	86.89
Recovery Sb	%	94.75	94.60	93.08	95.61	92.61	92.00
Concentrate produced	dry t	1,513	2,254	4,869	6,921	1,832	1,524
Concentrate grade Au	g/t	64.73	66.05	74.22	67.86	81.67	74.67
Concentrate grade Sb	%	52.61	51.60	51.88	52.26	51.50	51.61
Au produced in gravity concentrate	oz	2,438	3,713	7,263	12,300	2,532	2,294
Au produced in sulfide concentrate	oz	2,500	3,657	9,398	11,990	4,055	2,843
Saleable Au produced	oz	4,938	7,370	16,661	24,290	6,587	5,137
Saleable Sb produced	t	505	804	1,613	2,310	605	503
Saleable Au equivalent produced	oz	8,370	12,586	27,157	39,778	10,456	8,331
Processing cost per tonne ore	$/t	39.62	37.85	38.36	37.69	36.67	38.75
Sales							
Concentrate sold	dry t	1,488	2,161	5,209	6,764	2,077	1,645
Concentrate Au grade	g/t	66.43	69.21	76.98	68.55	81.83	80.38
Concentrate Sb grade	%	52.26	51.58	51.97	52.30	52.28	51.32
Au sold in gravity concentrate	oz	2,264	3,732	7,396	12,283	2,629	2,502
Au sold in sulfide concentrate	oz	2,479	3,768	10,548	11,676	4,502	3,566
Au sold	oz	4,743	7,500	17,943	23,959	7,131	6,069
Sb sold	t	486	697	1,725	2,211	679	560
Benchmark Unit Cost							
Site cash operating cost/ tonne ore processed[1]	$/t	210	237	221	244	232	219
Site cash operating cost/tonne concentrate produced[1]	$/t	5,403	4,050	5,287	3,960	4,882	5,657
Adjusted EBITDA/tonne ore milled[1]	$/t	45	165	80	176	162	33
Adjusted EBITDA/tonne concentrate produced[1]	$/t	1,167	2,813	1,915	2,867	3,415	854
Cash cost per oz Au equivalent produced[1][2]	$/oz	988	736	961	699	869	1,049
Site all-in cost/oz Au eq. oz produced[1][3]	$/oz	1,420	1,068	1,412	1,019	1,326	1,512
Capital Spending							
Capital development	m	590	-	1,972	408	632	750
Capital development cost	$000	2,509	9	7,765	1,884	2,116	3,140
Capital development cost/meter	$/m	4,253	-	3,938	4,617	3,347	4,188
Capital purchases	$000	1,670	1,065	5,461	3,545	1,634	2,157
Capitalized exploration	$000	1,609	847	4,102	3,233	1,070	1,423

[1]Does not include intercompany transfer pricing recharge costs and business development costs.

[2]Cash cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.

[3]Site all-in cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.

Cerro Bayo

Cerro Bayo Financial and Operating Results for the Three and Nine Months Ended September 30, 2018 and 2017

During the three months ended September 30, 2018 there was no production at the Cerro Bayo mine due to the suspension of operations following the flooding of the Delia NW mine on June 9, 2017. The Cerro Bayo mine has been on care and maintenance and the workforce was substantially reduced in order to preserve the Company's financial capacity to invest in restarting operations once it is confident that this can be accomplished safely, and all permits are obtained.

Cerro Bayo incurred $1.2 million and $5.5 million of care and maintenance costs during the third quarter and first nine months of 2018 respectively.

