MANDALAY RESOURCES

Management's Discussion and Analysis

For the year ended December 31, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the year ended December 31, 2015, the Company's annual information form dated March 31, 2015 (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 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.

FOURTH QUARTER 2015 FINANCIAL AND OPERATING HIGHLIGHTS

1. Financial Highlights

- Quantities of metal sold during the quarter were 26,641 ounces ("oz") of gold ("Au"), 623,184 oz of silver ("Ag") and 967 tonnes ("t") of antimony ("Sb") compared to 33,107 oz Au, 1,087,776 oz Ag and 1,151 t Sb in the fourth quarter of 2014. Prices realized during the quarter were $1,118 per oz for Au, $14.21 per oz for Ag and $5,187 per t for Sb in 2015 versus $1,213 per oz for Au, $15.34 per oz for Ag and $8,793 per t for Sb in the same period in 2014.

- Mandalay's sales for the quarter of 39,877 oz of gold equivalent ("Au Eq.") and for the full year of 167,808 oz Au Eq. as compared to 56,680 Au Eq. ounces in prior year quarter and for the full prior year 149,349 Au Eq. ounces.

- Revenue in the quarter of $43.6 million (including positive revenue adjustments of $0.1 million related to unsettled open shipments from prior quarters), compared with revenues of $67.0 million in the fourth quarter of 2014 (including adverse revenue adjustments of $0.1 million related to unsettled open shipments from prior quarters).

- Revenue was negatively impacted by lower realized metal prices relative to the previous year quarter of 7.9% per oz for Au, 7.4% per oz for Ag and 41.0% per t for Sb. Income from mining operations before depletion and depreciation was $17.4 million in the fourth quarter of 2015 compared with $25.7 million in the fourth quarter of 2014.

- Adjusted EBITDA in the fourth quarter of 2015 was $14.0 million compared with $21.5 million for the fourth quarter of 2014. For the full year adjusted EBITDA was $68 million versus $64.4 million in 2014.

- Net loss during the quarter was $3.1 million (loss of $0.01 per share) compared to a net income in the same period of 2014 of $7.6 million ($0.02 per share). For the full year net income was $14.7 million ($0.04 per share) versus $17.6 million ($0.05 per share) for 2014.

- After adjusting for the special items, adjusted net income[1] in the fourth quarter was $0.3 million ($0.00 per share) compared with net income of $7.6 million ($0.02 per share) in the fourth quarter of 2014. For the full year adjusted net income was $19 million ($0.05 per share) versus $17.6 million ($0.05 per share) for 2014.

- During the fourth quarter of 2015, net income was adversely affected by three special items:

    - a $2.3 million impairment charge in respect of the Company's La Quebrada project after a year-end review of the fair value of this asset;

    - an increased non-cash tax expense of $1.4 million relating to a one-time adjustment to the deferred tax asset of the Company's Costerfield mine, due to the application of tax laws relating to the usage of historic tax losses in Australia; and

    - additional depletion of $0.3 million ($1.5 million for the full 2015 year) at Björkdal as a result of amortization of reclassified mineral properties due to the finalized purchase price allocation associated with the acquisition of Elgin Mining.

  In total, net of associated tax benefits, these special items reduced net income by $3.4 million in the fourth quarter and $4.3 million for the full 2015 year.

- Loss after tax from underlying operations[1] in the quarter was $0.3 million ($0.00 per share) compared with profit after tax from underlying operations of $5.5 million ($0.02 per share) in the fourth quarter of 2014 mainly due to the impairment of La Quebrada of $2.3 million.

[1] Adjusted net income and income after tax from underlying operations are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

- During the quarter, cash cost[2] of silver produced at Cerro Bayo was $4.58 per oz Ag net of Au credits and the site all-in cost was $11.75 per oz Ag net of Au credits, compared to $3.95 and $10.37, respectively, in the fourth quarter of 2014. Cash cost(2) of production at Costerfield in the quarter was $540 per Au Eq. oz produced and the site all-in cost(2) was $760 per Au Eq. oz produced compared to $608 and $884, respectively in the fourth quarter of 2014. Cash cost(2) of production at Björkdal per Au oz was $940 and the site all-in cost(2) was $1,224 per Au Eq. oz as compared to $901 and $1,051 respectively in fourth quarter of 2014.

- Dividends paid in the fourth quarter of 2015 were $2.6 million (C$0.0083 per share) compared to $2.1 million (C$0.0058 per share) in corresponding quarter of the prior year.

- Capital expenditure during the fourth quarter of 2015 was $4.3 million at Cerro Bayo, $2.4 million at Costerfield, $0.2 million at Challacollo and $5.7 million at Björkdal compared to $4.5 million at Cerro Bayo and $3.7 million at Costerfield and $2.9 million at Björkdal in the fourth quarter of 2014.

- At December 31, 2015, the Company had $49.2 million of cash and cash equivalents as compared to $49.0 million as at December 31, 2014.

2. Operating Highlights

a. Consolidated Production and Sales

In the fourth quarter of 2015, Mandalay produced 28,948 oz Au, 725,243 oz Ag and 937 t Sb, representing 43,393 Au Eq. oz. Production in the fourth quarter of 2014 was 31,636 oz Au, 1,021,189 oz Ag and 926 t Sb, representing 52,601 Au Eq. oz.

The increase in production at Costerfield was the result of more tonnes of ore mined and processed than in the previous year, and at higher grade as production from the Cuffley lode ramped up during 2015. Production at Cerro Bayo decreased due to lower grades realized in the fourth quarter of 2015 compared to the same period of the previous year due to planned mine-outs of the Fabiola and Dagny veins, while the new mines at Delia SE and Coyita are under development. Production at Björkdal was lower when compared to the fourth quarter of 2014 due to the ongoing implementation of grade control which caused lower grades in current quarter.

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

Saleable Production

Metal	Source	Three months to 31 December 2015	Three months to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Gold (oz)	Costerfield	11,582	11,126	42,491	35,751
	Cerro Bayo	6,901	9,052	22,572	27,600
	Bjorkdal	10,465	11,458	44,039	14,549
	Total	**28,948**	**31,636**	**109,102**	**77,900**
Antimony (t)	Costerfield	**937**	**926**	**3,712**	**3,639**
Silver (oz)	Cerro Bayo	**725,243**	**1,021,189**	**2,545,984**	**3,329,519**
Average quarterly prices:					
Gold US$/oz		1,104	1,199	-	-
Antimony US$/tonne		5,604	9,004	-	-
Silver US$/oz		14.76	16.45	-	-
Au Eq. (oz)1	Costerfield	16,335	18,078	65,675	62,889
	Cerro Bayo	16,593	23,065	56,965	77,372
	Bjorkdal	10,465	11,458	44,039	14,549
	Total	**43,393**	**52,601**	**166,679**	**154,810**

[1] Au Eq. oz produced is calculated by multiplying the saleable quantities of Au, Ag and Sb 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 Au 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.

