Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2017
(Unaudited)

Mandalay Resources Corporation

September 30, 2017

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Mandalay Resources Corporation

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)
three and nine months ended September 30, 2017 and 2016

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	($'000)	($'000)	**($'000)**	($'000)
Revenue	**35,407**	48,544	**124,904**	153,152
Cost of operations				
Cost of sales, excluding depletion and depreciation (Note 13)	**22,403**	31,389	**84,421**	92,742
Depletion and depreciation	**9,584**	9,850	**31,922**	31,683
	31,987	41,239	**116,343**	124,425
Income from mine operations	**3,420**	7,305	**8,561**	28,727
Expenses				
Administration	**2,283**	3,313	**6,159**	7,167
Care and maintanance and other operating expenses (Note 22)	**5,508**	-	**7,903**	-
Write-off of mining interests (Note 6)	**-**	738	**777**	4,179
Write-off of exploration and evaluation (Note 6)	**-**	412	**-**	412
Share-based compensation (Note 12(b))	**266**	162	**740**	732
Loss (profit) on disposal of property, plant and equipment (Note 6)	**6**	(19)	**518**	268
Business development costs	**71**	45	**132**	57
	8,134	4,651	**16,229**	12,815
Profit (loss) from operations	**(4,714)**	2,654	**(7,668)**	15,912
Other income (expenses)				
Finance costs (Note 14)	**(1,021)**	(1,390)	**(6,669)**	(4,219)
Profit (loss) on financial instruments (Note 15)	**(428)**	245	**(2,999)**	(1,706)
Other income	**139**	63	**167**	262
Foreign exchange loss	**(533)**	(349)	**(1,775)**	(2,306)
	(1,843)	(1,431)	**(11,276)**	(7,969)
Profit (loss) before income taxes	**(6,557)**	1,223	**(18,944)**	7,943
Income tax (recovery) expense (Note 20)				
Current	**768**	1,045	**1,458**	3,721
Deferred	**(144)**	(371)	**(768)**	(1,087)
Income tax expense	**624**	674	**690**	2,634
Net (loss) income for the period	**(7,181)**	549	**(19,634)**	5,309
Other comprehensive income, net of tax				
Foreign currency translation	**3,044**	1,440	**9,907**	3,165
Comprehensive income (loss) for the period	**(4,137)**	1,989	**(9,727)**	8,474
Net (loss) income per share				
Basic	**(0.02)**	0.00	**(0.04)**	0.01
Diluted	**(0.02)**	0.00	**(0.04)**	0.01
Weighted average number of common shares outstanding (Note 16)				
Basic ('000)	**451,253**	441,586	**451,236**	423,092
Diluted ('000)	**451,253**	445,084	**451,236**	425,208

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at September 30, 2017 and December 31, 2016

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

	September 30, 2017	December 31, 2016
	($'000)	($'000)
Assets		
Current assets		
Cash and cash equivalents	**24,849**	66,917
Trade receivables and other assets (Note 4)	**23,744**	26,226
Inventories (Note 5)	**23,186**	25,207
Prepaid expenses	**4,259**	3,713
Assets held for sale (Note 21)	**47,740**	31,382
	123,778	153,445
Non-current assets		
Reclamation and other deposits	**6,163**	5,146
Trade and other receivables (Note 4)	**1,919**	1,884
Property, plant and equipment (Note 6)	**198,642**	188,818
Intangible asset (Note 7)	**44**	305
Deferred tax asset	**695**	634
	207,463	196,787
	331,241	350,232
Liabilities		
Current liabilities		
Trade and other payables (Note 8)	**22,320**	23,133
Borrowings (Note 9)	**1,471**	1,303
Five-year exchangeable loan (Note 10)	**27,660**	56,424
Income taxes payable	**453**	3,570
Other provisions (Note 11)	**2,561**	2,603
Financial instruments (Note 15)	**3,997**	1,072
Liabilities associated with assets held for sale (Note 21)	**30,361**	21,554
	88,823	109,659
Non-current liabilities		
Borrowings (Note 9)	**15,854**	1,263
Reclamation and site closure costs provision	**24,115**	23,391
Other provisions (Note 11)	**1,605**	1,146
Deferred tax liability	**11,462**	11,736
	53,036	37,536
	141,859	147,195
Equity		
Share capital (Note 12)	**191,893**	191,819
Share option reserve (Note 12)	**9,555**	8,854
Foreign currency translation reserve	**(27,622)**	(37,529)
Retained earnings	**15,556**	39,893
	189,382	203,037
	331,241	350,232

Approved by the Audit Committee and authorized for issue on November 8, 2017.