Cerro Bayo Financial Results

	Three months ended September 30, 2018 ($'000)	Three months ended September 30, 2017 ($'000)	Nine months ended September 30, 2018 ($'000)	Nine months ended September 30, 2017 ($'000)
Revenue	-	2,268	80	24,974
Cost of sales	11	2,056	200	19,937
Income from mining operations before depreciation and depletion	(11)	212	(120)	5,037
Depreciation and depletion	392	1,235	1,330	8,264
Income (loss) from mining operations	(403)	(1,023)	(1,450)	(3,227)
Administration (1)	162	270	656	1,656
Adjusted EBITDA (2)(4)	(11)	209	52	4,190
Finance costs, foreign exchange and others (3)	142	137	186	2,325
Care and maintenance and other expenses	1,226	5,508	4,837	7,903
Loss before tax	(1,933)	(6,938)	(7,129)	(15,111)
Current tax recovery	-	-	-	(850)
Deferred tax recovery	-	-	-	(4)
Operating net loss after tax (4)	(1,752)	(6,610)	(6,267)	(12,879)
Adjusted net loss after tax before special items (4)	(707)	(6,938)	(2,292)	(13,480)
Consolidated net loss after tax	(1,933)	(6,938)	(7,129)	(14,257)
Capital expenditure (5)	-	586	-	8,319

[1] Includes intercompany transfer pricing recharge costs of $162,000 in the three months ended in September 30, 2018 and $267,000 in the same period of 2017.

[2] Does not include intercompany transfer pricing recharge costs.

[3] Others includes such items as mark to market derivative adjustments, write down of mineral properties, exploration and evaluation, share based compensation, gain/(loss) on disposal of properties

[4] Adjusted EBITDA, operating net loss after tax and adjusted net loss are non-IFRS performance measures. Refer to Section 1.15 "Non-IFRS measures" for further information.

[5] Includes capitalized depreciation on equipment.

Challacollo

On August 1, 2018, the Company announced that it had entered into a non-binding letter of intent with Aftermath Silver Ltd. ("Aftermath") pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada ("MMC"), a wholly-owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of CAD $11.6 million (see Company announcement on August, 1 2018 for more detail).

Lupin and Ulu

On April 18, 2018, the Nunavut Water Board reached a decision to recommend that the security held in respect of the Letter of Credit that has been posted by Mandalay to secure its reclamation obligations with respect to the Lupin mine be reduced by $4.1 million (CAD $5.3 million). During the third quarter of 2018, that amount was released to the Company.

Spending on care and maintenance at Lupin and Ulu was $0.4 million during the third quarter of 2018. The corresponding amount for the prior year quarter was $0.9 million. Reclamation spend at Lupin and Ulu was $1.7 million during the third quarter of 2018. The corresponding amount for the prior year quarter was $2.8 million.

On July 27, 2018, the Company filed its final closure and reclamation plan and this is expected to be approved approximately 12 months from its submission. The Company continues to work with stakeholders, including the Nunavut Water Board and the Crown-Indigenous Relations and Northern Affairs Canada, for progressive reclamation deposit reductions as a result of work being completed on site and future work to be completed on site.

La Quebrada

Spending on care and maintenance at La Quebrada was less than $0.1 million during the third quarter of 2018 and corresponding period in 2017.

1.3 MARKETS - CURRENCY EXCHANGE RATES

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

CURRENCY	Average rate July 1, 2018 September 30, 2018	Average rate July 1, 2017 September 30, 2017	Average rate January 1, 2018 September 30, 2018	Average rate January 1, 2017 September 30, 2017
1A$ = C$	0.9559	0.9891	0.9755	0.9996
1A$ = US$	0.7312	0.7896	0.7578	0.7687
1 US$ = C$	1.3072	1.2523	1.2875	1.2997
1 US$ = Chilean Peso	663	642	629	653
1 US$= SEK	8.9536	8.1370	8.5837	8.5666

Markets - Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of all the metals were lower in the third quarter of 2018 than in the third quarter of 2017. Realized prices in the third quarter of 2018 were lower than relative average market prices for gold; higher for antimony.

COMMODITY	Average rate July 1, 2018 September 30, 2018	Average rate July 1, 2017 September 30, 2017	Average rate January 1, 2018 September 30, 2018	Average rate January 1, 2017 September 30, 2017
Realized gold US$/oz[1]	1,168	1,296	1,290	1,280
Gold- US$/oz - Average London Daily PM close (Metal Bulletin)	1,213	1,278	1,282	1,251
Realized antimony US$/tonne[1]	8,387	8,468	8,272	8,503
Antimony US$/tonne - Rotterdam Warehouse (Metal Bulletin)	8,252	8,293	8,348	8,374
Realized silver price US$/oz[1]	-	16.71	-	17.70
Silver US$/oz - Average London Daily PM close (Metal Bulletin)	15.00	16.85	16.10	17.12

