MANDALAY RESOURCES

Management's Discussion and Analysis

For the quarter ended September 30, 2017

As of November 8, 2017

CONTENTS

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, 2017, and the Company's annual information form dated March 31, 2017 (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 1.16 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

1.0 THIRD QUARTER 2017 FINANCIAL AND OPERATING SUMMARY

Mandalay's performance in the third quarter of 2017 was negatively affected by the continuing operating suspension at Cerro Bayo in response to the June 9, 2017, flooding of the Delia NW mine that resulted in no production at Cerro Bayo during the quarter. This reduction was partially offset by excellent performance at Björkdal as the operation continued to improve its performance towards levels targeted for the turnaround at the time of acquisition. Costerfield continued its dependable performance in which ore tonnage and costs per tonne are well-controlled, with gold equivalent production and cost per ounce dependent on predictably variable ore grades.

Operations at Cerro Bayo remain suspended. As of September 29, 2017, the mine was moved to care and maintenance pending completion of the investigation of the root cause of the event, the risk assessment of restarting mining in the vicinity of Laguna Verde and delivery of all permits required for the Life of Mine plan.

During the quarter, the Company entered into a new three year US$40 million senior secured revolving credit facility with HSBC Bank Canada.

Financial Summary

- Revenue in the quarter was $35.4 million (including $0.1 million adverse revenue adjustments related to open sales contracts from prior quarters) compared to $48.5 million in the prior year quarter (including favorable revenue adjustments of $0.4 million related to open sales contracts from prior quarters). The decline in quarterly revenue was primarily due to fact that no production occurred at Cerro Bayo in the current quarter. Year-to-date revenue was $124.9 million compared to $153.2 million in the corresponding 2016 period.

- Adjusted EBITDA[1] in the third quarter of 2017 was $10.7 million versus $13.8 million in the third quarter of 2016. Lower adjusted EBITDA was due to lower revenue in the 2017 period than in the corresponding 2016 period. Year-to-date 2017 adjusted EBITDA was $34.2 million versus $53.2 million in the corresponding period of 2016.

- Income from mine operations before depreciation and depletion in the third quarter of 2017 was $13.0 million versus income of $17.2 million in the year-ago quarter, and consolidated pre-tax loss was $6.6 million compared to income of $1.2 million in the year-ago quarter.

- Consolidated after tax net loss in the third quarter of 2017 was $7.2 million ($0.02 loss per share) compared to consolidated net income of $0.5 million ($0.00/share) in the third quarter of 2016. For the year-to-date 2017, consolidated after tax net loss was $19.6 million ($0.04 per share) versus income of $5.3 million in the corresponding period of 2016. Larger losses in the current year flowed primarily from lower revenue and EBITDA. Also contributing to the loss were $5.5 million of expenses incurred primarily for care and maintenance of Cerro Bayo.

- The Company suspended dividend payments on its common shares as required by the new credit facility.

- Total cash capital expenditure during the third quarter of 2017 was $9.9 million compared to $10.4 million in the year-ago quarter.

- At September 30, 2017, the Company had $24.8 million of cash and cash equivalents compared to $66.9 million as at December 31, 2016.

[1] Adjusted EBITDA is a non-IFRS performance measure. Refer to Section 1.16 "Non-IFRS Measures" for further information.

1. Operational Summary

Consolidated Production and Sales

- In the third quarter of 2017, Mandalay produced a total of 25,819 ounces of gold equivalent, including 20,603 ounces of gold and 804 tonnes of antimony. This compares to 34,586 ounces of gold equivalent produced in the third quarter of 2016, consisting of 24,309 ounces of gold, 388,139 ounces of silver and 844 tonnes of antimony.

- Björkdal production was a record third quarter at the mine under Mandalay ownership. With this second consecutive quarter of strong performance, the mine has produced at an annualized rate of almost 60,000 ounces of gold through the last six months as a result of the combined impacts of the Company's grade control and mine debottlenecking programs. More discussion of this performance is included below under "Results of Operations – Björkdal".

- At Costerfield, gold and antimony production in the current quarter was lower than in the corresponding 2016 quarter due to expected decline in ore grade delivered to the plant from the mine. Tonnage mine output and costs as well as plant throughput and costs are very stable. Therefore, metal production and costs are directly correlated with head grade.

- 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. More details on this subject are set out under "Results of Operations – Cerro Bayo" below. We expect ongoing care and maintenance costs to decline to a rate of approximately $1.5 million per quarter going forward.

- Mandalay's consolidated average cash cost[2] of production in the third quarter of 2017 was $907 per ounce of gold equivalent versus $970 per ounce of gold equivalent in the third quarter of 2016. Consolidated all-in cost[3] in the current quarter was $1,301 per ounce of gold equivalent versus $1,266 per ounce of gold equivalent in the prior-year quarter. Higher average all-in costs were mostly related to suspended production at Cerro Bayo. The special item of $5.5 million relating to the Cerro Bayo incident-related expenses have been excluded in the cash cost and all-in cost calculations.

- Operational exchange rates slightly impacted U.S. dollar-denominated costs in the quarter. The Australian dollar averaged 1.2665/US$ in the third quarter of 2017 vs 1.3182/US$ in the prior year period. The Chilean Peso averaged 642 peso/US$ vs 661 peso/US$ in the prior year period. The Swedish Krona averaged 8.1370 krona/US$ in the period vs 8.5223 krona/US$ in the prior year period. Petroleum prices were approximately 11% higher than in the prior period.

[2] Cash cost and [3]all-in costs are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

- Quantities of metal sold during the quarter were 21,749 ounces of gold, 78,805 ounces of silver and 697 tonnes of antimony compared to 24,888 ounces of gold, 433,993 ounces of silver and 804 tonnes of antimony in the third quarter of 2016. These sales totaled 27,310 ounces of gold equivalent versus 35,617 ounces of gold equivalent in the corresponding quarter of 2016. Year-to-date in 2017, sales have totaled 97,820 ounces of gold equivalent versus 117,165 ounces of gold equivalent in 2016.

- Prices realized during the quarter were $1,296 per ounce for gold, $16.71 per ounce for silver and $8,468 per tonne for antimony versus $1,349 per ounce for gold, $20.29 per ounce for silver and $7,674 per tonne for antimony in the same period in 2016 (3.9% lower price for gold, 17.64% lower for silver and 10.35% higher for antimony).

Mandalay Saleable Production

Metal	Source	Three months to 30 September 2017	Three months to 30 September 2016	Period ended 30 September 2017	Period ended 30 September 2016
Gold (oz)	Costerfield	7,370	9,102	24,290	33,787
	Cerro Bayo	-	2,831	5,909	10,985
	Björkdal	13,233	12,376	39,993	37,210
	Total	**20,603**	**24,309**	**70,192**	**81,981**
Antimony (t)	Costerfield	**804**	**844**	**2,310**	**2,806**
Silver (oz)	Cerro Bayo	**-**	**388,139**	**794,533**	**1,365,817**
Average quarterly prices:					
Gold US$/oz		1,278	1,334	-	-
Antimony US$/tonne		8,293	7,244	-	-
Silver US$/oz		16.85	19.58	-	-
Au Eq. (oz)[1]	Costerfield	12,586	13,684	39,777	47,673
	Cerro Bayo	-	8,526	17,021	29,322
	Björkdal	13,233	12,376	39,993	37,209
	Total	**25,819**	**34,586**	**96,791**	**114,204**

[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 2017	Three months to 30 September 2016	Period ended 30 September 2017	Period ended 30 September 2016
Gold (oz)	Costerfield	7,500	8,865	23,959	32,121
	Cerro Bayo	629	3,265	6,861	12,992
	Bjorkdal	13,620	12,758	39,493	38,908
	Total	**21,749**	**24,888**	**70,313**	**84,022**
Antimony (t)	Costerfield	**697**	**804**	**2,211**	**2,690**
Silver (oz)	Cerro Bayo	**78,805**	**433,904**	**908,498**	**1,476,518**
Average quarterly prices:					
Gold US$/oz		1,278	1,334	-	-
Antimony US$/tonne		8,293	7,244	-	-
Silver US$/oz		16.85	19.58	-	-
Au Eq. (oz)[2]	Costerfield	12,023	13,228	38,826	45,457
	Cerro Bayo	1,667	9,631	19,501	32,800
	Bjorkdal	13,620	12,758	39,493	38,908
	Total	**27,310**	**35,617**	**97,820**	**117,165**

[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 13,233 ounces of gold in the third quarter of 2017 versus 16,112 ounces of gold in the previous quarter and 12,376 ounces of gold in third quarter of 2016. Production is directly related to grade of mill feed as the mill runs at an almost constant throughput rate. Production over the last two quarters has been at an annualized rate of almost 60,000 ounces of gold per year due to the effective elimination of several bottlenecks in production from the open pit and underground mines while maintaining grade control discipline.

- *Operating Costs* — Cash cost per saleable ounce of gold produced at Björkdal in the third quarter of this year was $871 and the site all-in cost per saleable ounce of gold produced was $1,199, as compared to $824 and $1,081 in the previous quarter and $897 and $1,135 respectively for the prior-year quarter of 2016. The lower cash cost per ounce in the current period compared to previous year period was due to comparatively higher gold production this quarter.

Costerfield Gold-Antimony Mine, Victoria, Australia

- *Production* — Saleable gold production for the third quarter of 2017 was 7,370 ounces versus 8,933 ounces in the previous quarter and 9,102 ounces in the third quarter of 2016. Saleable antimony production for the third quarter of 2017 was 804 tonnes versus 765 tonnes in the previous quarter and 844 tonnes in the third quarter of 2016. Although production in the current quarter was lower than in the year-ago quarter (when the highest-grade part of the Cuffley lode was being extracted), it is in line with the current expected grade profile of the mine.

- *Operating Costs* — Cash cost per ounce of gold equivalent produced in the third quarter of 2017 was $736 versus $648 in the previous quarter and $755 in the third quarter of 2016. The site all-in cost per ounce of gold equivalent produced in the third quarter of 2017 was $1,068 versus $962 in the previous quarter and $1,064 in the third quarter of 2016. These higher unit costs in the current quarter are due to lower production related to lower ore grades in the face of well-controlled operating costs.

Cerro Bayo Silver-Gold Mine, Aysen, Chile

- *Production* — Cerro Bayo had no production in the current quarter due to the suspension of operations following the June flooding.

- *Operating Costs* — There was no cash cost or all-in cost calculated in the current quarter, as there was no production at the mine this quarter.

Exploration

A detailed update of exploration activity at all of Mandalay's material properties in the first half of 2016 was released on July 24, 2017. Ongoing activities during the third quarter of 2017 included:

Björkdal

Drilling continued, focused during the third quarter on extending open pit resources in the West Pit, Nylunds, and Norrberget areas. Exploration results obtained for the second half of 2017 will be announced later this year, as will updated Mineral Resources and Reserves based on drilling from the fourth quarter, 2016 to the third quarter, 2017.