(Signed) Mark Sander
Mark Sander, President and Chief Executive Officer

(Signed) Robert Doyle
Robert Doyle, Director

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of changes in equity

nine months ended September 30, 2017 and 2016

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

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings	Total equity
	('000)	($'000)	($'000)	($'000)	($'000)	($'000)
Balance, December 31, 2016	**451,174**	**191,819**	**8,854**	**(37,529)**	**39,893**	**203,037**
Net loss	-	-	-	-	(19,634)	**(19,634)**
Other comprehensive income for the period	-	-	-	9,907	-	**9,907**
Total comprehensive income (loss)	**-**	-	-	9,907	(19,634)	**(9,727)**
Share-based compensation (Note 12(b))	-	-	775	-	-	**775**
Dividends paid (Note 12(e))	-	-	-	-	(4,703)	**(4,703)**
Redemption of RSU (Note 12(d))	106	74	(74)	-	-	**-**
Balance, September 30, 2017	**451,280**	**191,893**	**9,555**	**(27,622)**	**15,556**	**189,382**

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings	Total equity
	('000)	($'000)	($'000)	($'000)	($'000)	($'000)
Balance, December 31, 2015	**410,420**	**158,979**	**9,510**	**(32,794)**	**71,999**	**207,694**
Net income	**-**	**-**	**-**	-	5,309	**5,309**
Other comprehensive income for the period	**-**	**-**	**-**	3,165	-	**3,165**
Total comprehensive income	**-**	-	-	1,725	4,760	**8,474**
Shares issued (Note 12(a))	36,415	29,386	-	-	-	**29,386**
Stock options exercised (Note 12(c))	4,123	3,314	(1,374)	-	-	**1,940**
Share-based compensation (Note 12(b))	-	-	631	-	-	**631**
Dividends paid (Note 12(e))	-	-	-	-	(8,984)	**(8,984)**
Redemption of RSU (Note 12(d))	216	148	(148)	-	-	**-**
Balance, September 30, 2016	**451,174**	**191,827**	**8,619**	**(31,069)**	**67,775**	**239,141**

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows
for the three and nine months ended September 30, 2017 and 2016
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	($'000)	($'000)	**($'000)**	($'000)
Operating activities				
Net (loss) income	**(7,181)**	549	**(19,634)**	5,309
Adjustments to reconcile net income to net cash flows from operating activities				
Amortization of intangible asset	**15**	123	**261**	369
Depletion and depreciation	**9,584**	9,850	**31,922**	31,683
Share-based compensation	**266**	162	**740**	732
Loss on disposal of property, plant and equipment	**6**	(19)	**518**	268
Write-off of exploration and evaluation	**-**	412	**-**	412
Finance cost	**1,021**	1,390	**6,669**	4,219
Unrealized gain on derivative financial instruments	**428**	(245)	**2,999**	1,706
Interest and other income	**(139)**	(63)	**(167)**	(262)
Foreign exchange gain (loss)	**247**	(36)	**1,955**	653
Income tax expense	**624**	674	**690**	2,634
Changes in non-cash operating working capital items				
Trade and other receivables	**9,242**	(524)	**3,869**	(8,159)
Inventories	**1,059**	814	**2,328**	1,996
Prepaid and other expenses (income)	**(1,825)**	203	**(239)**	(1,967)
Trade and other payables	**(3,746)**	811	**(4,169)**	(423)
Provisions	**55**	671	**497**	1,701
Cash generated from operations	**9,656**	15,510	**29,016**	45,050
Income taxes paid	**-**	-	**(2,860)**	(2,871)
Interest and other income	**139**	63	**167**	262
Interest and bank charges paid	**(580)**	(927)	**(5,682)**	(2,782)
Net cash flows from operating activities	**9,215**	14,646	**20,641**	39,659
Investing activities				
Payment on deposits	**(7,367)**	(71)	**(7,500)**	(242)
Payment for cancellation of royalty contract	**-**	-	**-**	(4,000)
Expenditure for property, plant and equipment	**(9,890)**	(10,369)	**(34,980)**	(30,898)
Proceeds on disposal of property, plant and equipment	**19**	52	**37**	209
Net cash flows used in investing activities	**(17,238)**	(10,388)	**(42,443)**	(34,931)
Financing activities				
Proceeds from borrowings	**15,110**	-	**15,143**	908
Repayments of borrowings and associated costs	**(144)**	(231)	**(30,091)**	(835)
Issuance of common shares for cash	**-**	29,942	**-**	31,468
Proceeds from Ulu option agreement	**-**	-	**-**	186
Cost for issue of common shares	**-**	(1,859)	**-**	(1,859)
Dividends paid (Note 12 (e))	**-**	(3,272)	**(4,703)**	(8,984)
Net cash flows used in financing activities	**14,966**	24,580	**(19,651)**	20,884
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**(453)**	60	**(615)**	(246)
Increase (decrease) in cash and cash equivalents	**6,490**	28,898	**(42,068)**	25,366
Cash and cash equivalents, beginning of the period	**18,359**	45,667	**66,917**	49,199
Cash and cash equivalents, end of period	**24,849**	74,565	**24,849**	74,565
Cash and cash equivalents consist of				
Cash	**24,849**	74,565	**24,849**	74,565
Cash equivalents	**-**	-	**-**	-
	24,849	74,565	**24,849**	74,565

See accompanying notes to the condensed consolidated interim financial statements

1. Description of business and nature of operations

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

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

2. Basis of preparation

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

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

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

Judgments made by management in the application of International Financial Reporting Standards ("IFRS") that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2016. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

Changes in accounting standards

The accounting policies adopted in preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of amendments and interpretations effective January 1, 2017. These amendments and interpretations had little or no impact on the Consolidated financial statements.

Accounting standards issued but not yet effective

The Company has not early adopted these new and amended standards. The Company is currently assessing the impact of the following standards and plans to adopt the new standards on the required effective dates. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Company, they have not been listed here.