Sales

Metal	Source	Three months to 31 December 2015	Three months to 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Gold (oz)	Costerfield	11,402	12,098	40,686	35,333
	Cerro Bayo	5,854	8,894	24,489	25,278
	Bjorkdal	9,385	12,115	42,823	15,409
	Total	**26,641**	**33,107**	**107,998**	**76,020**
Antimony (t)	Costerfield	**967**	**1,151**	**3,563**	**3,506**
Silver (oz)	Cerro Bayo	**623,184**	**1,087,776**	**2,778,836**	**3,168,211**
Average quarterly prices:					
Gold US$/oz		1,104	1,199	-	-
Antimony US$/tonne		5,604	9,004	-	-
Silver US$/oz		14.76	16.45	-	-
Au Eq. (oz)[1]	Costerfield	16,310	20,744	62,895	61,496
	Cerro Bayo	14,182	23,821	62,090	72,444
	Bjorkdal	9,385	12,115	42,823	15,409
	Total	**39,877**	**56,680**	**167,808**	**149,349**

[1]*Au Eq. oz sold is calculated by multiplying the quantities of Au, Ag, and Sb 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 Au 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.*

b. **Costerfield Gold-Antimony Mine, Victoria, Australia**

i. *Production* — Saleable Au production for the fourth quarter of 2015 was 11,582 oz versus 10,930 oz in the previous quarter and 11,126 oz in the fourth quarter of 2014. Saleable Sb production for the fourth quarter of 2015 was 937 t versus 964 t in the previous quarter and 926 t in the fourth quarter of 2014. Higher production in the current quarter compared to the corresponding quarter of the previous year was mainly due to higher grade ore mined in the Cuffley lode.

ii. *Operating Costs* — Cash cost per Au Eq. oz produced in the fourth quarter of 2015 was $540 versus $553 in the previous quarter and $608 in the fourth quarter of 2014. The lower cash cost in the fourth quarter of 2015 was due to high throughput and high grades of ore processed, coupled with the completion of 10 meter mining stopes from 5 meter stopes. The site all-in cost per Au eq. oz produced in the fourth quarter of 2015 was $760, versus $763 in the previous quarter and $884 in the fourth quarter of 2014.

c. **Cerro Bayo Silver-Gold Mine, Aysen, Chile**

i. *Production* — Cerro Bayo produced 725,243 oz Ag and 6,901 oz Au in the fourth quarter of 2015 versus 632,498 oz Ag and 5,305 oz Au in the previous quarter. The increase in production during the current quarter was due to improving grades from the Delia SE and Coyita veins. Production in the fourth quarter of 2014 was 1,021,189 oz Ag and 9,052 oz Au. The decrease in production quantities is mainly due to lowered grades mined and processed compared to the prior quarters.

ii. *Operating Costs* — Cash cost per saleable oz Ag produced net of Au credits was $4.58 in the fourth quarter of 2015 versus $8.31 in the previous quarter and $3.95 in the fourth quarter of 2014. Cash cost per oz was higher in the fourth quarter of 2015 compared to the corresponding quarter of 2014 principally due to lower production. The site all-in cost per oz Ag produced net of Au by-product credit was $11.75 in the fourth quarter of 2015 versus $15.18 in the previous quarter and $10.37 in the fourth quarter of 2014.

d. **Björkdal Gold Mine, Sweden**

i. *Production* — Björkdal produced 10,465 oz Au in the fourth quarter of 2015 versus 9,761 oz Au in the previous quarter and 11,458 oz Au in fourth quarter of 2014. Production was higher in current quarter than the prior quarter due to grades. Reconciled mill head grades increased to 1.14 g/t from the previous quarter of 1.07 g/t and Au recovery increased from 86.59% to 88.04% for the corresponding quarters. The reduced production in the current quarter as compared to prior year quarter was due to lower mill head grades resulted from the tonnages mined from underground being lower grade and the overall tonnages mined being lower requiring the processing of a larger quantity of low grade stockpiles. Increased production from both the underground and open pit mines as well as the discarding of uneconomical underground development ore is being implemented to improve the mill feed grades in the coming quarters.

ii. *Operating Costs* — Cash cost per saleable oz Au produced at Björkdal in the fourth quarter of this year was $940 and the site all-in cost per saleable oz Au produced was $1,224, as compared to $934 and $1,185 in previous quarter and $901 and $1,051 respectively in prior year quarter of 2014. The current quarter higher unit costs reflect the lower unit volume.

3. Exploration

A detailed update for all exploration activity for the second half of 2015 was released on January 19, 2016. The descriptions of exploration activities below are a summary of the more detailed information reported in the mid-year exploration release, available on the Company's website at www.mandalayresources.com

a. Cerro Bayo

At Cerro Bayo, drilling under Laguna Verde is revealing the southeast and depth limits of the Coyita vein, with a large gap between the northwest and southeastern mineralized zones (already estimated as proven and probable reserves) and still to be filled in during the second half of the year. The newly discovered Camila vein to the northeast of Coyita is also emerging as a target for infill drilling.

b. Costerfield

At Costerfield, infill and extensional drilling of the Cuffley lode above the King Cobra fault has delivered mineralized intercepts that will be incorporated in the Company's year end resources and reserves update. In addition, the extension of the Cuffley lode below the King Cobra fault is now demonstrated in two intercepts, spaced about 200 m apart along strike and 100 m apart down-dip.

c. Björkdal

At Björkdal, the Company is focused on firming up its fundamental geological understanding of the mineralized system, which increasingly appears to be contact metasomatic in origin, with multiple newly-recognized vein orientations. Abundant gold bearing intercepts in open pit and underground extensional drilling as well as in initial drilling at the Ronnberget target 5 km to the east of the mine demonstrates not only that the known mineralized zones are open to extension but that the gold is widely distributed in the district.

d. Challacollo

At Challacollo, identification of a suitable water source for the proposed operation is the significant remaining factor that is required prior to being able to demonstrate feasibility. Mandalay has decided to postpone submitting the EIS application until the water source can be specified, giving the Company a period of time to optimize the project with further exploration, as well as plant, capital cost and operating cost refinements.

e. La Quebrada, Chile

La Quebrada is a non-core asset of the Company. Less than $0.1 million exploration activities occurred in the fourth quarter of 2015. At part of its annual impairment review, the Company determined that the lower copper market price was considered an indicator of impairment for the La Quebrada asset. Based on the analysis of internal valuation models, the carrying value of La Quebrada was impaired by $2.3 million in this quarter.

f. Lupin and Ulu, Canada

The Lupin and Ulu Au projects in Nunavut, Canada were acquired with the Elgin acquisition and are currently held for sale as non-core assets. Shortly after the end of the third quarter, 2015, the Company received a water license for ongoing care and maintenance work at Lupin.