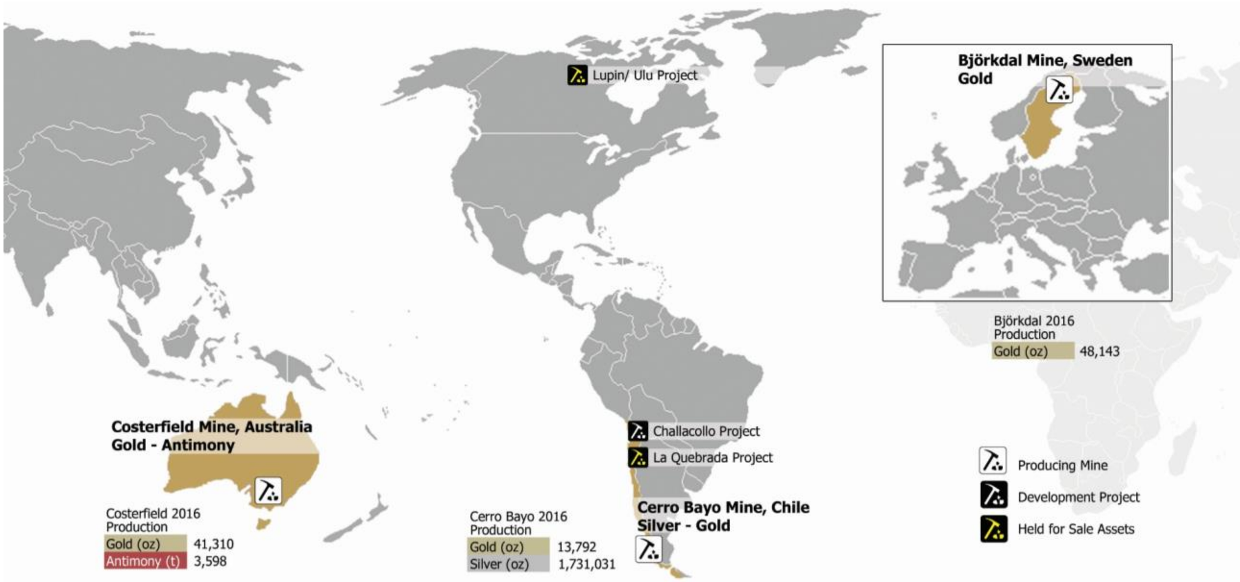
Costerfield

Infill and extensional drilling was performed on Brunswick lodes to support a development decision for the lode that was made subsequent to the end of the third quarter. Impact on reserves will be announced with the normal end-of-year Mineral Resource and Reserves update.

1.1 PORTFOLIO AND OPERATIONAL OVERVIEW

The Company is a Toronto-based mining company, the business of which is to acquire, discover, develop and produce mineral commodities. The Company uses its strong technical expertise and understanding of value creation to systematically increase the value of its assets through a disciplined approach to exploration, mining and processing optimization and operational efficiency. The Company's producing assets are its Costerfield gold-antimony mine in Victoria, Australia; its Cerro Bayo silver-gold mine in Patagonia, Chile (operations currently suspended); and its Björkdal gold mine in northern Sweden. The Company is advancing its feasibility-stage Challacollo silver-gold project near Iquique, Chile. The Company conducts exploration on near-mine and district targets at its operating and feasibility stage projects.

The Company is currently holding its La Quebrada copper-silver project near La Serena, Chile, and its Lupin and Ulu gold projects in Nunavut, Canada, for sale.



Costerfield

Costerfield is a 100%-owned underground gold-antimony mine located in the state of Victoria, Australia, that was purchased by the Company in late 2009. Acquired while on care and maintenance, the mine was restarted immediately. Production has increased from an initial 170 tonnes per day in 2009 to over 400 tonnes per day currently. The production increases (and associated unit cost reductions) are due principally to: a change in mining method from cut-and-fill to blast-hole stoping with cemented rock fill; increasing sub-level spacing from 5 metres to 10 metres; replacing the underground mobile mining fleet; introduction of a mobile crusher to decrease the particle size of mill feed (permitting high recoveries while increasing throughput) and construction of a new gold room which has increased the proportion of gold recovered to gravity concentrate. In addition, rigorous improvements in maintenance and production processes in the mine and plant have led to increases in equipment availability and utilization as well as in labor productivities. Exploration (funded by mine operating cash flow) has added reserves at a faster pace than depletion during Mandalay ownership, building profitable mine life from nil upon acquisition to about a four year mine life from today.

Cerro Bayo

Cerro Bayo is a 100%-owned underground silver-gold mine located in the Aysen Province of southern Chile, purchased while on care and maintenance in August, 2010.

Mining operations were restarted in the fall of 2010 and milling operations were restarted in the first quarter of 2011. Key to the high production and low operating cost of the restarted operation were: shifting the mining method from shrinkage stoping to completely mechanized blast-hole open stoping; ramping up the operation to a total rate of 1,400 tonnes per day from three mines; and developing four highly competitive concentrate customers. With the repurchase of the Coeur Mining royalty interest in the first quarter of 2016, Cerro Bayo is now royalty-free. Since June 9, 2017, operations have been suspended due to safety concerns arising from flooding in the Delia NW vein. None of the two other operating mines (Delia SE and Coyita) were impacted by the flooding and they remain in operating condition ready to resume when risk assessment of restarting mining around Laguna Verde is completed later this year and all regulatory permits needed for the full life of mine are granted.

Björkdal

Björkdal is a 100% owned underground and open pit gold mine located in northern Sweden. It was acquired through the Company's acquisition of Elgin Mining on September 9, 2014. The concentrator currently processes 3,500 tonnes per day and has been permitted to expand to 4,300 tonnes per day. Activities since the acquisition have been focused on: augmenting the geologic and sampling staff to provide for best-practice core logging, face mapping, and production sampling; establishing an on-site assay lab for fast grade control sample turnaround; formulating an optimized life-of-mine plan balancing production from open pit and underground while reducing dilution in both; accelerating exploration; and completing fundamental metallurgical surveys and ore sorting studies to improve plant performance on higher head grades, and installing expanded flotation capacity to improve recoveries. This work resulted in the highest delivered ore grades from open pit and underground for many years in the fourth quarter of 2016. However, in that quarter and the first quarter of 2017, emerging bottlenecks limited the tonnes of high grade ore delivered from both the underground and open pit mines and thus the full production impact of successful grade control. Most of these bottlenecks have since been resolved, and in the second and third quarters of 2017 performance has been excellent and is approaching goals established for the acquisition and turnaround.

Challacollo

Challacollo is a 100% owned silver-gold deposit located in Region I, Northern Chile. Mandalay completed an independent NI 43-101 Mineral Resource estimate for this development property in conjunction with its acquisition of the property on February 7, 2014. Since then, the Company has completed: infill drilling to upgrade previously Inferred Mineral Resource to Indicated; metallurgical studies; mine, plant and infrastructure design; and capital and operating costing. A key outstanding feasibility issue is securing an adequate water supply to support operations. During the second quarter of 2017, the Company discovered adequate water supply in four water exploration holes drilled on concessions about 30 km down-gradient of the deposit and is currently awaiting permission to construct a production water well there, after which it can apply for transfer of water rights to the new well.

La Quebrada

La Quebrada is a 100% owned copper-silver project located near La Serena, Chile. Mandalay completed a maiden Independent NI 43-101 Mineral Resource estimate for the property in 2012 and, until Q2, 2014, had been performing mining, metallurgical, engineering and financial studies while developing options for the project. As part of a strategic review during 2014, the Company determined that La Quebrada is a non-core asset and therefore has suspended all exploration activities. It is holding the asset for sale.

Lupin/Ulu

The Lupin and Ulu gold projects in Nunavut, Canada were acquired with the Elgin acquisition and are currently held for sale as non-core assets. Lupin is a past-producing underground mine-mill complex on care and maintenance and Ulu is a nearby advanced exploration stage project. On October 31, 2016, the Company entered into a definitive agreement for the sale of the Lupin and Ulu gold projects to WPC Resources Inc. ("WPC"), but the transaction was not completed due to increased reclamation bonding requirements for the Lupin project that were imposed shortly before the planned closing date. In the third quarter of 2017, Mandalay achieved compliance with the new bonding requirements and subsequently entered into two separate non-binding letters of intent with WPC that contemplate the acquisition of these properties by WPC on substantially the same terms, in the aggregate, as the earlier definitive agreement.

1.2 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, 2017 and 2016:

	Three months ended September 30, 2017 ($'000)	Three months ended September 30, 2016 ($'000)	Nine months ended September 30, 2017 ($'000)	Nine months ended September 30, 2016 ($'000)
Revenue	35,407	48,544	124,904	153,152
Cost of sales	22,403	31,389	84,421	92,742
Income from mine operations before depreciation and depletion	13,004	17,155	40,483	60,410
Depreciation and depletion	9,584	9,850	31,922	31,683
Income from mine operations	3,420	7,305	8,561	28,727
Administration costs	2,283	3,313	6,159	7,167
Business development costs	71	45	132	57
Adjusted EBITDA*	10,650	13,797	34,192	53,186
Finance costs, foreign exchange and others**	7,623	2,724	21,214	13,560
Consolidated (loss) income before tax	(6,557)	1,223	(18,944)	7,943
Current tax expense	768	1,045	1,458	3,721
Deferred tax (income)	(144)	(371)	(768)	(1,087)
Adjusted net (loss) income before special items after tax *	(1,673)	1,110	(10,954)	7,239
Consolidated net (loss) income after tax	(7,181)	549	(19,634)	5,309
Total assets	331,241	384,875	331,241	384,875
Total liabilities	141,859	145,734	141,859	145,734
Adjusted (loss) income per share before special items*	(0.00)	0.00	(0.02)	0.02
Consolidated (loss) income per share	(0.02)	0.00	(0.04)	0.01

* Adjusted EBITDA and adjusted net (loss) income and adjusted (loss) income per share before special items are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

**Others includes such items as mark to market derivative adjustments, write off 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, 2017	As at December 31, 2016
Cash and cash equivalents	24,849	66,917
Inventories, accounts receivables and other current assets	51,189	55,146
Assets held for sale	47,740	31,382
Non current assets	207,463	196,787
Total assets	**331,241**	**350,232**
Five year exchangeable loan*	27,660	56,424
Current liabilities	30,802	31,681
Liabilities held for sale	30,361	21,554
Non current liabilities	53,036	37,536
Equity attributable to common share holders	189,382	203,037
Total equity and liability	**331,241**	**350,232**

*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, 2017, and 2016. Free cash flow is a non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Net cash flows from operating activities	**9,215**	**14,646**	**20,641**	**39,659**
Capital expenditures	(9,890)	(10,369)	(34,980)	(34,898)
Free cash flow	**(675)**	**4,277**	**(14,339)**	**4,761**
Reclamation deposits	(7,367)	(71)	(7,500)	(242)
Other investing activity	19	52	37	209
Proceeds from/(Repayment) of borrowings	14,966	(231)	(14,948)	259
Shares issued for cash, net of cost	-	28,083	-	29,609
Dividend paid	-	(3,272)	(4,703)	(8,984)
Effects of exchange rate changes	(453)	60	(615)	(246)
Net cash flow	**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 the period	**24,849**	**74,565**	**24,849**	**74,565**

Dividend

Mandalay's policy from 2012 through the first quarter of 2017 was to pay a quarterly dividend equal to an aggregate of 6% of the trailing quarter's gross revenue. As previously announced on July 25, 2017, to comply with terms of the new $40 million revolving credit facility, the Company has suspended dividends going forward. The following table summarizes dividends paid by Mandalay in 2017 and 2016:

Declaration date	Payable to shareholders of record at	Dividends declared	Total payment
		C$	($'000)
2017			
	February 27, 2017	0.0057	2,572
	May 22, 2017	0.0083	2,781
			5,353
2016			
February 18, 2016	February 29, 2016	0.0088	2,715
May 11, 2016	May 24, 2016	0.0094	2,996
August 11, 2016	August 22, 2016	0.0094	3,272
November 02, 2016	November 24, 2016	0.0086	2,890
			11,873