3. Summary of significant accounting policies (continued)

Accounting standards issued but not yet effective

(i) IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

(ii) IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May, 2014, and establishes a new, five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16, Leases

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted (as long as IFRS 15 is also applied).

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

4. Trade and other receivables

Trade and other receivables consist of the following:

	September 30, 2017	December 31, 2016
	($'000)	($'000)
Trade receivables	**15,905**	18,628
Mark to market adjustment	**940**	-
VAT and other indirect tax receivables	**6,308**	7,537
Other receivables	**2,308**	1,684
Marketable securities	**202**	261
	25,663	28,110
Less: non-current portion	**1,919**	1,884
Total current portion	**23,744**	26,226

There was no allowance for doubtful accounts as at September 30, 2017, or December 31, 2016.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract. As at September 30, 2017, there was $940,000 recorded as mark-to-market adjustments in trade and other receivables. For the year ended December 31, 2016, $983,000 relating to mark to market adjustment was recorded as payable (Note 9).

5. Inventories

Inventories consist of the following:

	September 30, 2017	December 31, 2016
	($'000)	($'000)
Finished goods	**7,997**	8,722
Work in progress and stockpiled ore	**4,768**	5,533
Consumables	**10,421**	10,952
	23,186	25,207

The amount of inventories recognized in cost of operations for the three and nine months ended September 30, 2017, is $31,987,000 and $116,343,000 (2016 – $41,239,000 and $124,425,000).

The Company did not recognise a write-down of consumables for three and nine months ended September 30, 2017 (2016 – $nil).

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements
as at September 30, 2017 and December 31, 2016
(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

6. Property, plant and equipment

Particulars	Mining interests			Plant and equipment				Exploration and evaluation				Total
	Costerfield	Cerro Bayo	Björkdal	Costerfield	Cerro Bayo	Björkdal	Others	Costerfield	Cerro Bayo	Björkdal	Others	
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Cost												
As at January 1, 2016	59,576	68,640	51,408	29,120	47,802	16,044	2,928	7,544	3,278	13,917	43,486	**343,743**
Additions	-	14,390	11,818	3,389	3,296	4,879	206	4,551	2,626	1,947	4,370	**51,472**
Disposals	-	-	-	(3,124)	-	(50)	(232)	-	-	-	(186)	**(3,592)**
Reclassification to mining interest	5,763	1,024	-	-	-	-	-	(5,763)	(1,024)	-	-	**-**
Transferred to Asset held for sale	-	-	-	-	-	-	(2,644)	-	-	-	(6,726)	**(9,370)**
Write-off of mining interest	-	(14,179)	-	-	-	-	-	-	-	-	-	**(14,179)**
Write-off of exploration and evaluation	-	-	-	-	-	-	-	(491)	(3,066)	(189)	-	**(3,746)**
Foreign exchange	(571)	-	(4,184)	(235)	-	(1,377)	31	14	-	(639)	(64)	**(7,025)**
As at December 31, 2016	64,768	69,875	59,042	29,150	51,098	19,496	289	5,855	1,814	15,036	40,880	**357,303**
Additions	1,884	6,222	9,806	3,548	1,475	5,474	205	3,233	621	1,545	907	**34,920**
Disposals	-	-	-	(397)	(2,558)	-	-	-	-	-	-	**(2,955)**
Write-off of mining interest	-	(777)	-	-	-	-	-	-	-	-	-	**(777)**
Reclassification to mining interest	858	-	-	-	-	-	-	(858)	-	-	-	**-**
Foreign exchange	4,698	-	4,558	2,642	-	2,635	44	576	-	102	-	**15,255**
As at September 30, 2017	**72,208**	**75,320**	**73,406**	**34,943**	**50,015**	**27,605**	**538**	**8,806**	**2,435**	**16,683**	**41,787**	**403,746**
Accumulated depreciation												
As at January 1, 2016	35,976	42,934	8,479	8,306	30,306	4,493	407	-	-	-	-	**130,901**
Expense	8,559	8,508	8,185	5,802	6,720	3,234	58	-	-	-	-	**41,066**
Disposals	-	-	-	(1,690)	-	-	-	-	-	-	-	**(1,690)**
Foreign exchange	(408)	-	(696)	(182)	-	(510)	4	-	-	-	-	**(1,792)**
As at December 31, 2016	44,127	51,442	15,968	12,236	37,026	7,217	469	-	-	-	-	**168,485**
Expense	7,457	4,402	8,203	4,729	4,226	2,181	15	-	-	-	-	**31,213**
Disposals	-	-	-	(266)	(1,757)	-	-	-	-	-	-	**(2,023)**
Foreign exchange	3,420	-	1,718	1,227	-	1,054	10	-	-	-	-	**7,429**
As at September 30, 2017	**55,004**	**55,844**	**25,889**	**17,926**	**39,495**	**10,452**	**494**	**-**	**-**	**-**	**-**	**205,104**
Carrying value												
As at January 1, 2016	23,600	25,706	42,929	20,814	17,496	11,551	2,521	7,544	3,278	13,917	43,486	**212,842**
As at December 31, 2016	20,641	18,433	43,074	16,914	14,072	12,279	(180)	5,855	1,814	15,036	40,880	**188,818**
As at September 30, 2017	**17,204**	**19,476**	**47,517**	**17,017**	**10,520**	**17,153**	**44**	**8,806**	**2,435**	**16,683**	**41,787**	**198,642**

For the three months ended September 30, 2017, there was no plant and equipment depreciation capitalized to mining interests at Cerro Bayo (2016 – $207,000). For the nine months ended September 30, 2017, plant and equipment depreciation capitalized to mining interest was $379,000 (2016 – $613,000) at Cerro Bayo.