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

1.4 SUMMARY OF QUARTERLY RESULTS

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

Particulars	Quarter 3, 2018 ($'000)	Quarter 2, 2018 ($'000)	Quarter 1, 2018 ($'000)	Quarter 4, 2017 ($'000)
Revenue	21,765	27,944	39,747	38,093
Income/(loss)	(7,468)	(23,711)	(1,237)	(23,073)
Income/(loss) per share - Basic	(0.02)	(0.05)	(0.00)	(0.05)
Income/(loss) per share - Diluted	(0.02)	(0.05)	(0.00)	(0.05)

Particulars	Quarter 3, 2017 ($'000)	Quarter 2, 2017 ($'000)	Quarter 1, 2017 ($'000)	Quarter 4, 2016 ($'000)
Revenue	35,407	44,124	45,373	32,391
Income/(loss)	(7,181)	(10,105)	(2,349)	(25,542)
Income/(loss) per share - Basic	(0.02)	(0.02)	(0.01)	(0.06)
Income/(loss) per share - Diluted	(0.02)	(0.02)	(0.01)	(0.06)

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

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

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At September 30, 2018, the Company's working capital was $4.9 million compared to $10.8 million at December 31, 2017. Working capital would have been $32.0 million as of September 30, 2018, had the five-year exchangeable loan been classified as long-term debt. The Company had cash and cash equivalents of $26.7 million at September 30, 2018, as compared to $16.9 million at December 31, 2017. As at the end of the quarter, the Company has $10.0 million remaining to drawn down on the Revolver Facility, if required.

On September 26, 2018, the Company obtained a waiver from HSBC for the Tangible Net Worth covenant of the Revolver Facility, noted above, as the Company anticipated it would not be in compliance with it on the balance sheet date. The waiver was granted as at September 30, 2018 only, however the waiver eliminates any possibility of default or acceleration of the facility based on a breach of the Tangible Net Worth covenant as at balance sheet date. As a result of the waiver, the amount outstanding under the Revolver facility has been classified as a non-current liability as at September 30, 2018.

Lower production in the third quarter of 2018 resulted in higher cash and all-in costs relative to metal prices. Should these levels of production persist, the Company's liquidity over the longer term will be negatively affected. The Company believes the operational issues causing the lower production have now largely been resolved and that production going forward will allow for lower cash and all-in costs that are more consistent with the Company's historical results.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Five-year exchangeable loan

In May, 2014, Mandalay issued $60 million of debt securities at an interest rate of 5.875% for proceeds of $60 million by way of a concurrent offering of senior exchangeable bonds (the "Bonds") issued by Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the proceeds of the Bond offering from the Issuer under the terms of a loan agreement and related funding agreement (the "Loan") which together mirror the principal terms of the Bonds.

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

The Issuer may redeem the Bonds at its option:

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

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

If a Bond holder exercises its exchange rights, the Issuer will give notice to the Company, and the Company will be required to deliver the requisite number of Gold Shares to the Bond holder. As the Bond holders have the right to exchange the principal amount for Gold Shares at any time, the Company has classified the carrying amount as of the Loan as a current liability, determined using the effective interest rate method, in the consolidated statements of financial position of the Company. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date.

Repurchase and Amendment

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

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

- extending the maturity date of the Bonds to May 13, 2022;
- deleting a condition of the Bonds that required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of shares of the SPDR Gold Trust issuable upon exchange of the Bonds into a custody account;
- adding a new covenant to the Bonds pursuant to which the Issuer will be required to offer to repurchase a proportion of the Bonds outstanding at the relevant time if and to the extent that the contained gold equivalent (in ounces) at the Company's Costerfield mine falls below (initially) 232,000 gold equivalent ounces;
- increasing the interest rate payable on the Bonds from 5.875% per annum to 6.875% per annum effective as of May 13, 2017; and
- reducing the exchange price of the Bonds from US$149.99 to US$135.00 (which equates to gold prices of US$1,556 per ounce, and US$1,400 per ounce, respectively).