Adjusted EBITDA and Adjusted Net Income Reconciliation to Net Income

The tables below reconcile Adjusted EBITDA and Adjusted Net Income to reported net income for the three and nine months ended September 30, 2017 and 2016. Adjusted EBITDA and Adjusted Net Income are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

	Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Consolidated Net Income/(loss)		(7,181)		549		(19,634)		5,309
Special items								
Mining interest write off and impairment	-		738		777		4,179	
- tax impact of above	-		(177)		-		(1,003)	
Deferred tax impact on Royalty	-		-		-		171	
Cerro Bayo incident-related expenses	5,508		-		7,903		-	
		5,508		561		8,680	(1,417)	1,930
Adjusted Net Income/(loss) before special items		(1,673)		1,110		(10,954)		7,239
Add: Non-cash and finance costs								
Depletion and depreciation	9,584		9,850		31,922		31,683	
Loss (gain) on disposal of property, plant and equipment	6		(19)		518		268	
Write-off of exploration and evaluation	-		412		-		412	
Share based compensation	266		162		740		732	
Interest and finance charges	1,021		1,390		6,669		4,219	
Fair value adjustments	428		(245)		2,999		1,706	
Current tax	768		1,045		1,458		3,721	
Deferred tax	(144)		(194)		(768)		1,162	
Foreign exchange (gain)/loss	533	12,462	349	12,750	1,775	45,313	2,306	46,209
		10,789		13,860		34,359		53,448
Less: Interest and other income	(139)	(139)	(63)	(63)	(167)	(167)	(262)	(262)
Adjusted EBITDA		10,650		13,797		34,192		53,186

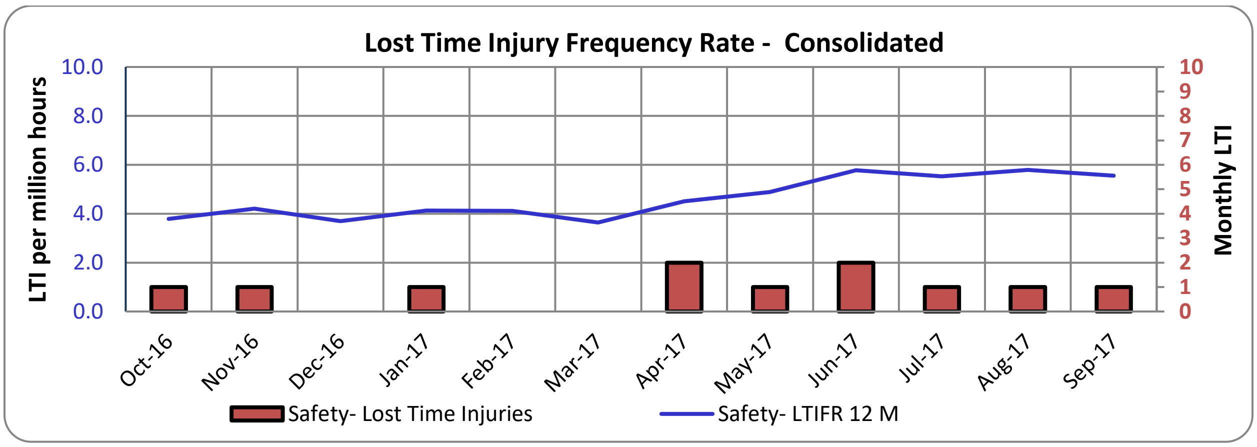
1.3 RESULTS OF OPERATIONS

Safety Performance

The Company has a zero-harm policy which is applied at all sites and continuous efforts are made to improve safety and reduce the lost time injury frequency rate ("LTIFR") at all operations. The following table shows the Company's safety statistics for the year ended September 30, 2017.

Safety table for year end September 2017

Incident category	Costerfield	Cerro Bayo	Björkdal	Challacollo	Total
Fatality	-	3	-	-	**3**
Lost time injury (LTI)	4	3	4	-	**11**
Total man hours	441,718	945,360	582,242	10,800	**1,980,120**
LTIFR	9.06	3.17	6.87		**5.56**



The Lost Time Injury Frequency Rate (LTIFR, defined as lost time injuries per million hours worked) rate stands at 5.56 as on September 30, 2017, higher than the rate of a year ago but lower than in earlier years.

Mandalay operations (Consolidated)

Three Months Ended September 30, 2017 compared to Three Months Ended September 30, 2016

Revenue in the current quarter was $35.4 million (including $0.1 million adverse revenue adjustments related to open sales contracts from prior quarters) compared with revenue in the prior year quarter of $48.5 million (including favorable revenue adjustments of $0.4 million related to open sales contracts from prior quarters). This lower revenue was due mostly to lower volumes of metal produced and sold, mainly because there was no production in the current year quarter from the Cerro Bayo mine.

Cost of sales in the current quarter was $22.4 million (similar to the year-ago quarter) leaving adjusted EBITDA in the third quarter of 2017 of $10.7 million, down from $13.8 million in the third quarter of 2016, with the difference primarily due to lower revenue arising from the production suspension at Cerro Bayo.

Consolidated pre-tax loss was $6.6 million, down from consolidated pre-tax income of $1.2 million in the year-ago quarter, mainly due to lower revenue in the current quarter.

Consolidated after tax net loss was $7.2 million ($0.02 loss per share) compared to net profit of $0.5 million ($0.00/share) in the year-ago period. Current tax expense was $0.8 million in the current quarter versus $1.0 million a year ago.

Capital expenditures in the third quarter of 2017, including capitalized depreciation and exploration, were $9.9 million. Of this amount $0.6 million was spent at Cerro Bayo, $1.9 million at Costerfield, $7.3 million at Björkdal and $0.1 million at Challacollo. By comparison, total capital expenditures, including capitalized depreciation and exploration, in the third quarter of 2016 were $10.4 million.

Björkdal

Björkdal Financial and Operating Results for the Three Months Ended September 30, 2017 and 2016

During the third quarter of 2017, Björkdal produced a combined 285,078 tonnes of ore from the open pit and underground operations, with an average grade of 1.52 grams per tonne gold as compared to 281,714 tonnes for third quarter of 2016 with average grade of 1.26 grams per tonne. The higher grades represent successful implementation of the ongoing grade control program and are expected to continue. The higher tonnage production during the 2017 quarter continued the recovery due to several improvements made in the second quarter that relieved bottlenecks to mine production that emerged as we completed the move to more selective mining that discards low grade material:

- In the underground mine, contractor ore haulage was relieved for no capital expense by adding a loader and trucks, improving contractor vehicle maintenance, and adding contractor haulage shifts.
- In the open pit, the contractor blast hole drilling rate was a bottleneck to ore production. The drilling contractor was replaced and for no capital expense, blast hole drilling has caught up the previous deficit.

These production rate improvements are expected to continue. The weighted average mining cost from the open pit and underground was $24.57 per tonne in the third quarter of 2017, slightly lower than the $25.04 per tonne in the corresponding period of 2016 due to increased volumes and efficiencies.

During the third quarter of 2017, the Björkdal concentrator processed 331,748 tonnes of ore against 329,494 tonnes of ore in the previous year. The head grade in the current period was higher (1.45 grams per tonne gold) compared to the year-ago quarter (1.35 grams per tonne gold). Metallurgical recoveries during the third quarter of 2017 were 86.96%, against 88.08% for the third quarter of 2016. Processing cost was $8.00 per tonne in the third quarter of 2017, an increase from the previous year cost of $6.42. Lower recoveries and higher costs in the current period were due to the commissioning process for the flotation expansion project, which occurred early in the quarter. Since then, recoveries on typical quartz vein material has improved by at least the 1.7% targeted level. Also during the quarter, a significant amount of high-grade skarn material was processed with low recoveries caused by poorly understood flotation characteristics. Since then, testing has demonstrated improved practices that the Company believes will lead to better performance when this material is encountered and batched through the plant again in the future.

During the third quarter of 2017, Björkdal produced 13,233 saleable gold ounces (a record under Mandalay ownership for any third quarter production) and sold 13,620 ounces. In the third quarter of 2016, Björkdal produced 12,376 saleable gold ounces and sold 12,758 ounces. Cash cost per gold ounce was $871 and all-in cost was $1,199 in 2017; cash costs in the 2016 quarter were $897 and all-in costs were $1,135. The lower cash cost in the current quarter resulted from increased gold production that more than offset the increased cost of selective mining and debottlenecking to reduce cost per ounce.

Björkdal generated revenue of $17.8 million for the quarter ended September 30, 2017, versus $17.2 million in the year-ago quarter. Income from mine operations before depreciation and depletion was $6.4 million versus $5.7 million in the year ago quarter, and adjusted EBITDA was $6.4 million versus $5.7 million in the year ago quarter. Net income before tax was $1.1 million and net profit after tax was $1.9 million in 2017 versus profit of $2.4 million and $2.7 million, respectively, in 2016.

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. During the third quarter of 2016, Björkdal invested $2.6 million in mine development, $0.2 million in property, plant and equipment and $1.5 million in exploration. The higher spending in the current period is due to the construction of the flotation expansion in the plant, which was completed on time and budget and is delivering better than planned recovery increases of 1.7% on typical quartz vein ore.

Björkdal financial results

	Three months ended September 30, 2017 ($'000)	Three months ended September 30, 2016 ($'000)	Nine months ended September 30, 2017 ($'000)	Nine months ended September 30, 2016 ($'000)
Revenue	17,816	17,227	50,882	50,268
Cost of sales	11,411	11,563	35,417	34,350
Income from mine operations before depreciation and depletion	6,405	5,664	15,465	15,918
Depreciation and depletion	4,332	2,920	11,466	8,914
Income from mine operations	2,073	2,744	3,999	7,004
Administration(1)	243	309	808	1,183
Adjusted EBITDA(2)(4)	6,405	5,665	15,465	15,921
Finance costs, foreign exchange and others(2)	700	32	1,773	111
Income before tax	1,130	2,403	1,418	5,710
Current tax expense	162	454	370	1,048
Deferred tax (recovery)	(79)	(22)	(246)	(150)
Operating net profit after tax(4)	1,869	2,674	3,727	7,041
Adjusted net profit after tax before special items(4)	6,555	1,971	1,294	4,812
Consolidated net profit after tax	1,047	1,971	1,294	4,812
Capital expenditure (5)	7,263	4,267	17,548	13,417

1Includes intercompany transfer pricing recharge costs of $243,000 in the three months ended in September 30, 2017 and $309,000 in the same period of 2016.

2Does not include intercompany transfer pricing recharge costs.

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

4Adjusted EBITDA, operating net income after tax and adjusted net income are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS measures" for further information.

5Includes capitalized depreciation on equipment.

Björkdal Financial and Operating Results for the Nine Months Ended September 30, 2017 and 2016

During the first nine months of 2017, Björkdal produced a combined 807,207 tonnes of ore from the open pit and underground operations, with an average grade of 1.49 grams per tonne gold as compared to 836,379 tonnes in the prior year period of 2016 with average grade of 1.32 grams per tonne. During the first nine months of 2017, 3,517 metres of operating development was completed against 3,780 metres in the corresponding period of 2016. We expect the fourth quarter financial results of Björkdal to continue the strong second and third production quarters. The weighted average mining cost from the open pit and underground was $28.73 per tonne in the first nine months of 2017 against $25.14 per tonne in 2016. The cost increase was due to the increased rate of operating development in the underground and waste removal in the open pit mines to maximize delivery of high grade ore to the plant and to the discarding of previously low-grade material sent directly to the mill.