6. Property, plant and equipment (continued)

On June 9, 2017, flooding occurred in the Delia NW mine at the Company's Cerro Bayo operations. Since that date, mining operations have been temporarily suspended pending investigation, risk assessment of restarting, and receipt of the several regulatory permits needed for the Life of Mine plan. As part of the review of indicators of impairment, the Company determined that the flooding at Cerro Bayo and the market capitalization test at the balance sheet date were indicators of impairment for the Cerro Bayo cash generating unit. The Company calculated the recoverable amount based on fair value less cost to sell and determined that the recoverable amount was above the carrying value and as a result no impairment was charged for the Cerro Bayo cash generating unit. The key assumptions in determining the recoverable amount were a long-term gold price of $1,300 per ounce and long-term silver price of $19 per ounce and a discount rate of 7% after tax.

During the nine months ended September 30, 2017, also due to flooding at Cerro Bayo on June 9, 2017, the Company has disposed of mining equipment having carrying value of $424,000; this amount has been recognised under the disposal of assets. It also recognized $777,000 write-off of residual mining interests in the Delia NW mine. During the nine months ended September 30, 2016, the Company recognized a $3,441,000 write-off of residual mining interests in the Fabiola and Yasna veins at Cerro Bayo due to the fact there were no additional accessible reserves in those veins.

In connection with Mandalay's acquisition of Cerro Bayo from Coeur Mining, Inc. ("Coeur Mining"), Couer Mining received a 2% Net Smelter Royalty interest in production at Cerro Bayo. On March 31, 2016, the Company repurchased and cancelled the royalty from Coeur Mining in exchange for consideration consisting of $4,000,000 cash and 2,500,000 common shares of the Company with a value of $1,717,000 at that date. Additions in mining interests of Cerro Bayo for the nine months ended September 30, 2016 includes $5,717,000 related to the value of the cancelled royalty.

7. Intangible asset

On July 8, 2015, the Company signed two-year and three-year collective agreements with its union workers at the Cerro Bayo mine and secured these agreements with a cash payment of $1,046,000. This payment will be amortized over the contractual life of the agreements. The two-year agreement was extended 18 months to March 5, 2019, with no additional cash payment, and a new Supervisor's agreement was signed on August 28, 2017, for 18 months, again, for no cash payment.

As at September 30, 2017, the carrying amount of the intangible asset is $44,000 (December 31, 2016 – $305,000). Amortization expense for the three and nine months ended September 30, 2017, of $14,000 and $260,000 (2016 - $124,000 and $370,000) is recorded as part of cost of sales.

8. Trade and other payables

	September 30, 2017	December 31, 2016
	($'000)	($'000)
Trade payables	**13,631**	13,069
Accrued liabilities	**5,750**	6,265
Payroll and other taxes payable	**2,937**	2,780
Cash election option (Note 12(c))	**2**	36
Mark-to-market adjustment	**-**	983
	22,320	23,133

8. Trade and other payables (continued)

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

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract. As at September 30, 2017, there was $940,000 recorded as mark-to-market adjustments in trade and other receivables (Note 5). For the year ended December 31, 2016, $983,000 relating to mark to market adjustment was recorded as payable.

9. Borrowings

Revolver facility

During the three months ending September 30, 2017, the Company entered into a new $ 40 million senior secured revolving credit facility (the “Revolver Facility”) with HSBC Bank Canada. The Revolver Facility matures on July 24, 2020, three years after the agreement date.

Amounts drawn on the Revolver Facility will 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 Revolver Facility is secured by a first ranking security interest over substantially all of the Company’s assets, excluding the Company’s Australian subsidiaries and its Costerfield mine and subject to permitted liens. As required by the terms, the Company has suspended dividends on its common shares.

During the three months ended September 30, 2017, the Company had drawn down an initial $15.0 million from the Revolver Facility.

Equipment loans

As at September 30, 2017, the Company’s Björkdal mine in Sweden, had a balance of $369,000 (December 31, 2016 – $1,176,000) for an equipment loan facility (the “Equipment Facility”) with a local Swedish bank to finance certain capital expenditures. The Equipment Facility bears variable interest at the 3-month STIBOR plus 2.16% per annum and is repayable in monthly installments plus interest over a term finishing 12 months from the period ended September 30, 2017. The Equipment Facility is secured by the underlying equipment and by a corporate guarantee provided by the Company.

In addition to the Equipment Facility, Björkdal also has equipment leases totalling $2,036,000 (December 31, 2016 – $1,390,000). These leases financed 80% of the equipment purchase cost, bear interest at the 1-month STIBOR plus 2.05%-3.21% per annum and require monthly lease payments. These leases are payable within 5 years of initial borrowing. Certain leases also have an equipment buy-out option at the end of the lease terms equal to 10% of the original equipment purchase cost.

As at September 30, 2017, the current portion of the above facilities is $1,471,000 (December 31, 2016 – $1,303,000) and the non-current portion is $934,000 (December 31, 2016 – $1,263,000).