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

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

i) If all the bondholders exercised their right to redeem on September 30, 2018, assuming a gold price of $1,187/oz (which is equivalent to US$112.76 per Gold Share), then the repayment cost to the Company would be approximately $25.4 million.

$30 million ÷ $1,400/oz × $1,187 = $25.4 million

ii) The repayment cost to the Company to repay the Loan on maturity will be minimum $30 million if the Gold Share price remains constant or below $135 per share.

iii) If the price of gold during the Loan term reaches $1,700/oz (which is equivalent to US$ 161.49 per Gold Share), for example, and the Bondholders elect to redeem the Gold Shares prior to maturity date, then the repayment cost to the Company will be $36.4 million.

$30 million ÷ $1,400/oz × $1,700 = $36.4 million

US$40 million revolving credit facility

One July 25, 2017, the Company announced a US$ 40 million senior secured revolving credit facility with HSBC Bank Canada (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 Company's leverage ratio. The undrawn portion of the Facility is subject to a standby fee of 1.0% per annum. The Facility is secured by a first ranking security interest over substantially all of the Company's assets, excluding the Company's Australian subsidiaries and its Costerfield mine and subject to permitted liens.

The Facility includes a number of customary positive and negative covenants, including a prohibition on the payment of dividends by the Company without HSBC's consent.

The facility has the below mentioned financial covenants:

- Interest Coverage Ratio of not less than 3.00:1.00 at all times (consolidated basis, calculated on rolling four-quarter basis);
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Tangible Net Worth of less than 75% of Adjusted Tangible Net Worth and Closing Date + 50% of net income (cumulative) earned after Closing Date; and
- Current Ratio of not less than 1.20:1.00.

On September 26, 2018, the Company obtained a waiver from HSBC for the Tangible Net Worth covenant, noted above, as the Company anticipated it would not be in compliance with it on the balance sheet date. The waiver was granted as at September 30, 2018 only, however the waiver eliminates any possibility of default or acceleration of the facility based on a breach of the Tangible Net Worth covenant as at balance sheet date. As a result of the waiver, the amount outstanding under the Revolver Facility has been classified as a non-current liability as at September 30, 2018.

$15.0 million was drawn under the Revolver Facility during the three months ended September 30, 2018, and the Company has $10.0 million remaining to draw down, should it be required.

Fair-value adjustments

As at September 30, 2018, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

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

In May, 2014, the Company computed and initially allocated $4.6 million to the value of derivative financial instruments associated with the Loan. This amount was revised with the repurchase of a portion of the Loan that occurred in the second quarter of 2017. As at September 30, 2018, the Company has recomputed the derivative portion of the Loan at $2.4 million, as compared to $3.6 million as at December 31, 2017. As a result, there is a mark-to-market adjustment gain of $0.4 million in the quarter, compared to loss of less than $0.4 million in the fourth quarter of 2017.

Marketable securities - The Company holds marketable securities with a fair market value of $0.1 million as at September 30, 2018, as compared to $0.2 million as at September 30, 2017, recorded in trade and other receivables on the statement of financial position. These securities are stated at fair value with any resulting gain or loss recognized in income or loss. The Company recorded fair value measurement loss of $0.01 million for the quarter ended September 30, 2018, as compared to no gain/loss recorded in the year ago quarter.

Contractual obligations

Contractual obligations	**Payments due by year ($ '000)**			**Total ($ '000)**
	Less than 1 year	**1-3 years**	**4-5 years**	
Five-year exchangeable loan	-	-	30,000	30,000
HSBC Revolver facility	-	30,000	-	30,000
Lease obligations	1,521	1,804	720	4,045
Other equipment loan obligations	263	335	34	632
Total contractual obligations	**1,784**	**32,139**	**30,754**	**64,677**

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

Mr. Sanjay Swarup was the Chief Financial Officer of the Company until 15th August 2018. He was also the Director of SKS Business Services, which provides contractual accounting services to the Company.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Administration expenses, salaries and consultancy services				
SKS Business Services	**23**	45	**117**	135

1.9 FINANCIAL INSTRUMENTS

General

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

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at September 30, 2018, the Company had no past overdue trade receivables.