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, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Mining Production and Mining Cost					
Operating development	m	862	1,292	3,517	3,780
Mined ore	t	285,078	281,714	807,207	836,379
Ore mined Au grade	g/t	1.52	1.26	1.49	1.32
Mined contained Au	oz	13,955	11,415	38,603	35,504
Mining cost per tonne ore	$/t	24.57	25.04	28.73	25.14
Processing and Processing Cost					
Processed ore	t	331,748	329,494	957,757	971,374
Mill head grade Au	g/t	1.45	1.35	1.51	1.38
Recovery Au	%	86.96	88.08	87.90	88.31
Concentrate produced	dry t	1,015	842	3,067	2,533
Concentrate grade Au	g/t	405	457	406	457
Saleable Au produced	oz	13,233	12,376	39,993	37,209
Processing cost per tonne ore	$/t	8.00	6.42	7.86	6.89
Sales					
Concentrate sold	dry t	928	889	3,158	2,683
Concentrate Au grade	g/t	457	446	389	451
Au sold	oz	13,620	12,758	39,493	38,908
Benchmark Unit Cost					
Site cash operating cost/ tonne ore processed(1)	$/t	34.75	36.06	38.68	22.17
Site cash operating cost/tonne concentrate produced(1)	$/t	11,354	14,109	12,080	8,503
Adjusted EBITDA/tonne ore milled(1)	$/t	19.31	17.19	16.15	16.39
Adjusted EBITDA/tonne concentrate produced(1)	$/t	6,308	6,727	5,042	6,285
Cash cost per oz Au equivalent produced(1)(2)	$/oz	871	897	926	896
Site all-in cost/oz Au eq. oz produced(1)(3)	$/oz	1,199	1,135	1,213	1,136
Capital Spending					
Capital development (Underground)	m	477	519	1,435	1,693
Capital development (Open pit)	t	238,797	656,680	1,273,856	1,711,911
Capital development cost	$000	4,018	2,564	10,103	7,468
Capital purchases	$000	2,684	174	5,761	2,917
Capitalized exploration	$000	561	1,530	1,683	3,032

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

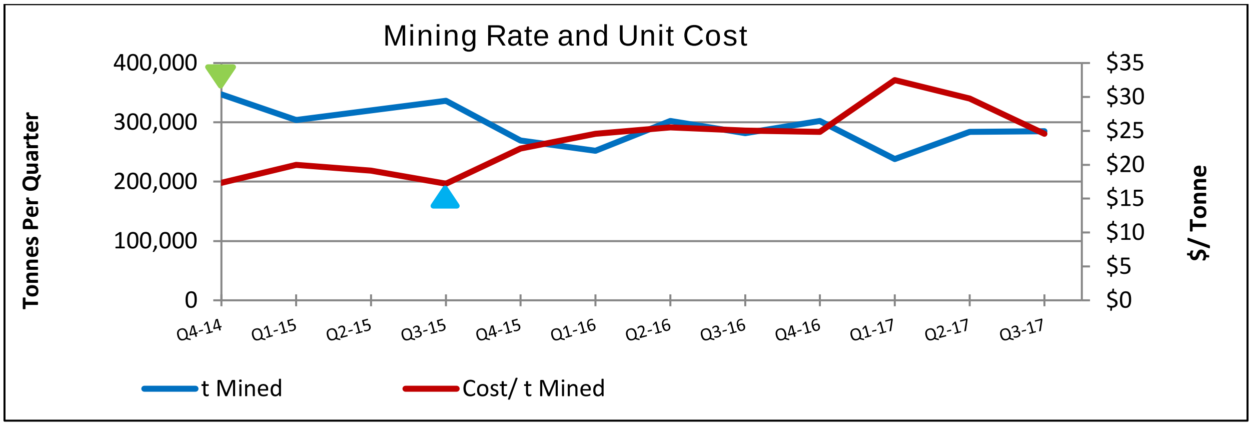
2 The cash cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measures. Refer to Section 1.16"Non-IFRS Measures" for further information.

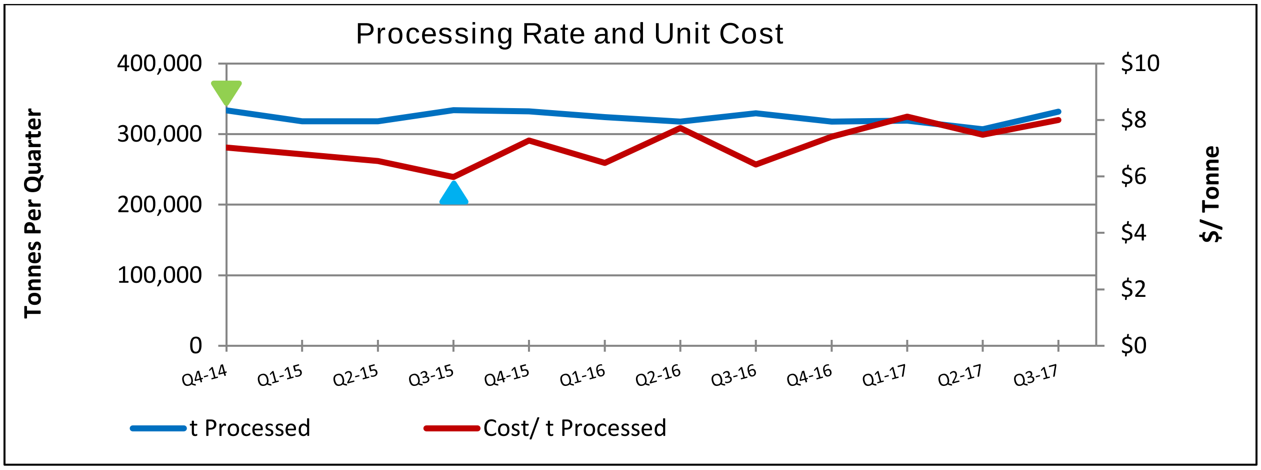
3 Site all-in cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measure. Refer to Section 1.16"Non-IFRS Measures" for further information.

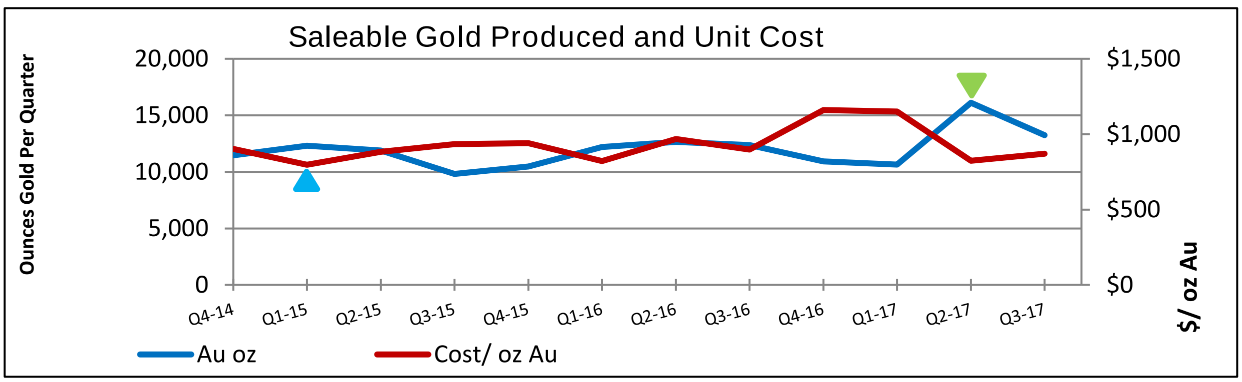
During the first nine months of 2017, the Björkdal concentrator processed 957,757 tonnes of ore with grades of 1.51 grams per tonne gold against 971,374 tonnes of ore with average grade of 1.38 grams per tonne gold in 2016. Metallurgical recoveries during the first nine months of 2017 were 87.90% compared with 88.31% for the year 2016. Processing cost was $7.86 per tonne in the first nine months of 2017 as compared to $6.89 per tonne in 2016.

During the first nine months of 2017, Björkdal produced 39,993 saleable gold ounces and sold 39,493 ounces. In the first nine months of 2016, Björkdal produced 37,209 saleable gold ounces and sold 38,908 ounces. Cash cost per gold ounce was $926 and all-in cost was $1,213 in 2017 against $896 and $1,136 respectively in 2016.

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. During the first nine months of 2016, the Company invested $7.5 million in mine development, $2.9 million in property, plant and equipment and $3 million in exploration.







Record high rate Record low cost

Costerfield

Costerfield Financial and Operating Results for the Three Months Ended September 30, 2017 and 2016

Operationally, Costerfield delivered a sound quarter in terms of tonnes mined and processed, although production and financial outcomes were affected by lower grades processed in the current year than in the year-ago quarter. These lower grades were expected according to the long-term mine plan as the Company mined out the heart of the very high grade Cuffley lode.

In the third quarter of 2017, Costerfield delivered a total of 12,586 ounces of gold equivalent at cash costs and all-in costs of $736 and $1,068 per ounce of gold equivalent, respectively. This compares to the prior-year quarter production of 13,684 ounces of gold equivalent at $755 cash costs and $1,064 all-in-cost per ounce gold equivalent.

Costerfield generated revenue of $15.3 million for the quarter ended September 30, 2017. Income from mine operations before depreciation and depletion was $6.4 million, adjusted EBITDA was $6.3 million, operating net income before tax was $1.8 million and net income after tax was $1.3 million. Comparable results for the quarter ended September 30, 2016 were revenue of $18.2 million, income from mine operations before depreciation and depletion of $8.7 million, adjusted EBITDA of $8.6 million, operating net income before tax of $4.1 million and net income after tax of $3.4 million.

The Costerfield mine completed 1,384 metres of operating development in the third quarter of 2017 versus 1,505 metres in 2016.

35,917 tonnes of ore were mined in third quarter of 2017 as compared to 38,407 tonnes in the third quarter of 2016. Mining cost decreased to $169 per tonne from the previous year's quarter of $177 per tonne due to favorable mining geometries. The mined gold grade in the third quarter of 2017 was 7.54 grams per tonne versus 9.16 grams per tonne in 2016, while the mined antimony grade was 3.05% in 2017 versus 3.21% in the prior year quarter.

Costerfield financial results

	Three months ended September 30, 2017 ($'000)	Three months ended September 30, 2016 ($'000)	Nine months ended September 30, 2017 ($'000)	Nine months ended September 30, 2016 ($'000)
Revenue	15,323	18,196	49,048	59,056
Cost of sales	8,936	9,482	29,067	27,692
Income from mine operations before depreciation and depletion	6,387	8,714	19,981	31,364
Depreciation and depletion	4,009	3,635	12,176	11,327
Income from mine operations	2,378	5,079	7,805	20,037
Administration [(1)]	167	199	614	813
Adjusted EBITDA [(2)(4)]	6,341	8,648	19,839	31,076
Finance costs, foreign exchange and others [(3)]	404	750	1,674	1,772
Income before tax	1,807	4,130	5,517	17,452
Current tax expense	606	591	1,939	2,717
Deferred tax expense/(recovery)	(65)	185	(518)	485
Operating net income after tax[(4)]	1,546	3,874	5,357	16,347
Adjusted net income after tax before special items[(4)]	1,266	3,354	12,776	14,250
Consolidated net income after tax	1,266	3,354	4,096	14,250
Capital expenditure [(5)]	1,921	2,208	8,662	5,915

[1]Includes intercompany transfer pricing recharge costs of $121,000 in the three months ended in September 30, 2017 and $132,000 in the same period of 2016.