10. 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.

10. Five-year exchangeable loan (continued)

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

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

The Issuer may redeem the Bonds at its option:

- if the closing price of the Gold Shares exceeds 130% of the exchange price for at least 20 trading days in any 30-consecutive trading day period; or
- if 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.

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 condensed consolidated interim statements of financial position of the Company as at September 30, 2017, and December 31, 2016. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date (Note 15).

Repurchase and Amendment of Bonds

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

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

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

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

11. Other provisions

	Employee benefits
	($'000)
Balance, December 31, 2016	3,749
Additions	1,195
Amounts paid	(1,065)
Foreign exchange	287
Balance, September 30, 2017	4,166
Less: current portion	2,561
Total non-current portion	1,605

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

12. Share capital

As at September 30, 2017, the Company had an unlimited number of authorized common shares without par value and 451,279,731 common shares outstanding (December 31, 2016 – 451,174,008 common shares). All outstanding common shares are fully paid.

(a) *Shares issued*

For the three and nine months ended September 30, 2016, the Company issued its common shares upon exercise of share options by their holders. The Company also issued 2.5 million shares to Coeur Mining as part of the purchase of the 2% Net Smelter Return royalty at Cerro Bayo (Note 6).

(b) *Share-based compensation*

For the three and nine months ended September 30, 2017, the Company recorded $266,000 (2016 – $162,000) and $740,000 (2016- $732,000) as net share-based compensation expense and recorded this amount in share option reserve.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	($'000)	($'000)	**($'000)**	($'000)
Stock based compensation on options	**228**	217	**669**	555
Fair value for cash election option	**(10)**	(77)	**(44)**	91
RSU amortization	**48**	22	**115**	86
	266	162	**740**	732

The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C$0.36 (2016 – C$0.26) was calculated using the following weighted average assumption. Expected stock price volatility and option life is based on the Company's historical share price volatility.

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

12. Share capital (continued)

(b) Share-based compensation (continued)

	2017	2016
Risk free interest rate	**0.85%**	0.51%
Expected dividend yield	**5.33%**	3.69%
Expected life of options in years	**7.00**	2.48
Expected stock price volatility	**42.89%**	44.50%
Expected forfeiture rate	**5.00%**	5.00%

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

(c) Stock options

Option holder's resident in Australia have a choice of receiving cash in the amount equal to the differences between the exercise price and the market price of the Company's shares at the date of exercise. The cash election option expires two days after the vesting date. The share purchase option remains exercisable until the end of the term which is generally five years from the date of grant. The liability, recorded in trade and other payables, is remeasured at fair value at each reporting date. As at September 30, 2017, the liability is $2,000 (December 31, 2016 - $36,000).

The Company recognized a fair value measurement gain of $6,000 and $40,000 for the three and nine months ended September 30, 2017 (2016 – $77,000 gain and $91,000 loss), which is included in the share-based compensation expense.

The fair value of a cash election option is determined by using the Black-Scholes option pricing model using the following weighted average assumptions. The fair value is determined based on Level 1 and 2 inputs as follows:

	2017	2016
Risk free interest rate	**1.51%**	0.52%
Expected dividend yield	**3.20%**	3.76%
Expected life of options in years	**2.49**	2.73
Expected stock price volatility	**43.83%**	45.64%
Expected forfeiture rate	**0.00%**	0.00%

As at September 30, 2017, 775,000 (2016 – 1,455,000) stock options with the cash election option are outstanding.

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

12. Share capital (continued)

(c) Stock options (continued)

	Number of options	Weighted average exercise price
		C$
Balance, December 31, 2015	18,912,500	0.89
Granted	5,463,000	0.91
Exercised-equity issuance	(4,123,300)	0.63
Forfeited	(1,010,000)	0.93
Balance, December 31, 2016	19,242,200	0.95
Granted	4,800,000	0.60
Expired	(2,609,200)	0.78
Forfeited	(260,000)	0.88
Balance, September 30, 2017	**21,173,000**	**0.89**

The weighted average share price at the time when the stock options were exercised during the three and nine months ended September 30, 2017, was C$0.36 and C$0.60 (2016 – C$1.14 and C$ 1.03).

The following table summarizes information about the stock options outstanding as at September 30, 2017:

Options outstanding			Options exercisable	
Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
		C$		C$
3,450,000	0.47	1.13	3,450,000	1.13
3,765,000	1.48	0.98	3,765,000	0.98
20,000	2.10	0.93	20,000	0.93
4,265,000	2.48	0.91	-	-
4,873,000	3.48	0.91	-	-
4,400,000	6.75	0.60	-	-
400,000	6.75	0.60	-	-
21,173,000	**3.17**	**0.89**	**7,235,000**	**1.05**

12. Share capital (continued)

(d) Restricted Share Units

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

The number of RSUs as at September 30, 2017, is as follows:

	RSU awards
Balance, December 31, 2015	419,472
Granted	78,435
Redeemed	(215,730)
Balance, December 31, 2016	282,177
Granted	511,891
Redeemed	(105,722)
Outstanding at September 30, 2017	688,346

For the three and nine months ended September 30, 2017, the Company recorded $48,000 and $115,000 (2016 – $22,000 and $86,000), respectively, as share based compensation relating to RSUs.