FULL YEAR FINANCIAL HIGHLIGHTS

The following table summarizes the Company's financial results for the years ended December 31, 2015 and 2014:

	Year ended December 31, 2015 ($'000)	Year ended December 31, 2014 ($'000)
Revenue	194,500	184,629
Adjusted EBITDA*	67,989	64,435
Income from mine operations before depletion and depreciation	77,408	75,446
Adjusted net income before special items*	18,985	17,576
Consolidated net income	14,665	17,576
Total assets	346,573	362,805
Total liabilities	138,879	142,787
Adjusted income per share	0.05	0.05
Consolidated income per share	0.04	0.05

*Adjusted EBITDA and adjusted net income are a non-IFRS performance measure. Refer to section 1.16 "Non-IFRS Measures" on page 45 for further information.

1.0 DATE

This MD&A is dated as of February 18, 2016.

1.1 SUBSEQUENT EVENTS

Quarterly Dividend

On February 18, 2016, the Board of Directors declared a total dividend of US$ 2,618,760, or $0.0064 per share (C$ 0.0088 per share), payable on March 10, 2016 to shareholders of record as of February 29, 2016.

1.2 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. It currently produces Au, Ag and Sb in Australia, Chile, and Sweden. The Company uses its strong technical expertise and understanding of value creation to systematically increase the value of its assets through a disciplined approach of exploration, mining and processing optimization and operational efficiency. The Company's current producing assets are its Costerfield Au-Sb mine in Victoria, Australia, its Cerro Bayo Ag-Au mine in Patagonia, Chile, and its Björkdal Au mine in northern Sweden. The Company is completing a feasibility study on its Challacollo Ag-Au 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 Cu-Ag project near La Serena, Chile, and its Lupin and Ulu Au projects in Nunavut, Canada for sale.

Costerfield

Costerfield is a 100%-owned Au-Sb 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 ("tpd") in 2009 to 415 tpd in the fourth quarter of 2015. 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 m to 10 m; 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. The mining output was intentionally trimmed from 167,000 t in 2014 to 153,000 t in 2015 so as not to build stockpiles in front of the plant, which has reached its maximum effective milling rate. However, the blast hole stoping with cemented rock fill mining method was continually refined, resulting in reduced mining cost to $148/t from the previous year's $176/t. Similarly, continuous improvements in processing reduced costs from $49.79/t in 2014 to 37.41/t in 2015.

Exploration (funded by mine operating cash flow) has added reserves at a faster pace than depletion during Mandalay ownership, building an extended mine life. The Company has now completed all of the primary development and surface infrastructure requirements for the remaining life of mine of the current Proven and Probable reserves.

Cerro Bayo

Cerro Bayo is a 100%-owned Ag-Au 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 financial performance of the restarted operation have been: 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 tpd from three mines; and developing four highly competitive concentrate customers. Exploration (funded by operational cashflow) has added reserves at a faster pace than depletion during Mandalay ownership, building an extended mine life from a nominal three years to more than five today.

In the fourth quarter Cerro Bayo delivered higher grades than earlier in the year, resulting in increasing silver and gold production relative to previous quarters of 2015. The improvement in grade resulted from the operation continuing with its planned mine-outs at Fabiola and Dagny, while developing the new mines at Delia SE and Coyita. The improved grades and higher production, combined with excellent control of mining costs (declining to $46.96/t in the fourth quarter) and processing costs (declining to $19.94/t in the fourth quarter), resulted in a return to lower cash costs per oz Ag net of Au credit of $4.58 per oz and all-in costs of $11.75 per oz in the fourth quarter, considerably better than the annual 2015 performance of cash cost of $7.50 per oz and all-in cost of $14.69/oz.

Stoping will commence in the Delia SE mine during the first quarter of 2016, as will on-vein development in Coyita, further growing supply of higher grade material. Conditions in the Delia SE mine require more ground support than typical at Cerro Bayo; the Company is planning to increase resources for ground support in order to maintain on-vein advance rates required to sustain planned levels of production and costs.

Björkdal

Björkdal is a 100% owned gold mine located in northern Sweden. It was acquired through the Company's acquisition of Elgin Mining on September 9, 2014. The operation currently produces from both an open pit mine and an underground mine. The concentrator currently processes 3,500 tpd and has been permitted to expand to 4,300 tpd. Activities since the acquisition have been focused on: completing a new, independent estimation of Mineral Resources and Reserves; augmenting the geologic and sampling staff to provide for best-practice core logging, face mapping, and sampling; formulating an optimized life-of-mine plan balancing production from open pit and underground while reducing dilution in both; establishing a local assay lab for fast exploration and grade control sample turnaround; and fundamental metallurgical surveys and ore sorting studies to improve plant performance. The Company's primary objective at Björkdal is to grow production from the current annual run rate of 45,000-50,000 ounces/year over the next two years. The majority of the production growth is expected to come from mining higher grade with less dilution rather than higher tonnages.

In the fourth quarter of 2015, the Company completed a pilot on-vein test development mining program using its grade control methodology and successfully demonstrated that it can easily be implemented throughout the underground mine. This test program demonstrated that 30-50% of on-vein development material below cutoff grade can be discarded from the development material flow, significantly improving the grade of mill feed.

During the quarter as a whole, however, the average grade of the open pit and underground mines rose only slightly, to 1.41 g/t Au versus the average 1.36 g/t for the year. The average grade milled during the quarter was 1.14 g/t, less than the 1.22 g/t average for the year. What remains to be done is to increase the volume of selectively mined underground on-vein development ore and stoping ore. Achieving this will require increases in capital and operating development rates to compensate for the 30-50% material being discarded. As well, this strategy will require the development of shorter stope heights (decreasing from 20 meters to 15 meters). Once implemented, Mandalay expects that it will be able to commence better controlled selective stoping of higher grade material. These improvements will occur over the next several quarters.