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

[3]Others includes such items as mark to market derivative adjustments, write off 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 1.16 "Non-IFRS measures" for further information.

[5]Includes capitalized depreciation on equipment.

During the third quarter of 2017, Costerfield processed more ore than in the year-ago quarter (38,482 tonnes vs 35,981 tonnes), accompanied by a decrease in processing cost from $41.50 per tonne in 2016 to $37.85 per tonne in 2017.

Plant gold head grade in 2017 was 7.74 grams per tonne versus 9.94 grams per tonne in the year-ago quarter, while the antimony head grade was 3.19% in 2017 versus 3.75% in 2016. These grade declines were expected and account for the reduced metal output despite more tonnes being processed. The plant achieved recoveries of 89.13% for gold and 94.60% for antimony versus 90.13% for gold and 95.69% for antimony in third quarter of 2016.

Total saleable metal production in the third quarter of 2017 was 804 tonnes of antimony and 7,370 ounces of gold versus 844 tonnes of antimony and 9,102 ounces of gold in the third quarter of 2016. A total of 7,500 ounces of gold and 697 tonnes of antimony were sold in the third quarter of 2017 versus a total of 8,865 ounces of gold and 804 tonnes of antimony sold in the third quarter of 2016.

During the third quarter of 2017, Costerfield incurred no capital development costs, spent $0.8 million in exploration and $1.1 million in property, plant and equipment. The corresponding amounts for the prior year quarter were nil, $1.4 million and $0.8 million, respectively.

Costerfield operating statistics

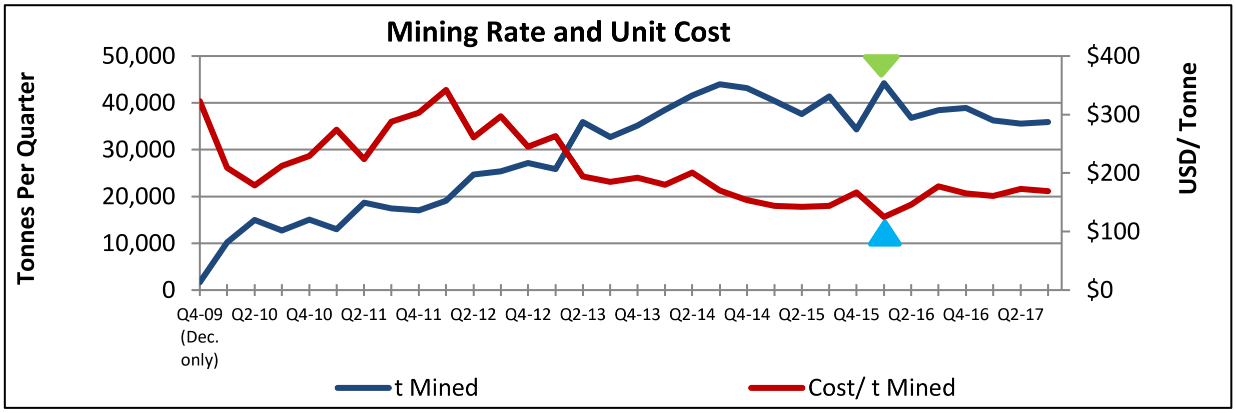
The following table summarizes certain aspects of production, sales, costs and capital investment activities at Costerfield.

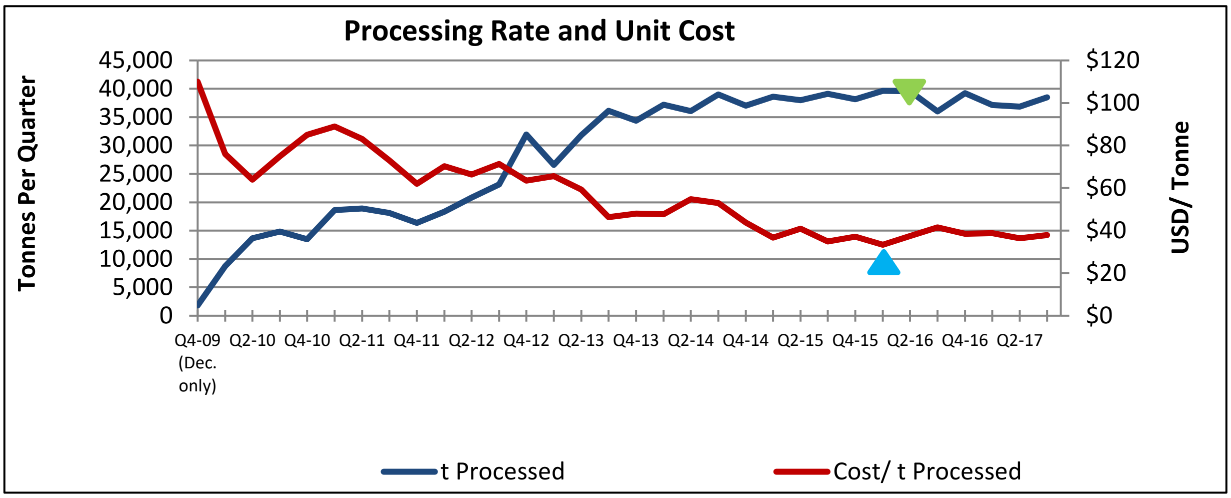
	Unit	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Mining Production and Mining Cost					
Operating development	m	1,384	1,505	4,175	4,362
Mined ore	t	35,917	38,407	107,744	119,418
Ore mined Au grade	g/t	7.54	9.16	8.37	10.61
Ore mined Sb grade	%	3.05	3.21	3.30	3.56
Mined contained Au	oz	8,711	11,317	29,000	40,730
Mined contained Sb	t	1,097	1,234	3,558	4,253
Mining cost per tonne ore	$/t	169	177	167	148
Processing and Processing Cost					
Processed ore	t	38,482	35,981	112,521	115,164
Mill head grade Au	g/t	7.74	9.94	8.48	11.14
Mill head grade Sb	%	3.19	3.75	3.36	3.89
Recovery Au	%	89.13	90.13	89.75	90.50
Recovery Sb	%	94.60	95.69	95.61	95.37
Concentrate produced	dry t	2,254	2,335	6,921	7,862
Concentrate grade Au	g/t	66.05	84.97	67.86	86.07
Concentrate grade Sb	%	51.60	55.09	52.26	54.31
Au produced in gravity concentrate	oz	3,713	3,948	12,300	15,427
Au produced in sulfide concentrate	oz	3,657	5,154	11,990	18,360
Saleable Au produced	oz	7,370	9,102	24,290	33,787
Saleable Sb produced	t	804	844	2,310	2,806
Saleable Au equivalent produced	oz	12,586	13,684	39,778	47,673
Processing cost per tonne ore	$/t	37.85	41.50	37.69	37.31
Sales					
Concentrate sold	dry t	2,161	2,325	6,764	7,812
Concentrate Au grade	g/t	69.21	81.79	68.55	83.11
Concentrate Sb grade	%	51.58	54.44	52.30	54.21
Au sold in gravity concentrate	oz	3,732	3,967	12,283	15,151
Au sold in sulfide concentrate	oz	3,768	4,899	11,676	16,970
Au sold	oz	7,500	8,865	23,959	32,121
Sb sold	t	697	804	2,211	2,690
Benchmark Unit Cost					
Site cash operating cost/ tonne ore processed(1)	$/t	237	284	244	239
Site cash operating cost/tonne concentrate produced(1)	$/t	4,050	4,373	3,960	3,499
Adjusted EBITDA/tonne ore milled(1)	$/t	165	240	176	270
Adjusted EBITDA/tonne concentrate produced(1)	$/t	2,813	3,704	2,867	3,953
Cash cost per oz Au equivalent produced(1)(2)	$/oz	736	755	699	588
Site all-in cost/oz Au eq. oz produced(1)(3)	$/oz	1,068	1,064	1,019	845
Capital Spending					
Capital development	m	-	-	408	-
Capital development cost	$000	9	-	1,884	-
Capital development cost/meter	$/m	-	NA	4,617	NA
Capital purchases	$000	1,065	779	3,545	2,374
Capitalized exploration	$000	847	1,429	3,233	3,541

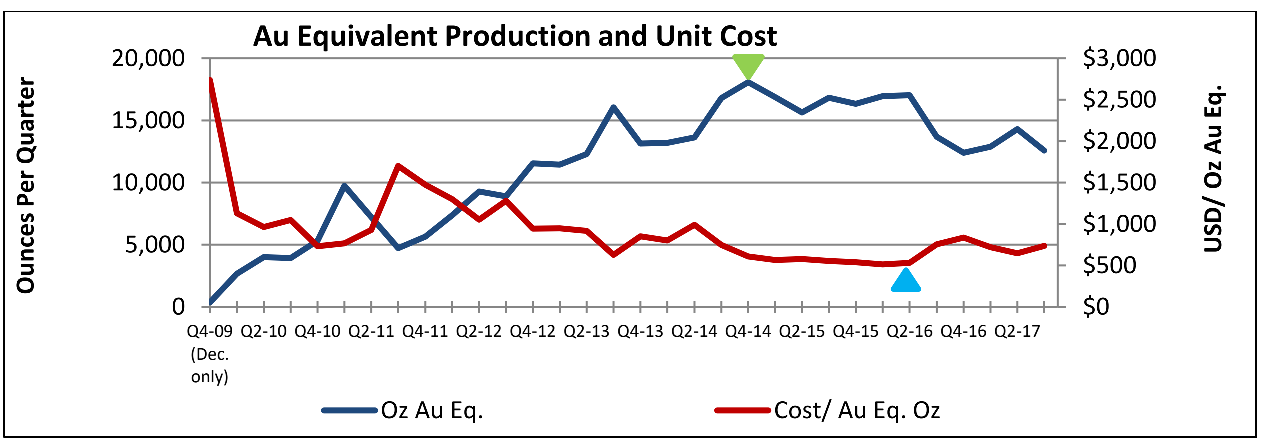
[1]Does not include intercompany transfer pricing recharge costs and business development costs.

[2]Cash cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.16 "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 1.16 "Non-IFRS Measures" for further information.







Record high rate   Record low cost

Costerfield Financial and Operating Results for the Nine Months Ended September 30, 2017 and September 30, 2016

Operationally, Costerfield delivered another excellent first nine months in terms of production and sales and low cash and all-in operating cost per ounce of gold equivalent produced. For the first nine months of 2017, Costerfield delivered 39,778 ounces of gold equivalent at cash costs and all-in costs of $699 and $1,019 per ounce of gold equivalent, respectively.

The Costerfield mine completed 4,175 meters of operating development in the first nine months ended September 30, 2017 versus 4,362 meters in 2016. There was no capital development in the first nine months of 2016, while there was 408 m completed in 2017.

The operation mined less ore in 2017 than in 2016—107,744 tonnes this year versus 119,418 tonnes in 2016. Mining costs increased to $167 per tonne from $148 per tonne in the prior year. The mined gold grade in 2017 decreased to 8.37 grams per tonne from 10.61 grams per tonne in 2016, while the mined antimony grade declined to 3.30% in 2017 from 3.56%.

Plant throughput in first nine months of 2017 was marginally less (112,521 tonnes) than in 2016 (115,164 tonnes) and unit costs were: $37.31 per tonne in 2016 versus $37.69 per tonne in 2017.