(e) Dividends

On February 16, 2017, and May 10, 2017 the Board of Directors declared a dividend in the amount of C$0.0057 and C$0.0083 per common share, based on the Company's operating results for the three months ended December 31, 2016, and March 31, 2017 payable to shareholders of record as of February 27, 2017. Total payment of $4,703,000 was made during the nine months ended September 30, 2017 (2016 – $8,984,000). In accordance with the terms of the HSBC Revolver (note 9), dividends on common shares have been suspended.

13. Cost of sales

The cost of sales for the three and nine months ended September 30, 2017 and 2016, consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Raw materials and consumables	**5,940**	10,342	**25,961**	30,556
Salary and employee benefits	**7,294**	9,553	**26,136**	27,064
Contractors	**5,955**	7,613	**21,979**	22,436
Change in inventories	**933**	402	**2,333**	2,998
Royalty	**188**	180	**587**	802
Other	**2,093**	3,299	**7,425**	8,886
	22,403	**31,389**	**84,421**	92,742

14. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	($'000)	($'000)	**($'000)**	($'000)
Interest on five year exchangeable bonds (Note 10)	**691**	1,251	**3,119**	3,729
Expenses relating to part repayment of five year exchangeable bonds	**-**	-	**1,249**	-
Loss on part repayment of five year exchangeable bonds	**-**	-	**1,682**	-
Finance charges on revolver facility	**189**	-	**189**	-
Interest on borrowings	**56**	55	**173**	241
Accretion of reclamation and site closure costs	**85**	84	**257**	249
	1,021	1,390	**6,669**	4,219

15. Financial instruments

(a) Marketable securities - asset

The value of securities as at September 30, 2017, is $193,000 (at December 31, 2016 – $261,000), recorded in trade and other receivables on the condensed consolidated interim statement of financial position. These securities are stated at fair value with any resulting gain or loss recognized in income or loss. The Company recorded a fair value measurement gain/(loss) of ($37,000) and ($75,000) (2016 – gain of $47,000 and $109,000) for three and nine months ended September 30, 2017, using Level 1 assumptions.

(b) Five-year exchangeable loan – liability

The Company has valued the conversion feature of the five-year exchangeable loan (Note 10) using the Black-Scholes option pricing. For the three months ended September 30, 2017, the derivative value of the conversion feature amounts to $3,997,000 (2016 – $2,552,000) and is recorded in current liabilities in the condensed consolidated interim statements of financial position. The Company recorded a fair value measurement loss of $428,000 and $2,924,000 (2016 – gain of $247,000 and loss of ($1,812,000) for the three and nine months ended September 30, 2017. The value was estimated using the following Level 2 assumptions: risk free interest rate of 1.55% (2016 – 0.59%); volatility of 18% (2016 – 18%), gold forward curve adjustment of (0.49%) (2016 – (0.41%)).

16. Income per share

As at September 30, 2017 and 2016, the weighted average number of common shares for the purpose of calculating diluted income per share reconciles to the weighted average number of common shares used in the calculation of basic income per share as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	('000)	('000)	**('000)**	('000)
Net (loss) income for the year	**(7,181)**	549	**(19,637)**	5,309
Basic weighted average number of shares outstanding	**451,253**	441,586	**451,236**	423,092
Effect of diluted securities :				
Stock options	**-**	3,214	**-**	1,755
RSU	**-**	284	**-**	361
Diluted weighted average number of shares outstanding	**451,253**	445,084	**451,236**	425,208

16. Income per share (continued)

The following potential stock options and RSU are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of the diluted income per share calculation because the company has reported loss for the three and nine months ended September 30, 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
	('000)	('000)	**('000)**	('000)
Stock options	**21,173**	-	**21,173**	**3,503**

17. Segmented information

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

	Three months ended September 30, 2017				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	15,323	2,268	17,816	-	35,407
Cost of sales	(8,936)	(2,056)	(11,411)	-	(22,403)
Depletion and depreciation	(4,009)	(1,235)	(4,332)	(8)	(9,584)
Income from mine operations	2,378	(1,023)	2,073	(8)	3,420
Administration expenses	(517)	(312)	(605)	(1,192)	(2,626)
Other operating expenses (Note 22)	-	(5,508)	-	-	(5,508)
Income (loss) from operations	1,861	(6,843)	1,468	(1,200)	(4,714)
Other expense, except for fair value adjustment	(55)	(94)	(340)	(926)	(1,415)
Income (loss) for underlying operations	**1,806**	**(6,937)**	**1,128**	**(2,126)**	**(6,129)**
Loss from underlying operations per share					
Basic					($0.01)
Diluted					($0.01)
Fair value adjustments gain (loss) (Note 15)					
Five-year exchangeable bonds (Note 15(a))	-	-	-	(428)	(428)
Marketable Securities (Note 15(c))	-	-	-	-	-
Total fair value adjustment	-	-	-	(428)	**(428)**
Income (loss) before income taxes	1,806	(6,937)	1,128	(2,554)	(6,557)
Current tax recovery (expense)	(606)	-	(162)	-	(768)
Deferred tax recovery	65	-	79	-	144
Net income (loss)	**1,265**	**(6,937)**	**1,045**	**(2,554)**	**(7,181)**
Net Loss per share					
Basic					($0.02)
Diluted					($0.02)
Cash expenditure for property, plant and equipment	1,921	700	7,269	-	9,890
Total non-current assets as at September 30, 2017	46,181	74,669	85,730	1,083	207,663
Total assets as at September 30, 2017	65,114	91,061	111,843	62,869	330,887
Total liabilities as at September 30, 2017	13,984	22,115	26,800	78,607	141,506