Meanwhile, average mining costs rose from $17.47/t in 2014 to $19.52/t in 2015. Mining costs reached $22.40/t in the fourth quarter as additional spending for grade control mapping, sampling and assaying were incurred and total mining costs were spread over fewer tonnes (because low grade on-vein development material was discarded). These effects were expected and are expected to more than be offset by higher gold production as Björkdal develops into a mine that supplies greater volumes of the higher grade selected material. Processing costs declined slightly from $6.94/t in 2014 to $6.65/t in 2015 while maintaining a bit over 88% average recovery.

Challacollo

Challacollo is a 100% owned Ag-Au deposit located in Region I, Northern Chile. Mandalay completed an independent NI 43-101 Mineral Resource estimate for this development property in conjunction with the acquisition, which was completed on February 7, 2014. Since then, the Company has completed: infill drilling to upgrade previously Inferred Mineral Resource to Indicated (filed on www.sedar.com on March 31, 2015); metallurgical studies; mine, plant and infrastructure design; and capital and operating costing. The key outstanding feasibility issue is securing an adequate water supply to support operation. Initial test water well drilling was not successful in this regard and the currently permitted water source is deemed to be too environmentally sensitive to be used for the project. The Company has identified additional water source options and is pursuing permitting for these alternative sources. The overall operations permit application has been postponed until an adequate water supply can be secured and incorporated into the project design.

La Quebrada

La Quebrada is a 100% owned Cu-Ag 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.

At part of its annual impairment review, the Company determined that the lower copper market price was considered an indicator of impairment for the La Quebrada asset. Based on the analysis of internal valuation models, the carrying value of La Quebrada was impaired by $2.3 million.

Lupin/Ulu

The Lupin and Ulu Au 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.

1.3 SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table sets forth a summary of the Company's financial results for the three months ended December 31, 2015 and 2014:

	Three months ended December 31, 2015 ($'000)	Three months ended December 31, 2014 ($'000)
Revenue	43,646	66,973
Cost of sales	26,237	41,252
Income from mine operations before depreciation and depletion	17,409	25,721
Depreciation and depletion	11,157	10,911
Income from mine operations	6,252	14,810
Administration	3,407	4,090
Business development costs	5	168
Adjusted EBITDA*	13,997	21,463
Finance costs, foreign exchange and others/(income)**	3,918	1,615
Consolidated Income/(loss) before tax	(1,078)	8,937
Current tax expense	(1,293)	1,861
Deferred tax expense (recovery)	3,320	(512)
Adjusted net Income/(loss) before special items after tax *	343	7,588
Consolidated net Income/(loss) after tax	(3,105)	7,588
Total assets	346,573	362,805
Total liabilities	138,879	142,787
Adjusted income/(loss) per share before special items	0.00	0.02
Consolidated income/(loss) per share	(0.01)	0.02

*Adjusted EBITDA and adjusted net income 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.

The following table sets forth a summary of the Company's financial results for the years ended December 31, 2015, 2014 and 2013:

	Year ended December 31, 2015 ($'000)	Year ended December 31, 2014 ($'000)	Year ended December 31, 2013 ($'000)
Revenue	194,500	184,629	166,906
Cost of sales	117,092	109,183	91,298
Income from mine operations before depreciation and depletion	77,408	75,446	75,608
Depreciation and depletion	42,119	35,698	28,402
Income from mine operations	35,289	39,748	47,206
Administration	9,232	9,193	7,293
Business development costs	187	1,818	616
Adjusted EBITDA*	67,989	64,435	67,699
Finance costs, fx and others**	3,467	5,643	3,022
Income/(loss) before tax	22,403	23,094	36,275
Current tax expense	4,677	4,633	7,116
Deferred tax expense (recovery)	3,061	885	(283)
Adjusted Net Income/(loss) before special items after tax *	18,985	17,576	29,442
Consolidated Net Income/(loss) after tax	14,665	17,576	29,442
Adjusted Income/(loss) per share before special items	0.05	0.05	0.09
Consolidated Income/(loss) per share	0.04	0.05	0.09

* Adjusted EBITDA and adjusted net income 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.

Dividend

Mandalay's current policy is to pay a quarterly dividend equal in an aggregate amount equal to 6% of the trailing quarter's revenue. The following table summarizes dividends paid by Mandalay in 2014 and 2015:

Declaration date		Payable to shareholders of record at	Dividends declared	Total payment
			C$	($'000)
2015				
	February 17, 2015	February 27, 2015	0.0121	3,976
	May 12, 2015	May 22, 2015	0.0101	3,308
	August 05, 2015	August 17, 2015	0.0098	3,037
	November 05, 2015	November 16, 2015	0.0083	2,550
				12,871
2014				
	February 18, 2014	March 10, 2014	0.0077	2,344
	May 05, 2014	May 26, 2014	0.0074	2,335
	August 06, 2014	August 28, 2014	0.0086	2,693
	November 06, 2014	November 27, 2014	0.0058	2,094
				9,466

Adjusted EBITDA and Adjusted Net Income Reconciliation to Net Income

The tables below reconciles adjusted EBITDA and adjusted net income to reported net income for the three months and year ended December 31, 2015 and 2014. 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 December 31, 2015		Three months ended December 31, 2014	
	($'000)	($'000)	($'000)	($'000)
Consolidated Net Income/(loss)		(3,105)		7,588
Special items				
Impairment of La Quebrada	2,265		-	
- tax impact of above	(476)		-	
Additional depletion, depreciation and amortization at Björkdal based on final purchase price allocation	349		-	
- tax impact of above	(77)		-	
Tax adjustment at Costerfield	1,387	3,448	-	-
Adjusted Net Income/(loss) before special items		343		7,588
Add: Non-cash and finance costs				
Depletion and depreciation	10,808		10,911	
Loss (gain) on disposal of property, plant and equipment	44		138	
Write-off of exploration and evaluation	576		1,863	
Share based compensation	164		210	
Interest and finance charges	1,539		1,651	
Fair value adjustments	(513)		(1,562)	
Current tax	(1,293)		1,861	
Deferred tax	2,486		(512)	
Foreign exchange (gain)/loss	(83)	13,728	(516)	14,044
		14,071		21,632
Less: Interest and other income	(74)	(74)	(169)	(169)
Adjusted EBITDA		13,997		21,463