Plant gold head grade in the first nine months of 2017 was 8.48 grams per tonne versus 11.14 grams per tonne gold a year ago, while the antimony head grade was 3.36% in 2017 versus 3.89% in 2016. The plant achieved recoveries of 89.75% for gold and 95.61% for antimony versus 90.50% for gold and 95.37% for antimony in the first nine months of 2016.

Total saleable metal production in the first nine months of 2017 was 2,310 tonnes antimony and 24,290 ounces gold versus 2,806 tonnes antimony and 33,787 ounces gold in 2016. A total of 23,959 ounces gold and 2,211 tonnes antimony were sold in the first nine months of 2017 versus a total of 32,121 ounces gold and 2,690 tonnes antimony sold in the first nine months of 2016.

In the first nine months of 2017, the Company spent $1.9 million on capital development, $3.2 million on exploration and $3.5 million on property, plant and equipment at Costerfield. The corresponding amounts for the prior year period were nil, $3.5 million and $2.4 million, respectively.

Cerro Bayo

Cerro Bayo Financial and Operating Results for the Three Months Ended September 30, 2017 and 2016

During the three months ended September 30, 2017 there was no production at Cerro Bayo mine due to the suspension of operations following the flooding of the Delia NEW mine on June 9, 2017. The Cerro Bayo mine has been on care and maintenance and the workforce was substantially reduced at the end of the third quarter 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 generated revenue of $2.3 million for the quarter ended September 30, 2017, by selling concentrate inventory. All the minimal operational and financial results as compared with the full production year-ago quarter arise from these small inventory sales.

Cerro Bayo Financial and Operating Results for the Nine Months Ended September 30, 2017 and 2016

The first nine months of 2017 were characterized by the full production first quarter, the diminished second quarter when the flooding occurred, and the third quarter of no production. In contrast, during the equivalent period in 2016, nearly full production occurred throughout. During the first nine months of 2017, the Cerro Bayo mine produced 154,542 tonnes of ore versus 301,428 tonnes in the prior year period of 2016. Mining costs increased to $60.58 per tonne from $49.69 per tonne in the prior year. During the first nine months of 2017, 3,252 metres of operating development was completed versus 4,316 metres in the first nine months of 2016.

In the first nine months of 2017, Cerro Bayo delivered higher grades of silver compared to the previous year period (182.82 grams per tonne silver and 1.38 grams per tonne gold versus 167.24 grams per tonne silver and 1.36 grams per tonne gold).

During the first nine months of 2017, the Cerro Bayo concentrator processed 156,727 tonnes of ore with grades of 182.47 grams per tonne silver and 1.38 grams per tonne gold, compared to more ore and lower grades (306,697 tonnes of ore with grades of 164.30 grams per tonne silver and 1.34 grams per tonne gold) during the prior year period of 2016. Metallurgical recoveries during the first nine months of 2017 were 88.16% for gold and 90.36% for silver in 2017, higher than the 85.03% for gold and 87.58% for silver in the prior year period.

Processing cost per tonne ore increased to $22.67 per tonne in 2017 versus $21.03 per tonne in 2016 due to the impact of lower throughput. Cash cost per ounce of silver net of gold credit in the first nine months of 2017 was $13.50 and all-in cost was $25.22; both numbers are higher than in the prior year period of 2016 ($10.95 per ounce and $20.08 per ounce respectively) due to lower production.

Cerro Bayo produced 794,533 ounces saleable silver and 5,909 ounces saleable gold in the first nine months of 2017, as compared to 1,365,817 ounces saleable silver and 10,985 ounces saleable gold in the comparable 2016 period.

During the first nine months of 2017, Cerro Bayo sold 6,861 ounces gold and 908,498 ounces silver. Sales during the comparable period of 2016 were 12,993 ounces of gold and 1,476,518 ounces of silver.

During the first nine months of 2017, Cerro Bayo invested $6.0 million in mine development versus $6.2 million in 2016. The mine spent $1.5 million for the purchase of property, plant and equipment in the first nine months of 2017, versus $3.0 million in 2016. The mine spent $0.9 million on exploration, versus $2.3 million in 2016.

Cerro Bayo financial results

	Three months ended September 30, 2017 ($'000)	Three months ended September 30, 2016 ($'000)	Nine months ended September 30, 2017 ($'000)	Nine months ended September 30, 2016 ($'000)
Revenue	2,268	13,121	24,974	43,828
Cost of sales	2,056	10,344	19,937	30,700
Income from mine operations before depreciation and depletion	212	2,777	5,037	13,128
Depreciation and depletion	1,235	3,290	8,264	11,428
Income (loss) from mine operations	(1,023)	(513)	(3,227)	1,700
Administration (1)	270	895	1,656	2,308
Adjusted EBITDA (2)(4)	209	2,081	4,190	11,479
Finance costs, foreign exchange and others (3)	137	917	2,325	4,735
Care and maintenance and other expenses	5,508	-	7,903	-
Income (loss) before tax	(6,938)	(2,325)	(15,111)	(5,343)
Current tax (recovery)	-	-	(850)	(44)
Deferred tax (recovery)	-	(534)	(4)	(1,421)
Operating net (loss) after tax(4)	(6,610)	(1,318)	(12,880)	(2,302)
Adjusted net (loss) income after tax before special items(4)	(6,938)	(1,230)	(13,480)	1,475
Consolidated net (loss) after tax	(6,938)	(1,791)	(14,257)	(3,878)
Capital expenditure (5)	586	3,889	8,319	11,556

1 Includes intercompany transfer pricing recharge costs of $267,000 in the three months ended in September 30, 2017 and $199,000 in the same period of 2016.

2 Does not include intercompany transfer pricing recharge costs.

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

4 Adjusted EBITDA, operating net income after tax and adjusted net income are non-IFRS performance measures. Refer to Section 1.16 “Non-IFRS measures” for further information.

5 Includes capitalized depreciation on equipment.

Cerro Bayo operating statistics

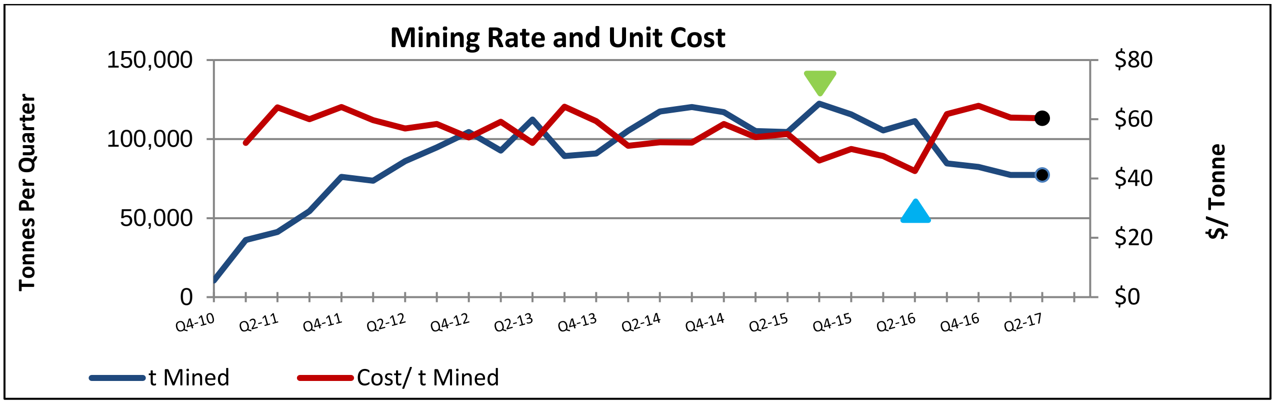
The following table summarizes certain aspects of production, sales, costs and capital investment activities at Cerro Bayo.

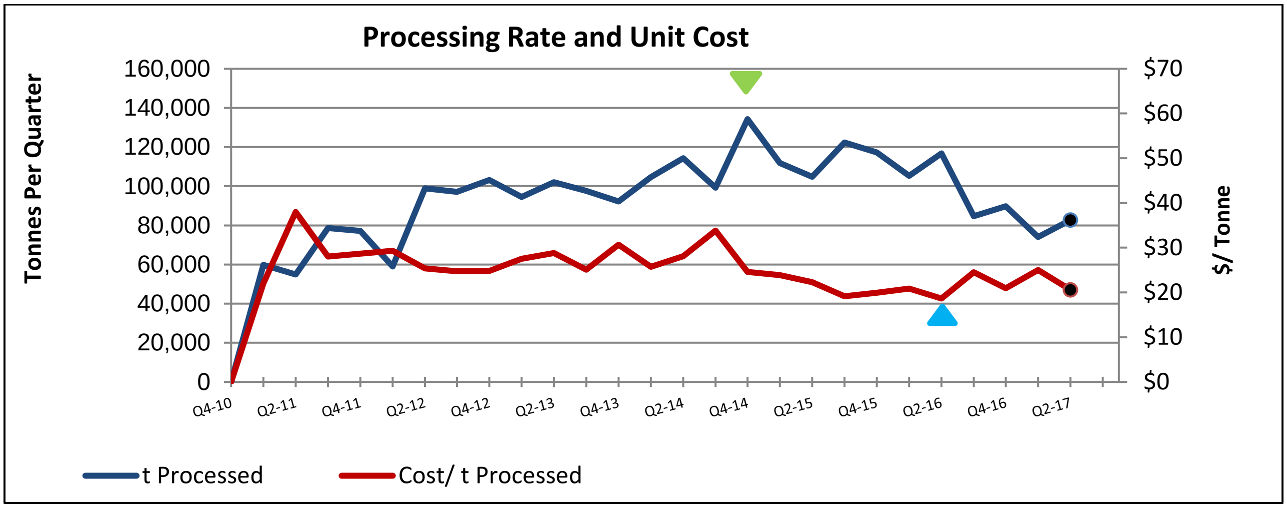
	Unit	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Mining Production and Mining Cost					
Operating development	m	-	1,560	3,252	4,316
Mined ore	t	-	84,594	154,542	301,428
Ore mined Au grade	g/t	-	1.30	1.38	1.36
Ore mined Ag grade	g/t	-	182.42	182.82	167.24
Mined contained Au	oz	-	3,545	6,868	13,173
Mined contained Ag	oz	-	496,125	908,386	1,620,780
Mining cost per tonne ore	$/t	-	61.76	60.58	49.69
Processing and Processing Cost					
Processed ore	t	-	84,660	156,727	306,697
Mill head grade Au	g/t	-	1.30	1.38	1.34
Mill head grade Ag	g/t	-	180.34	182.47	164.30
Recovery Au	%	-	82.32	88.16	85.03
Recovery Ag	%	-	82.93	90.36	87.58
Concentrate produced	dry t	-	1,589	2,916	4,596
Concentrate grade Au	g/t	-	56.99	64.81	76.14
Concentrate grade Ag	g/t	-	7,971	8,905	9,602
Saleable Au produced	oz	-	2,831	5,909	10,985
Saleable Ag produced	oz	-	388,139	794,533	1,365,817
Saleable Au equivalent produced	oz	-	8,526	17,021	29,322
Processing cost per tonne ore	$/t	-	24.53	22.67	21.03
Sales					
Concentrate sold	dry t	309	1,702	3,328	4,842
Concentrate Au grade	g/t	-	61.30	59.88	85.45
Concentrate Ag grade	g/t	-	8,307	8,132	9,850
Au sold	oz	629	3,265	6,861	12,993
Ag sold	oz	78,805	433,904	908,498	1,476,518
Benchmark Unit Cost					
Site cash operating cost/ tonne ore processed[(1)]	$/t	-	101.77	96.87	81.43
Site cash operating cost/tonne concentrate produced[(1)]	$/t	-	5,424	5,207	5,433
Adjusted EBITDA/tonne ore milled[(1)]	$/t	-	28	31	39
Adjusted EBITDA/tonne concentrate produced[(1)]	$/t	-	1,469	1,647	2,592
Cash cost per oz Ag produced net of Au byproduct credit[(1)(2]	$/oz	-	15.18	13.50	10.95
Site all-in cost net of gold credit /oz Ag produced[(1)(3)]	$/oz	-	25.70	25.22	20.08
Capital Spending					
Capital development	m	-	767	1,923	2,124
Capital development cost	$000	340	2,342	5,971	6,245
Capital development cost/meter	$/m	-	3,055	3,105	2,940
Capital purchases	$000	121	574	1,475	3,032
Capitalized exploration	$000	125	972	872	2,278