17. Segmented information (continued)

	Three months ended on September 30, 2016				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	18,196	13,121	17,227	-	48,544
Cost of sales	(9,482)	(10,344)	(11,563)	-	(31,389)
Depletion and depreciation	(3,635)	(3,290)	(2,920)	(5)	(9,850)
Income (loss) from mine operations	5,079	(513)	2,744	(5)	7,305
Administrative expenses	(241)	(871)	(316)	(2,073)	(3,501)
Write-off of mining interest (Note 6)	-	(738)	-	-	(738)
Write-off of exploration and evolution (Note 6)	(412)	-	-	-	(412)
Income (loss) from operations	4,426	(2,122)	2,428	(2,078)	2,654
Other expense, except for fair value adjustment	(296)	(203)	(25)	(1,152)	(1,676)
Income (loss) for underlying operations	4,130	(2,325)	2,403	(3,230)	978
Income for underlying operations per share					
Basic					$0.00
Diluted					$0.00
Five-year exchangeable bonds (Note 15(a))	-	-	-	246	246
Marketable Securities (Note 15(c))	-	-	-	(1)	(1)
Total fair value adjustment	-	-	-	245	245
Net income (loss) before income taxes	4,130	(2,325)	2,403	(2,985)	1,223
Current tax recovery (expense)	(591)	-	(454)	-	(1,045)
Deferred tax recovery (expense)	(185)	534	22	-	371
Net income (loss)	3,354	(1,791)	1,971	(2,985)	549
Net Income per share					
Basic					$0.00
Diluted					$0.00
Cash expenditures for property, plant and equipment	2,208	3,858	4,267	36	10,369
Total non-current assets as at September 30, 2016	51,111	92,879	74,775	30,579	249,344
Total assets as at September 30, 2016	81,049	124,759	98,026	81,041	384,875
Total liabilities as at September 30, 2016	16,286	22,399	26,332	80,718	145,735

17. Segmented information (continued)

	Nine months ended September 30, 2017				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	49,048	24,974	50,882	-	124,904
Cost of sales	(29,067)	(19,937)	(35,417)	-	(84,421)
Depletion and depreciation	(12,176)	(8,264)	(11,466)	(16)	(31,922)
Income from mine operations	7,805	(3,227)	3,999	(16)	8,561
Administration expenses	(1,765)	(2,602)	(1,845)	(1,337)	(7,549)
Other operating expenses (Note 22)	-	(7,903)	-	-	(7,903)
Write-off of mining interest and impairment (Note 6)	-	(777)	-	-	(777)
Income (loss) from operations	6,040	(14,509)	2,154	(1,353)	(7,668)
Other expense, except for fair value adjustment	(523)	(601)	(738)	(6,418)	(8,280)
Income (loss) for underlying operations	**5,517**	**(15,110)**	**1,416**	**(7,771)**	**(15,948)**
Loss from underlying operations per share					
Basic					($0.04)
Diluted					($0.04)
Fair value adjustments gain (loss) (Note 15)					
Five-year exchangeable bonds (Note 15(a))	-	-	-	(2,924)	(2,924)
Marketable Securities (Note 15(c))	-	-	-	(75)	(75)
Total fair value adjustment	-	-	-	(2,999)	**(2,999)**
Income (loss) before income taxes	5,517	(15,110)	1,416	(10,770)	(18,947)
Current tax recovery (expense)	(1,938)	850	(370)	-	(1,458)
Deferred tax recovery	518	4	246	-	768
Net income (loss)	**4,097**	**(14,256)**	**1,292**	**(10,770)**	**(19,637)**
Net Loss per share					
Basic					($0.04)
Diluted					($0.04)
Cash expenditure for property, plant and equipment	8,656	8,847	17,477	-	34,980
Total non-current assets as at September 30, 2017	46,181	74,669	85,730	1,083	207,663
Total assets as at September 30, 2017	65,114	91,061	111,843	62,869	330,887
Total liabilities as at September 30, 2017	13,984	22,115	26,800	78,607	141,506