	Year ended December 31, 2015		Year ended December 31, 2014	
	($'000)	($'000)	($'000)	($'000)
Consolidated Net Income/(loss)		14,665		17,576
Special items				
Impairment of La Quebrada	2,265		-	
- tax impact of above	(476)		-	
Additional depletion, depreciation and amortization at Björkdal based on final purchase price allocation	1,467		-	
- tax impact of above	(323)		-	
Tax adjustment at Costerfield	1,387	4,320	-	-
Adjusted Net Income/(loss) before special items		18,985		17,576
Add: Non-cash and finance costs				
Depletion and depreciation	40,652		35,698	
Loss (gain) on disposal of property, plant and equipment	221		226	
Write-off of exploration and evaluation	576		2,545	
Share based compensation	876		1,535	
Interest and finance charges	5,539		3,903	
Fair value adjustments	(1,531)		(1,552)	
Current tax	4,677		4,633	
Deferred tax	2,473		885	
Foreign exchange (gain)/loss	(3,960)	49,523	(709)	47,164
		68,508		64,740
Less: Interest and other income	(519)	(519)	(305)	(305)
Adjusted EBITDA		67,989		64,435

Fair-Value Adjustments

As at December 31, 2015, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

Financing warrants – During the year ended December 31, 2012, the Company issued 3,050,000 'financing' warrants to specific service providers in consideration for financing and other services that the Company received in prior years. Each financing warrant entitled the holder to receive from the Company a cash payment equal to the difference between the exercise price of the warrant and the market price of the Company's common shares at the time of exercise. No common shares were issuable upon the exercise of the warrants. These financing warrants are accounted as a liability and are marked to market at the end of each period until they are exercised or expire. The Company recorded a fair value measurement gain of $110,000 for year ended December 31, 2014. There were no financing warrants outstanding as at December 31, 2014 or 2015.

Currency option – On July 25, 2013 the Company's Australian subsidiary entered into 50% participating forward contracts for A$33 million (A$3 million per month) starting August, 2013 and ending June, 2014. These contracts allowed the Company to buy, monthly, for 11 months starting August, 2013, A$3 million at US$1=A$1.07526 (the "contract rate"), if the Australian dollar was stronger than the contract rate, or A$1.5 million at the contract rate and A$1.5 million at the spot rate if the Australian dollar was weaker than the contract rate. The derivative financial instruments are stated at fair value with any resulting gain or loss recognized in profit or loss. The Company recorded a fair value measurement gain of $225,658 for the year ended December 31, 2015. As at December 31, 2014, the liability for the currency option was nil and the forward contracts have expired.

Conversion feature under debt financing – In May, 2014, the Company borrowed $60 million in a five-year debt financing at an interest rate of 5.875% from Gold Exchangeable Limited ("GEL"), an unaffiliated special purpose vehicle incorporated in Jersey. GEL raised the financing proceeds by way of a concurrent offering of five year 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 (the "Borrower"), 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. Beginning on June 23, 2014, each Bondholder 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 initial exchange price is US$149.99 per Gold Share, which, at the initial issuance date of the Bonds, was equivalent to a gold price of US$1,556 per ounce. 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 NAV of the SPDR Gold Trust or Gold Shares is calculated.

If a Bondholder exercises its exchange rights, GEL will give notice to the Borrower, and the Borrower will be required to deliver the requisite number of Gold Shares to the Bondholder.

GEL may redeem the Bonds at its option:

- any time after June 13, 2017, 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
- any time, if US$9 million or less principal amount of the Bonds remains outstanding.

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

The Company has computed and initially allocated $4,634,000 to the value of derivative financial instruments associated with the bonds. As at December 31, 2015, the Company has recomputed the derivative portion of the Exchangeable Loan at $740,000 as compared to $2,854,000 as at December 31, 2014. As a result there is a mark-to-market adjustment gain of $2,113,000 for year ended December 31, 2015.

Marketable securities - Through the Elgin acquisition, the Company acquired marketable securities valued at $115,000 as at December 31, 2015 as compared to $221,000 as at December 31, 2014. The securities are 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 $74,000 for the year ended December 31, 2015.

Oil derivative - On December 15, 2014, the Company entered into a crude oil call for a notional amount of 120,000 barrel of crude oil at an exercise price of $60.50 per barrel. As at December 31, 2015 the derivative had expired and had no carrying value.

The above items are non-operating in nature and the following tables summarize the accounting impact of 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 December 31, 2015 [a]	As of December 31, 2014 [a]
			Q1 2015	Q2 2015	Q3 2015	Q4 2015		
	($'000)		($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Assets								
Deferred tax	8,167	(b)	(677)	557	379	(3,320)	5,106	7,057
Marketable Securities	189	(c)	(13)	(5)	(29)	(27)	115	221
Derivative financial instrument (oil derivative)	508	(d)	(317)	12	(200)	(3)	-	552
Liabilities								
Derivative financial instrument (Five year exchangeable bonds)	(1,373)	(e)	613	290	667	543	740	2,854
Equity								
Retained earnings/(deficit)	73,529		(394)	854	817	(2,807)	71,999	70,205

(a) Values are net of foreign exchange translation.

(b) The Company recorded a deferred tax expense of $3.3m for the three months ended December 31, 2015. Deferred tax 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.

(c) The Company recorded fair value measurement loss of $27,000 relating to marketable securities for the three months ended December 31, 2015.

(d) The Company recorded fair value measurement loss of $3,000 relating to Oil derivative for three months ended December 31, 2015.

(e) The Company recorded fair value measurement gain of $543,000 relating to derivative portion of five year exchangeable bonds for the three months ended December 31, 2015.

Fair value and deferred tax adjustments impact on items in the income statement for three months ended December 31, 2015 and 2014

	As of December 31, 2015				As of December 31, 2014
	Underlying operations	Note	Fair value and deferred tax adjustments	Total	Total
	($'000)		($'000)	($'000)	($'000)
Income (loss) from operations	(209)			(209)	8,341
Interest and other income	74			74	169
Finance (costs)/income	(1,539)			(1,026)	(89)
		(a)	(27)		
		(b)	543		
		(c)	(3)		
Foreign exchange gain (loss)	83			83	516
Net income/(loss) before tax	(1,591)		513	(1,078)	8,937
Current tax	1,293			1,293	(1,861)
Deferred tax		(d)	(3,320)	(3,320)	512
Net income/(loss)	(298)		(2,807)	(3,105)	7,588
Income (loss) per share					
Basic	($0.00)			($0.01)	$0.00
Diluted	($0.00)			($0.01)	$0.02

(a) The Company recorded fair value measurement loss of $27k relating to marketable securities for the three months ended December 31, 2015.

(b) The Company recorded fair value measurement gain of $543k million relating to derivative portion of five year exchangeable bonds for the three months ended December 31, 2015.

(c) The Company recorded fair value measurement loss of $3k relating to Oil derivative for three months ended December 31, 2015.

(d) The Company recorded a deferred tax expense of $3,320k for the three months ended December 31, 2015.