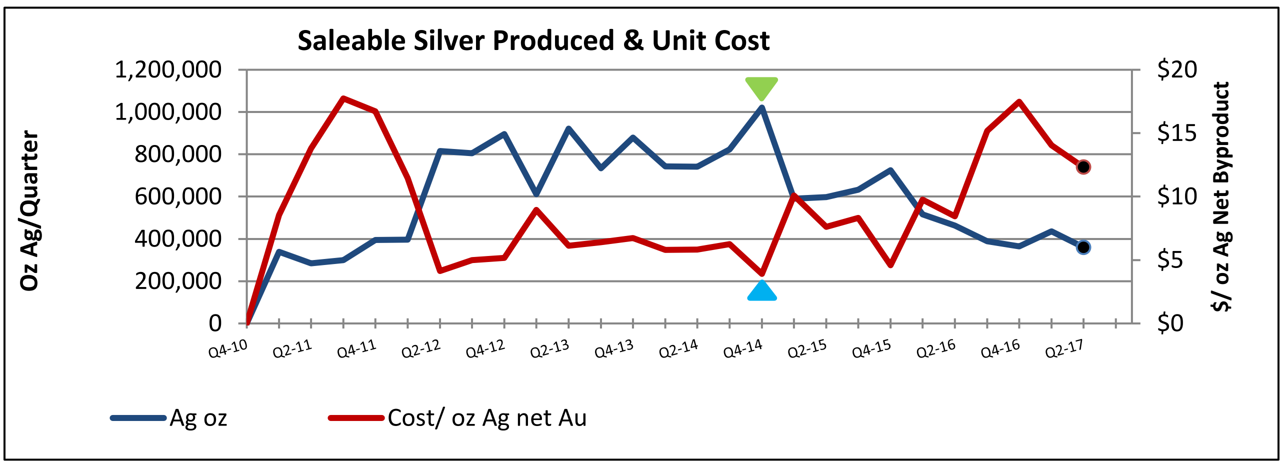
[1]Does not include intercompany transfer pricing recharge costs and business development costs.

[2]The cash cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measures. Refer to Section 1.16"Non-IFRS Measures" for further information.

[3]Site all-in cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measure. Refer to Section 1.16"Non-IFRS Measures" for further information.







Following the flooding at the Delia NW mine at Cerro Bayo on June 9, 2017 and suspension of the mining operation, risk assessment of the inundation event is currently being undertaken. The risk assessment should be completed in the fourth quarter of this year.

Challacollo

The Company has applied for surface rights needed to construct a production water well sufficient to supply possible future operations at the location of successful ground water exploration wells completed in the second quarter of 2017. During the third quarter of 2017, while it awaited completion of the regulatory process, the Company spent $0.1 million on property maintenance, exploration and activities related to project development.

La Quebrada

Spending on care and maintenance at La Quebrada was less than $0.1 million during the third quarter of 2017 and corresponding period in 2016.

Lupin and Ulu

Spending on care and maintenance and reclamation at Lupin and Ulu was $0.9 million during the third quarter of 2017. The corresponding amount for the prior year quarter was $0.1 million. Most of the spending was for permanent reclamation work, in respect of which the Company has applied for reduced reclamation bonding requirements. During the quarter, the regulatory authorities required an additional approximately C$9.1 million in reclamation bonding, bringing the total bond to C$34.6 million. The additional bonding requirement has caused the Company to begin permitting and implementing a final closure and reclamation plan for Lupin, which it expects can be completed for the amount of the previous C$25.5 million bond or less, leading to eventual return of the additional bond amount.

Markets - Currency Exchange Rates

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

CURRENCY	Average rate July 1, 2017 September 30, 2017	Average rate July 1, 2016 September 30, 2016	Average rate January 1, 2017 September 30, 2017	Average rate January 1, 2016 September 30, 2016
1A$ = C$	0.9891	0.9899	0.9996	0.9804
1A$ = US$	0.7896	0.7586	0.7687	0.7424
1 US$ = C$	1.2523	1.3050	1.2997	1.3203
1 US$ = Chilean Peso	642	661	653	680
1 US$= SEK	8.1370	8.5223	8.5666	8.3959

Markets - Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of gold and silver were lower in the third quarter of 2017 than in the third quarter of 2016 and were higher for antimony. Realized prices were impacted by the application of adjustments with respect to open concentrate shipments at forward prices (see "Critical Accounting Policies - Revenue recognition" below). This resulted in realized prices in the third quarter of 2017 being marginally higher than relative average market prices for gold and antimony while being very slightly lower for silver.

COMMODITY	Average rate July 1, 2017 September 30, 2017	Average rate July 1, 2016 September 30, 2016	Average rate January 1, 2017 September 30, 2017	Average rate January 1, 2016 September 30, 2016
Realized gold US$/oz[1]	1,296	1,349	1,280	1,296
Gold- US$/oz - Average London Daily PM close (Metal Bulletin)	1,278	1,334	1,251	1,258
Realized antimony US$/tonne[1]	8,468	7,674	8,503	6,516
Antimony US$/tonne - Rotterdam Warehouse (Metal Bulletin)	8,293	7,244	8,374	6,284
Realized silver price US$/oz[1]	16.71	20.29	17.70	18.09
Silver US$/oz - Average London Daily PM close (Metal Bulletin)	16.85	19.58	17.12	17.08

[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, 2017 ($'000)	Quarter 2, 2017 ($'000)	Quarter 1, 2017 ($'000)	Quarter 4, 2016 ($'000)	Quarter 3, 2016 ($'000)	Quarter 2, 2016 ($'000)	Quarter 1, 2016 ($'000)	Quarter 4, 2015 ($'000)
Revenue	35,407	44,124	45,373	32,391	48,544	54,166	50,442	43,646
Income/(loss)	(7,181)	(10,105)	(2,349)	(25,542)	549	3,611	1,149	(3,105)
Income/(loss) per share - Basic	(0.02)	(0.02)	(0.01)	(0.06)	0.00	0.01	0.00	(0.01)
Income/(loss) per share - Diluted	(0.02)	(0.02)	(0.01)	(0.06)	0.00	0.01	0.00	(0.01)

**Income from prior quarters has been updated to reflect the updated depletion and depreciation as a result of the finalization of the purchase price allocation for Björkdal.*

Since the acquisition of the Costerfield mine in December, 2009, of the Cerro Bayo mine in August, 2010, and the Björkdal mine in September, 2014, the Company's results have been, and are expected to continue to be, influenced by the operational results of the Costerfield, Cerro Bayo and Björkdal mines. 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 Cero 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. These include most recently the performance improvements resulting from emerging turnaround at Björkdal, offset by the operational suspension at Cerro Bayo.

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At September 30, 2017, the Company had working capital of $35.0 million compared to $43.8 million at December 31, 2016. Working capital would have been $62.6 million as of September 30, 2017, had the exchangeable loan been classified as long-term debt. The Company had cash and cash equivalents of $24.8 million at September 30, 2017, as compared to $66.9 million at December 31, 2016.

On July 25, 2017, the Company entered into a new senior secured revolving credit facility with HSBC Bank Canada for up to US$40 million. Further details are provided in section 1.15 below.

In the future, the Company expects to continue to fund operational requirements through a combination of internally generated cash flow, sales of non-core assets, joint venture arrangements for its projects, debt offerings and equity financing.

The Company continuously reviews operational results, expenditures and additional financial opportunities in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining or increasing production levels at its current operations.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Gold bonds 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 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

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 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, 2017, assuming a gold price of $1,283/oz (which is equivalent to US$121.58 per Gold Share), then the repayment cost to the Company would be approximately $27.5 million.

$30 million ÷ $1,400/oz × $1,283 = $27.5 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 $1,700/oz (which is equivalent to US$ 161.10 per Gold Share) and the Bondholder 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

<u>US$40 million revolving credit facility</u>

One July 25, 2017, the Company announced a new 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. As a result, in connection with entering into the Facility, the Company has agreed to suspend its dividend.

As at September 30, 2017, the Company had drawn $15.0 million under the Facility.

Fair-value adjustments

As at September 30, 2017, 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. As at September 30, 2017, the Company has recomputed the derivative portion of the Loan at $3.9 million. As a result, there is a mark-to-market adjustment loss of less than $0.1 million in the quarter.

Marketable securities - The Company holds marketable securities with a fair market value of $0.2 million as at September 30, 2016, recorded in trade and other receivables on the statement of financial position. These securities are stated at fair value with any resulting gain or loss recognized in income or loss. The Company recorded a fair value measurement loss of less than $0.1 million for the quarter ended September 30, 2017.

The above items are non-operating in nature and the following tables summarize the impact of the accounting for these changes.

Fair value and deferred tax adjustments impact on items in the statement of financial position

	Before fair value and deferred tax adjustments [a]	Note	Fair value and deferred tax adjustments			As of September 30, 2017 [a]	As of September 30, 2016 [a]
			Q1 2017	Q2 2017	Q3 2017		
	($'000)		($'000)	($'000)	($'000)	($'000)	($'000)
Assets							
Marketable Securities	266	(c)	(37)	(37)	-	192	188
Liabilities							
Deferred tax	10,000	(b)	62	562	144	10,768	6,564
Derivative financial instruments	6,921	(d)	(793)	(1,703)	(428)	3,997	2,552
Equity							
Retained earnings/(deficit)	17,786		(768)	(1,178)	(284)	15,556	68,324

(a) Values are net of foreign exchange translation.

(b) The Company recorded a deferred tax recovery of $144,000 for the three months ended September 30, 2017.

(c) The Company recorded fair value measurement loss of nil relating to marketable securities for the three months ended September 30, 2017.

(d) The Company recorded fair value measurement loss of $428,000 relating to the derivative portion of the five-year exchangeable loan for the three months ended September 30, 2017.

Fair value and deferred tax adjustments impact on items in the income statement for three months ended September 30, 2017 and 2016

	As of September 30, 2017			
	Underlying operations	Note	Fair value and deferred tax adjustments	Total
	($'000)		($'000)	($'000)
Loss from operations	(4,714)			(4,714)
Interest and other income	139			139
Finance costs	(1,021)			(1,449)
		(a)	-	
		(b)	(428)	
Foreign exchange gain	(533)			(533)
Net loss before tax	(6,129)		(428)	(6,557)
Current tax expense	(768)			(768)
Deferred tax income		(c)	144	144
Net income/(loss)	(6,897)		(284)	(7,181)
Loss per share				
Basic	($0.02)			($0.02)
Diluted	($0.02)			($0.02)

(a) The Company recorded fair value measurement loss of nil relating to marketable securities for the three months ended September 30, 2017.
(b) The Company recorded fair value measurement loss of $428,000 relating to the derivative portion of the five-year exchangeable loan for the three months ended September 30, 2017.
(c) The Company recorded a deferred tax recovery of $144,000 for the three months ended September 30, 2017.