17. Segmented information (continued)

	Nine months ended September 30, 2016				
	Australia	**Chile**	**Sweden**	**Canada**	**Total**
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue	59,056	43,828	50,268	-	153,152
Cost of sales	(27,692)	(30,700)	(34,350)	-	(92,742)
Depletion and depreciation	(11,327)	(11,428)	(8,914)	(14)	(31,683)
Income from mine operations	20,037	1,700	7,004	(14)	28,727
Administration expenses	(1,061)	(2,312)	(1,254)	(3,597)	(8,224)
Write-off of exploration and evolution	(412)				(412)
Write-off of mining interest and impairment (Note 5)	-	(4,179)	-	-	(4,179)
Income (loss) from operations	18,564	(4,791)	5,750	(3,611)	15,912
Other expense, except for fair value adjustment	(1,112)	(551)	(40)	(4,560)	(6,263)
Income (loss) for underlying operations	**17,452**	**(5,342)**	**5,710**	**(8,171)**	**9,649**
Income (loss) for underlying operations per share					
Basic					$0.02
Diluted					$0.02
Fair value adjustments gain (loss) (Note 15)					
Five-year exchangeable bonds (Note 15(a))	-	-	-	(1,814)	(1,814)
Marketable Securities (Note 15(c))	-	-	-	108	108
Total fair value adjustment	-	-	-	(1,706)	**(1,706)**
Income (loss) before income taxes	17,452	(5,342)	5,710	(9,877)	7,943
Current tax recovery (expense)	(2,717)	44	(1,048)	-	(3,721)
Deferred tax recovery (expense)	(485)	1,422	150	-	1,087
Net income (loss)	**14,250**	**(3,876)**	**4,812**	**(9,877)**	**5,309**
Net Loss per share					
Basic					$0.01
Diluted					$0.01
Cash expenditure for property, plant and equipment	3,706	7,859	8,817	147	20,529
Total non-current assets as at September 30, 2016	51,111	92,879	74,775	30,579	249,344
Total assets as at September 30, 2016	81,049	124,759	98,026	81,041	384,875
Total liabilities as at September 30, 2016	16,286	22,399	26,332	80,718	145,735

17. Segmented information (continued)

For the three months and nine months ended September 30, 2017, the Company had four customers from whom it earned more than 10% of its total revenue (2016 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
	($'000)	($'000)	**($'000)**	($'000)
Costerfield (gold and antimony)				
Customer 1	**10,728**	12,964	**33,612**	38,972
Customer 2	**-**	5,352	**13,274**	19,235
	10,728	18,316	**46,886**	58,207
Cerro Bayo (silver and gold)				
Customer 3	**-**	5,750	**15,450**	22,670
	-	5,750	**15,450**	22,670
Björkdal (gold)				
Customer 4	**15,152**	14,913	**51,299**	41,470
	15,152	14,913	**51,299**	41,470
Total	**25,880**	38,979	**113,635**	122,347

18. Fair value measurement

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

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

As at September 30, 2017, the provisional pricing feature of trade receivables, other receivables and marketable securities are based on Level 1 input. Provisional pricing feature of trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, five year-exchangeable bonds and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.

19. Related party transactions

The Chief Financial Officer of the Company, Mr. Sanjay Swarup is the Director of SKS Business Services, which provides contractual accounting services to the Company.

Bradford Mills (Executive Chairman of the Company), Mark Sander (Director and President and Chief Executive Officer of the Company) and Sanjay Swarup (Chief Financial Officer of the Company) are also Directors of Plinian Capital. Plinian Capital is a shareholder of the Company. The Company received one-off mining consultancy services from Plinian Capital during the nine months ended September 30, 2016.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Administration expenses, salaries and consultancy services				
SKS Business Services	**45**	44	**135**	138
Plinian Capital	-	-	-	7

20. Income tax

During the three and nine months ended September 30, 2017, the Company had recognised current tax expense of $768,000 and $1,458,000 (2016 – $1,045,000 and $3,721,000) and deferred tax recovery of $144,000 and $768,000 (2016 – recovery of $371,000 and $1,087,000) respectively.

21. Assets and liabilities held for sale

On October 31, 2016, Mandalay entered into a definitive agreement with WPC Resources Inc. (TSXV: WPC) (“WPC”) pursuant to which WPC has agreed to purchase the Lupin gold mine (“Lupin”) and the Ulu (“Ulu”) gold project from Mandalay. This agreement has now been superseded with two new, separate Letters of Intent (“LOI”) with WPC for each of Lupin and Ulu. The Ulu LOI was signed on August 14, 2017 and the Lupin LOI was signed on October 25, 2017. Following the agreements all the assets related to Lupin and Ulu amounting to $47,740,000 (December 31, 2016 – 31,282,000) are classified as held for sale, and Liabilities of $30,361,000 (December 31, 2016 – 21,554,000) directly associated with Lupin and Ulu are classified as Liabilities directly associated with assets held for sale.

The following table presents the assets and liabilities of Lupin and Ulu, classified as assets held for sale and liabilities directly associated with the assets held for sale in the condensed consolidated interim statements of financial position:

	September 30, 2017	December 31, 2016
	($'000)	($'000)
Assets		
Reclamation deposits and other	**29,849**	20,634
Property, plant and equipment	**16,419**	9,370
Current assets	**1,472**	1,378
Assets held for sale	**47,740**	31,382
Liabilities		
Reclamation and site closure costs	**30,320**	21,516
Other liabilities	**41**	38
Liabilities associated with Assets held for sale	**30,361**	21,554

22. Care and maintenance and other operating expenses

The Company has recognised $5,508,000 and $7,903,000 respectively for the three and nine months ended September 30, 2017 in expenses relating to certain care and maintenance and other costs, incurred and provided for, relating to the flooding that occurred at the Cerro Bayo mine on June 9, 2017.

23. Commitments and contingencies

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

Due to recent events at the Cerro Bayo mine, the Company has provided for certain costs related to possible settlements with third parties in the future. These have been included using management's best estimate, however these estimates could be materially different to the final outcome of the claims.

The Company's Björkdal mine has entered into several equipment leases and the detailed future minimum payments relating to these leases are outlined in Note 9.

24. Subsequent events

As per Note 21, Lupin LOI to purchase Lupin Mines was signed with WPC on October 25, 2017.