Fair value and deferred tax adjustments impact on items in the income statement for years ended December 31, 2015 and 2014

	As of December 31, 2015				As of December 31, 2014
	Underlying operations	Note	Fair value and deferred tax adjustments	Total	Total
	($'000)		($'000)	($'000)	($'000)
Income (loss) from operations	21,932			21,932	24,431
Other items					
Interest and other income	519			519	305
Finance (costs)/income	(5,539)	(a)	(74)	(4,008)	(2,352)
		(b)	2,113		
		(c)	(508)		
Foreign exchange gain (loss)	3,960			3,960	709
Net income/(loss) before tax	20,872		1,531	22,403	23,094
Current tax	(4,677)			(4,677)	(4,633)
Deferred tax		(d)	(3,061)	(3,061)	(885)
Net income/(loss)	16,195		(1,530)	14,665	17,576
Income (loss) per share					
Basic	$0.04			$0.04	$0.00
Diluted	$0.04			$0.04	$0.05

(a) The Company recorded fair value measurement loss of $74k relating to marketable securities for the year ended December 31, 2015.

(b) The Company recorded fair value measurement gain of $2.1 million relating to derivative portion of five year exchangeable bonds for the year ended December 31, 2015.

(c) The Company recorded fair value measurement loss of $508k relating to Oil derivative for year ended December 31, 2015.

(d) The Company recorded a deferred tax expense of $3.1 million for the year ended December 31, 2015.

1.4 RESULTS OF OPERATIONS

Three Months Ended December 31, 2015 compared to Three Months Ended December 31, 2014

During the three months ended December 31, 2015, the Company recorded adjusted net income of $0.3m and a net loss of $3.1 million (net of fair value measurement gain of $0.5 million and deferred tax expense of $3.3 million). This is compared to net income of $7.6 million (net of fair value measurement gain of $1.6 million and deferred tax recovery of $0.5 million) during the three months ended December 31, 2014. Mandalay delivered adjusted EBITDA of $14.0 million for the quarter ended December 31, 2015, compared to $21.5 million in the quarter ended December 31, 2014. The decrease in adjusted EBITDA and net income was principally due to lower sales.

Administrative expenses for the quarter ended December 31, 2015, were $3.4 million compared to $4.1 million during the quarter ended December 31, 2014. During the three months ended December 31, 2015, administrative expenses of $2.4 million at Corporate included $1.0 million for management fees, $159,000 for audit, $88,000 for travel expense, $51,000 for legal and accounting fees, $97,000 for investor relations and transfer agent and filing fees, $8,000 for consulting fees, $32,000 for care and maintenance, $892,000 for write down of fuel inventory at Lupin and $50,000 in general administrative expenses and computer maintenance.

Capital expenditure in the fourth quarter of 2015, including capitalized depreciation and exploration, was $12.6 million. Of this amount, $4.3 million was spent at Cerro Bayo, $2.4 million at Costerfield, $5.7 million at Björkdal and $0.2 million at Challacollo. By comparison, capital expenditure in the fourth quarter of 2014 was $13.1 million.

Year Ended December 31, 2015 compared to Year Ended December 31, 2014

During the year ended December 31, 2015, the Company recorded adjusted net income of $19.0 million and a net income of $14.7 million compared to net income of $17.6 million during the year ended December 31, 2014.

During 2015, revenue was $194.5 million versus $184.6 million in 2014. Profit from mine operations during 2015 was $35.3 million compared to $39.7 million in 2014. In 2015, mine operating expenses were $117.1 million versus $109.1 million in 2014. Depletion and depreciation expenses were $42.1 million versus $35.7 million in 2014. Administration expenses during 2015 were $9.2 million, on par with 2014.

The increase in revenue was due to greater volumes of all metals sold at existing mines and the addition of the Björkdal gold mine, partly offset by lower metal prices. Operating expenses, depletion and depreciation were greater in 2015 than in 2014 due to greater production and sales volumes at the Costerfield mine and the addition of the Björkdal mine.

In the fourth quarter of 2015, there was an adjustment to the depletion at Björkdal due to a review subsequent to the finalization of the purchase price allocation associated with the Company's acquisition of Elgin Mining. The impact on depletion, depreciation and amortization was an increase of $3.3 million which was recognized in line with 2015 production, of this, $1.5 million related to amortization of reclassified mineral properties and has been reported in special items.

Due to Australian tax legislation, a portion of the 2015 bought forward losses at Costerfield have been deferred to future years in line with the Available Fraction rule[3]. This adjustment was partially offset by a current year tax benefit, again at Costerfield, arising from the deductibility treatment of exploration costs. As at December 31, 2015, the net adjustment to the current tax liability as a result of the above items is $1.9 million. There was also a one-off non-cash tax expense adjustment relating to the above, of $1.4 million, which has been treated as a special item in the fourth quarter of 2015. This tax expense will be written back in full in future periods, if the mine life continues.

During 2015, the Company invested $25.3 million in capital development, $11.1 million in exploration, and $15.3 million in property, plant and equipment. The corresponding amounts for 2014 were $23.8 million for capital development, $14.3 million for exploration and $16.6 million for property, plant and equipment.

Costerfield Results, Production, Sales and Costs for the Three Months Ended December 31, 2015

Costerfield generated revenue of $18.2 million for the quarter ended December 31, 2015. Income from mine operations before depreciation and depletion was $10.0 million, adjusted EBITDA was $10.2 million, net income after tax was $2.9 million and operating net income was $3.8 million during the period. For the quarter ended December 31, 2014, revenue was $24.7 million, income from mine operations before depreciation and depletion was $11.2 million, adjusted EBITDA was $11.0 million, net income after tax was $4.7 million and operating net income was $5.3 million. Lower revenue during the fourth quarter of 2015 was due to lower volumes sold and realization of lower metal prices.

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[3] The Available Fraction rule allows a fraction of the taxable income to be offset against transferred losses, which date back to the losses on formation of the Australian tax group in 2002. The Company is utilizing these losses for the first time in 2015, and the revision has resulted in A$4.3 million, of the total A$15.6 million losses, claimed in 2015. The remaining losses are deferred or derecognized due mainly to capital injection events (e.g. share issues, option exercises) that have occurred between 2002 and 2009, pre-Mandalay ownership.