	Before fair value and deferred tax adjustments [(a)]	Note	Fair value and deferred tax adjustments			As of September 30, 2016 [(a)]
			Q1 2016	Q2 2016	Q3 2016	
	($'000)		($'000)	($'000)	($'000)	($'000)
Assets						
Deferred tax	5,477	(b)	3,472	(2,756)	371	6,564
Marketable Securities	200	(c)	62	47	(1)	307
Liabilities						
Derivative financial instrument (Five year exchangeable bonds)	4,366	(d)	(993)	(1,067)	246	2,552
Equity						
Retained earnings/(deficit)	68,943		2,541	(3,776)	616	68,324

(d) Values are net of foreign exchange translation.
(e) The Company recorded a deferred tax income of $371,000 for the three months ended September 30, 2016.
(f) The Company recorded fair value measurement loss of $1,000 relating to marketable securities for the three months ended September 30, 2016.
(g) The Company recorded fair value measurement loss of $246,000 relating to the derivative portion of the five-year exchangeable loan for the three months ended September 30, 2016.

	As of September 30, 2016			
	Underlying operations	Note	Fair value and deferred tax adjustments	Total
	($'000)		($'000)	($'000)
Loss from operations	2,654			2,654
Interest and other income	63			63
Finance costs	(1,390)			(1,145)
		(a)	(1)	
		(b)	246	
		(c)	-	
Foreign exchange gain	(349)			(349)
Net income/(loss) before tax	978		245	1,223
Current tax	(1,045)			(1,045)
Deferred tax		(d)	371	371
Net loss	(67)		616	549
Income (loss) per share				
Basic	($0.00)			$0.00
Diluted	($0.00)			$0.00

(a) The Company recorded fair value measurement gain of $1,000 relating to marketable securities for the three months ended September 30, 2016.

(b) The Company recorded fair value measurement loss of $246,000 relating to the derivative portion of the five-year exchangeable loan for the three months ended September 30, 2016.

(c) The Company recorded a deferred tax expense of $371,000 for the three months ended September 30, 2016.

Fair value and deferred tax adjustments impact on items in the income statement for nine months ended September 30, 2017 and 2016

	As of September 30, 2017			
	Underlying operations	Note	Fair value and deferred tax adjustments	Total
	($'000)		($'000)	($'000)
Loss from operations	(4,714)			(4,714)
Interest and other income	139			139
Finance costs	(1,021)			(1,449)
		(a)	-	
		(b)	(428)	
Foreign exchange gain	(533)			(533)
Net loss before tax	(6,129)		(428)	(6,557)
Current tax expense	(768)			(768)
Deferred tax income		(c)	144	144
Net income/(loss)	(6,897)		(284)	(7,181)
Loss per share				
Basic	($0.02)			($0.02)
Diluted	($0.02)			($0.02)

(a) The Company recorded fair value measurement loss of $75,000 relating to marketable securities for the nine months ended September 30, 2017.

(b) The Company recorded fair value measurement loss of $2,924,000 relating to the derivative portion of the five-year exchangeable loan for the nine months ended September 30, 2017.

(c) The Company recorded a deferred tax recovery of $768,000 for the nine months ended September 30, 2017.

	As of September 30, 2016			
	Underlying operations	Note	Fair value and deferred tax adjustments	Total
	($'000)		($'000)	($'000)
Income (loss) from operations	2,654			2,654
Interest and other income	63			63
Finance (costs)/income	(1,390)			(1,145)
		(a)	(1)	
		(b)	246	
		(c)	-	
Foreign exchange gain (loss)	(349)			(349)
Net income/(loss) before tax	978		245	1,223
Current tax	(1,045)			(1,045)
Deferred tax		(c)	371	371
Net income/(loss)	(67)		616	549
Income (loss) per share				
Basic	($0.00)			$0.00
Diluted	($0.00)			$0.00

(a) The Company recorded fair value measurement gain of $108,000 relating to marketable securities for the nine months ended September 30, 2016.

(b) The Company recorded fair value measurement loss of $1,814,000 relating to the derivative portion of the five-year exchangeable loan for the nine months ended September 30, 2016.

(c) The Company recorded a deferred tax recovery of $1,087,000 for the nine months ended September 30, 2016.

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

The Chief Financial Officer of the Company, 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

1.9 CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, the recoverability of trade and other receivables, measurement of revenue and trade receivables, the proven and probable ore reserves and resources of mining properties and the related depletion and amortization amounts, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the assumptions used in the accounting for stock-based compensation, valuation of warrants, the provision for income and mining taxes and composition of future income and mining tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and other closure cost obligations, the fair value measurement of derivative financial instruments and silver note, and the fair value of assets and liabilities acquired in business combinations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the significant risks and rewards of ownership have been transferred to the purchaser;

- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Sales of certain commodities are provisionally priced such that the price is not settled until a pre-determined future date based on the market price at that time. Revenue on these sales is initially recognized (when the above criteria are met) at the current market price. Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recognized in revenue.

Inventories

Finished goods, work-in-process and stockpiled ore are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labor, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form and the costs necessary to make the sale.

In-process inventory represents materials that are currently in the process of being converted into finished goods. The average production cost of finished goods represents the average cost of in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties.

Supplies are valued at the lower of average cost and net realizable value.

The estimates and assumptions used in the measurement of work-in-process inventories include saleable ounces of gold, silver and antimony and the gold, silver and antimony prices to be realized when the metal is sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the carrying amounts of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Property, plant and equipment

Exploration and Evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized within property, plant and equipment.

The Company records its capitalized exploration and evaluation at cost. The capitalized cost is based on cash and the value of share considerations paid for the property and exploration costs incurred on the property. The recorded amount does not reflect recoverable values as this will be dependent on the results of exploration and development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

All costs related to the acquisition, exploration and evaluation of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are moved into development or production, sold, or management has determined there to be an impairment of the value.

Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. In the case of undeveloped projects, there may be only Inferred Resources or perhaps just pre-resource exploration data to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and be put into production when the current sources of ore are exhausted or to replace the reduced output.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining interests within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all unrecoverable costs associated with the project are written off.

Mining Interests

Mining interests represent capitalized expenditures related to the development of mining properties, acquisition costs, capitalized borrowing costs, expenditures related to exploration and evaluation transferred in and estimated site closure and reclamation costs.

Capitalized costs are depleted using the unit-of-production method over the estimated economic life of the mine to which they relate.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment charges.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Depreciation

Mining interests are depreciated using the unit-of-production method based on the estimated total recoverable metal contained in proven and probable reserves or proven, probable and measured and indicated resources, depending on the nature of the ore body, at the related mine when the production level intended by management has been reached.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- a significant utilization rate of plant capacity has been achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time of stable operation has passed; and
- a development project significant to the primary business objective of the Company has been completed and significant milestones have been achieved.

Management reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Plant and equipment cost is depreciated using the straight-line method or diminishing-balance method over their estimated useful lives if their lives are shorter than the mine life; otherwise they are depreciated on the unit-of-production basis.

Site closure and reclamation cost obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for site closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in site closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 - Standards for Disclosure of Mineral Projects ("NI 43-101"). Reserves are used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Income taxes

The Company uses the liability method of accounting for income taxes. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and on the carry forward of tax losses and tax credit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For subsidiaries, the Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. The Company recognizes a deferred tax liability for taxable temporary differences associated with investments in subsidiaries, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

1.10 FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, 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, 2017, 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, Chile and Sweden, 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.

Hedging Activities

The Company's earnings and cash flows are subject to risk due to fluctuations in the market prices of antimony, gold and silver. World antimony, gold and silver prices have historically fluctuated widely, being affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold and silver by central banks and other holders;
- demand for jewelry containing gold and silver;
- industrial demand for antimony (mostly for flame retardants) versus supply, largely controlled by China; and
- investment activity, including speculation, in gold and silver as commodities.

The Company occasionally purchases derivative financial instruments to protect itself against future downward fluctuations in the prices of gold, silver and upward fluctuations in oil prices.

1.11 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. The Company uses Sage AccPac Enterprise Resource Planning (ERP) software in order to strengthen internal control and reporting. Sage AccPac implementation combined with improvements in the monthly close process provides appropriate information to the senior management for decision making.

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's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the design and operational effectiveness of the Company's internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013).

Since 2011, the Company has been engaged with KPMG to conduct its internal audit. This is designed to further identify the gaps in internal control procedures and help create internal policy documents as necessary.

The table below is a summary of key internal control issues, their potential impact and the actions the Company is taking to remedy:

Internal control weakness	**Potential impact of the weakness on the issuer's financial reporting and its ICFR**	**Current plan or actions being undertaken for remediating the potential material weakness**
Review of process and activities	Risk of financial loss	Management has documented and taken adequate corrective actions to address the issues identified by auditors in each financial year. During 2016, the following internal audit activities were completed: • Contracts compliance; • Tech Services; and • Expenses testing. The areas covered during 2017 internal audits will be related to general health and safety at each producing site. The findings and consequent actions of the above audits are intended to mitigate the internal control weaknesses identified.

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.

1.12 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 451,279,731 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 451,252,622.

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 CND$	As of September 30, 2017	As of November 8, 2017	Expiry Date
0.60	4,800,000	4,800,000	30 June, 2024
0.91	4,873,000	4,853,000	23 March, 2021
0.91	4,265,000	4,245,000	24 March, 2020
0.93	20,000	20,000	06 November, 2019
0.98	3,765,000	3,765,000	24 March, 2019
1.13	3,450,000	3,450,000	18 March, 2018
Total	**21,173,000**	**21,133,000**	

During the quarter ended September 30, 2017, no options were exercised. There were 21,173,000 options outstanding as of September 30, 2017, 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, 2017, is as follows:

	Number of 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

1.13 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) listed below:

Project	**Qualified Person**	**Relationship to Mandalay Resources**
Costerfield	Chris Gregory	Employee
Björkdal	Chris Gregory	Employee
Cerro Bayo	Scott Manske	Employee
La Quebrada	Scott Manske	Employee
Challacollo	Scott Manske	Employee

1.14 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.

1.15 SUBSEQUENT EVENTS

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 COMBINED LUPIN GOLD MINE ("LUPIN") AND THE ULU ("ULU") GOLD PROJECT FROM MANDALAY. THIS AGREEMENT IS NOW BEEN SUPERSEDED WITH SEPARATE NEW 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.

1.16 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 on page 13 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 page 14-15 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. Refer to page 14-15 for reconciliation between income from underlying operations and income from operations.

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. Refer to pages 19, 24 and 28 for reconciliation between operating net income after tax and net income after tax.

4. *Adjusted net income* - 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 page 13-15 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. *Cash cost per ounce of saleable silver produced net of gold byproduct credit (Cerro Bayo only)*- The cash cost per saleable silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals saleable ounces gold produced times the average realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the saleable silver ounces produced in the period. The cash cost excludes royalty expenses.

9. *Site all-in cost per ounce of saleable silver produced net of gold byproduct credit (Cerro Bayo only)*- The site all-in cost per saleable silver ounce produced net of gold byproduct credit is calculated by

adding royalty expenses, accretion, depletion, depreciation and amortization to cash cost net of gold byproduct credit as calculated in note 7 above and dividing the resultant number by the saleable silver ounces produced in the period.

10. *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.

11. *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.

12. *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.

13. *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.