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

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

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

1.10 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

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

II. Internal Controls and Financial Reporting

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

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

The Company has engaged KPMG to conduct its internal audit. This is designed to further identify potential gaps in internal control procedures and help create internal policy documents as necessary.

III. Limitation of Controls and Procedures

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

1.11 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 451,595,877 common shares issued and outstanding. The weighted average number of shares outstanding during the third quarter used for the calculation of per share results was 451,595,877.

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

Exercise Price CAD$	As of September 30, 2018	As of November 07, 2018	Expiry Date
0.20	5,280,000	5,280,000	30 June, 2025
0.60	4,099,900	4,099,900	30 June, 2024
0.91	4,318,000	4,318,000	23 March, 2021
0.91	3,725,000	3,725,000	24 March, 2020
0.98	3,300,000	3,300,000	24 March, 2019
Total	**20,722,900**	**20,722,900**	

During the quarter ended September 30, 2018, no options were exercised. There were 20,722,900 options outstanding as of September 30, 2018, which could result in issuance of shares.

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

The number of RSUs as at September 30, 2018, is as follows:

	Number of RSU awards
Balance, December 31, 2016	282,177
Granted	511,890
Redeemed	(105,721)
Balance, December 31, 2017	688,346
Redeemed	(316,046)
Outstanding at September 30, 2018	372,300

1.12 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, the "qualified persons" (as that term is defined in NI 43-101) for all the mines of the Company is Chris Gregory, working as an employee.

1.13 FORWARD LOOKING STATEMENTS

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

1.14 SUBSEQUENT EVENTS

There have been no material subsequent events for the Company up to the date of this MD&A.

1.15 NON-IFRS MEASURES

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

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

The Company presents "cash cost" and "all-in sustaining costs" metrics for its gold and silver production because it believes that these measures assist investors and other users of the Company's financial statements in understanding the economics of the Company's gold and silver mining activities. "Free cash flow" is included as the Company believes it provides Management, investors and analysts insight in evaluating the Company's ability to generate cash flow. This measure is comparable to, but not necessarily indicative of cash flow from operating activities as per IFRS, therefore a reconciliation between these two measures is included in Section 1.1 for clarity. Management also uses these metrics to assess Company's ability to meet short and long term financial objectives.

1. *Adjusted EBITDA* - The Company defines adjusted EBITDA as income from mine operations, net of administration and business development costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. Refer to in Section 1.1 for a reconciliation between adjusted EBITDA and net income.

2. *Income after tax from underlying operations* - The Company defines Income from underlying operations as net income after tax excluding non-cash, non-operating expense related to mark-to-market adjustment of currency option, financing warrants, silver and gold put options, silver note and deferred tax expense or recovery.

3. *Operating net income/(loss) after tax* - The Company defines operating net income/(loss) after tax as net income after tax before non-operating items such as intercompany interest expenses and all intercompany transfer pricing recharge costs.

4. *Adjusted net income/(loss)* - The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their non-recurring nature or the expected infrequency of the events giving rise to them. Refer to section 1.1 for reconciliation between adjusted net income and net income.

5. Saleable gold equivalent ounces produced

    a. For Costerfield, equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period.
    b. For Cerro Bayo, equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable silver ounces produced times the average silver price in the period divided by the average gold price in the period.
    c. For Björkdal, equivalent gold ounces equals gold ounces.
    d. For consolidated Mandalay, total equivalent gold ounces equals the sum of equivalent gold ounces produced at all the operations.

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

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

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

9. *Corporate average all-in cost per ounce of gold equivalent produced* – The corporate average cash cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of the gold equivalent ounces at all operating sites in the period plus the corporate overhead expense in the period plus royalty expense, accretion, depletion,

depreciation and amortization, divided by the total saleable gold equivalent ounces produced in the period.

10. *Cash capital expenditures* - The cash capital expenditures is defined as cash spent on mining interests, property, plant and equipment, and exploration as per the cash flow statement of the financial statements.

11. *Free cash flow* - The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. It is calculated starting with the net cash flows from operating activities (as per IFRS) and then adding capital expenditures and cash payments related to the cancellation of certain royalty contracts.