Costerfield financial results

	Three months ended December 31, 2015 ($'000)	Three months ended December 31, 2014 ($'000)
Revenue	18,186	24,729
Cost of sales	8,175	13,484
Income from mine operations before depreciation and depletion	10,011	11,245
Depreciation and depletion	3,734	4,323
Income from mine operations	6,277	6,922
Administration (1)	45	298
Adjusted EBITDA (2)(4)	10,195	11,038
Finance costs, foreign exchange and others (3)	870	1,162
Income/(loss) before tax	5,362	5,461
Deferred tax expense (recovery)	3,889	763
Operating net income/(loss) after tax(4)	3,776	5,335
Adjusted Net income/(loss) after tax before special items	4,298	4,699
Consolidated Net income/(loss) after tax	2,912	4,699
Capital expenditure (5)	2,382	3,729

1Includes intercompany transfer pricing re-charge costs of $0.2 million in 2015 and $0.1 million in 2014.
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 disposals of properties and intercompany transfer pricing recharge costs of $0.6 million in each of 2015 and 2014.
4Adjusted EBITDA, adjusted net income and operating net income/(loss) after tax are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS measures" for further information.
5Includes capitalized depreciation on equipment.

Costerfield operating net income/(loss) after tax reconciliation to net income/(loss) after tax

	Three months ended December 31, 2015 ($'000)	Three months ended December 31, 2014 ($'000)
Net income/(loss) after tax	2,912	4,699
Add: Intercompany expenses		
Intercompany interest expense	239	(26)
Intercompany transfer pricing recharge costs	625	662
Operating net income/(loss) after tax	3,776	5,335

Costerfield operating statistics

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

	Unit	Year ended December 31, 2015	Year ended December 31, 2014	Three months ended December 31, 2015	Three months ended December 31, 2014	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Mining Production and Mining Cost								
Operating development	m	4,936	5,062	1,338	1,395	1,346	1,193	1,060
Mined ore	t	153,649	167,145	34,298	43,112	41,373	37,585	40,393
Ore mined Au grade	g/t	10.87	9.09	11.81	10.02	10.89	10.17	10.69
Ore mined Sb grade	%	4.08	3.80	4.22	3.76	4.20	4.06	3.88
Mined contained Au	oz	53,677	48,844	13,021	13,888	14,484	12,287	13,884
Mined contained Sb	t	6,276	6,345	1,449	1,622	1,736	1,524	1,567
Mining cost per tonne ore	$/t	148	176	167	154	144	142	144
Processing and Processing Cost								
Processed ore	t	153,869	149,338	38,144	37,030	39,140	37,984	38,601
Mill head grade Au	g/t	10.66	9.55	11.24	11.48	10.94	9.86	10.61
Mill head grade Sb	%	3.96	3.98	3.99	4.13	4.05	3.79	4.01
Recovery Au	%	89.77	89.96	90.25	90.98	89.83	88.98	89.91
Recovery Sb	%	95.14	94.58	95.24	94.76	95.33	94.99	95.00
Concentrate produced	dry t	10,731	10,500	2,716	2,660	2,795	2,517	2,704
Concentrate grade Au	g/t	85.30	64.44	92.72	74.41	90.07	81.45	76.51
Concentrate grade Sb	%	54.03	53.56	53.43	54.47	54.03	54.27	54.40
Au produced in gravity concentrate	oz	17,747	19,305	4,298	6,012	4,231	4,083	5,136
Au produced in sulfide concentrate	oz	24,743	16,446	7,284	5,114	6,699	5,480	5,280
Saleable Au produced	oz	42,491	35,751	11,582	11,126	10,930	9,563	10,416
Saleable Sb produced	t	3,712	3,639	937	926	964	842	969
Saleable Au equivalent produced	oz	65,675	62,889	16,335	18,078	16,835	15,638	16,867
Processing cost per tonne ore	$/t	37.41	49.79	37.17	43.72	34.91	40.91	36.72
Sales								
Concentrate sold	dry t	10,380	10,400	2,850	3,352	2,673	2,593	2,264
Concentrate Au grade	g/t	82.01	63.48	89.61	69.36	78.43	79.89	79.09
Concentrate Sb grade	%	54.00	53.52	53.45	54.51	53.96	54.35	54.36
Au sold in gravity concentrate	oz	18,199	19,422	4,535	6,272	4,214	4,219	5,231
Au sold in sulfide concentrate	oz	22,487	15,911	6,867	5,826	5,544	5,484	4,592
Au sold	oz	40,686	35,333	11,402	12,098	9,758	9,703	9,823
Sb sold	t	3,563	3,506	967	1,151	916	899	781
Benchmark Unit Cost								
Site cash operating cost/ tonne ore processed[(1)]	$/t	234	319	226	292	233	233	243
Site cash operating cost/tonne concentrate produced[(1)]	$/t	3,353	4,541	3,172	4,070	3,269	3,513	3,474
Adjusted EBITDA/tonne ore milled[(1)]	$/t	246	196	267	302	210	262	248
Adjusted EBITDA/tonne concentrate produced[(1)]	$/t	3,533	2,782	3,753	4,199	2,938	3,953	3,536
Cash cost per oz Au equivalent produced[(1)(2)]	$/oz	559	772	540	608	553	578	566
Site all-in cost/oz Au eq. oz produced[(1)(3)]	$/oz	773	1,036	760	884	763	795	774
Capital Spending								
Capital development	m	1,802	2,741	-	58	322	738	742
Capital development cost	$000	7,699	14,274	42	666	1,196	3,288	3,173
Capital development cost/meter	$/m	4,272	5,208	NA	11,544	3,711	4,455	4,277
Capital purchases	$000	6,075	8,536	1,339	2,647	1,166	2,005	1,566
Capitalized exploration	$000	2,434	3,609	1,000	415	827	305	301

[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.

Three months ended December 31, 2015 and 2014

The Costerfield mine completed 1,338 meters (“m”) of operating development in the fourth quarter of 2015 versus 1,395 m in 2014. Mined ore in the quarter was 34,298 t, versus 43,112 t in the fourth quarter of the previous year. The mined Au grade in 2015 was 11.81 grams per tonne (“g/t”) versus 10.02 g/t in 2014, while the mined Sb grade was 4.22% in 2015 versus 3.76% in 2014. Mining costs were $167/t in 2015 versus $154/t in the previous year.

There was no capital development in the last quarter of 2015, compared to 58 m at a cost of $11,544/m in 2014.

In the fourth quarter of 2015, the Costerfield concentrator processed 38,144 t of ore versus 37,030 t in the fourth quarter of 2014. The Au head grade in 2015 was 11.24 g/t versus 11.48 g/t in 2014 while the Sb head grade was 3.99% in 2015 versus 4.13% in 2014. The plant achieved recoveries of 90.25% Au and 95.24% Sb versus 90.98% Au and 94.76% Sb in 2014. Processing costs in 2015 were $37.17/t, lower than the $43.72/t incurred during the prior year period.

Concentrate production was 2,716 dry metric tonnes ("dmt") during the fourth quarter of 2015 versus 2,660 dmt for the corresponding three months of 2014. Total saleable metal production in the fourth quarter of 2015 was 937 t Sb and 11,582 oz Au versus 926 t Sb and 11,126 oz Au for the corresponding three months of 2014.

During the fourth quarter of 2015, Costerfield sold 2,850 dmt of concentrate compared to 3,352 dmt in the prior year period. A total of 11,402 oz Au and 967 t Sb were sold in 2015 versus 12,098 oz Au and 1,151 t Sb in 2014. The higher quantity of Au sold in sulfide concentrate (6,867 oz in 2015 versus 5,826 oz in 2014) was offset by less Au sold in gravity concentrate (4,535 oz in 2015 versus 6,272 oz in 2014), resulting in less total Au sold than in the prior year quarter. Au payables are higher for Au in gravity concentrate than for Au in flotation concentrate.

Total site cash operating cost of ore processed was $226/t in the fourth quarter of 2015, compared to $292/t in the fourth quarter of 2014, mainly due to more tonnes processed. This translates into a lower cash cost per Au Eq. oz produced ($540/oz in 2015 compared to $608/oz in 2014) and site all-in cost per Au Eq. oz produced ($760/oz in 2015 compared to $884/oz in 2014).

During the fourth quarter of 2015, the Company invested less than $0.1 million in capital development, $1.0 million in exploration and $1.3 million in property, plant and equipment at Costerfield. The corresponding amounts for the prior year quarter were $0.7 million, $0.4 million and $2.7 million respectively.

Years ended December 31, 2015 and 2014

The Costerfield mine completed 4,936 m of operating development in the twelve months ended December 31, 2015 versus 5,062 m in 2014. It produced 153,649 t of ore containing 10.87 g/t Au and 4.08% Sb in 2015 as compared to 167,145 t of ore containing 9.09 g/t Au and 3.80% Sb. Mining costs were $148/t in 2015 versus $176/t in 2014.

The capital development advance was reduced in 2015 to 1,802 m from 2,741 m in 2014. The cost per meter was $4,272 per m during 2015 compared to $5,208 per m in 2014, due in part to lower contractor costs than in-house costs in 2015 and the one-off costs of the Augusta return air raise in 2014.

In the year ended December 31, 2015, the Costerfield concentrator processed 153,869 t of ore containing 10.66 g/t Au and 3.96% Sb. The corresponding year-ago throughput was 149,338 t of ore containing 9.55 g/t Au and 3.98% Sb. The plant achieved 89.77% recovery of Au and 95.14% recovery of Sb in the 2015 period compared to 89.96% recovery of Au and 94.58% recovery of Sb in 2014. The greater tonnage of processed ore led to greater saleable metal production in 2015.

Flotation concentrate production was 10,731 dmt in 2015 containing 3,712 t saleable Sb and 24,743 oz saleable Au in 2015, with an additional 17,747 oz saleable Au produced in gravity concentrate. In 2014, the corresponding production was 10,500 dmt containing 3,639 t saleable Sb and 35,751 oz saleable Au in 2015, with an additional 19,305 oz saleable Au produced in gravity concentrate. Processing costs were lower in 2015 than in 2014: $37.41/t versus $49.79/t, mainly due to economies of scale.

Total site cash operating cost was $234/t ore processed in 2015 versus $319/t in 2014. The lower operating cost in 2015 was mainly due to more processed ore compared to 2014 with improved grades in 2015. This resulted in lower cash cost in 2015 ($559/Au Eq. oz) as compared to 2014 ($772/Au Eq. oz), as well as lower all-in cost of $773/Au Eq. oz versus $1,036/Au Eq. Oz in 2014.

During the year ended December 31, 2015, the Company invested $7.7 million in capital development, $2.4 million in exploration, and $6.1 million in property, plant and equipment. The corresponding amounts for 2014 were $14.3 million for capital development, $3.6 million for exploration and $8.5 million for property, plant and equipment.

Cerro Bayo Results, Production, Sales and Costs for the Three Months Ended December 31, 2015

Cerro Bayo generated revenue of $14.9 million for the quarter ended December 31, 2015. Income from mine operations before depreciation and depletion was $6.2 million. Adjusted EBITDA was $5.8 million, net loss after tax was $1.1 million and operating net loss was $0.5 million. For the quarter ended December 31, 2014, revenue was of $27.5 million, income from mine operations before depreciation and depletion was $10.2 million. Adjusted EBITDA was $9.2 million, net income after tax was $3.7 million and operating net income was $4.5 million. Lower revenue in 2015 was due to lower metal volumes sold.

Cerro Bayo financial results

	Three months ended December 31, 2015 ($'000)	**Three months ended December 31, 2014 ($'000)**
Revenue	14,933	27,472
Cost of sales	8,779	17,238
Income from mine operations before depreciation and depletion	6,154	10,234
Depreciation and depletion	4,888	5,007
Income from mine operations	1,266	5,226
Administration (1)	634	1,135
Adjusted EBITDA (2)(4)	5,758	9,245
Finance costs, foreign exchange and others (3)	1,121	1,164
Income/(loss) before tax	(490)	2,928
Current tax expense	596	1,068
Deferred tax expense (recovery)	(34)	(1,839)
Operating net income/(loss) after tax(4)	(502)	4,467
Net income/(loss) after tax	(1,052)	3,698
Capital expenditure (5)	4,341	4,451

[1]Includes intercompany transfer pricing recharge costs of $239k in 2015 and $146k in 2014.

[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, impairment of asset, share based compensation, gain/(loss) on disposal of properties and intercompany transfer pricing recharge costs of 1,016k in 2015 and $623k in 2014.

[4] Adjusted EBITDA and operating net income/(loss) after tax 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 net income/(loss) after tax reconciliation to net income/(loss) after tax

	Three months ended December 31, 2015 ($'000)	**Three months ended December 31, 2014 ($'000)**
Net income/(loss) after tax	(1,052)	3,698
Add: Intercompany expenses		
Intercompany interest expense	-	-
Intercompany transfer pricing recharge costs	550	769
Operating net income/(loss) after tax	(502)	4,467

Cerro Bayo operating statistics

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

	Unit	Year ended December 31, 2015	Year ended December 31, 2014	Three months ended December 31, 2015	Three months ended December 31, 2014	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Mining Production and Mining Cost								
Operating development	m	5,652	6,719	1,107	1,698	1,354	1,583	1,608
Mined ore	t	447,481	459,802	115,513	116,991	122,405	104,396	105,167
Ore mined Au grade	g/t	1.81	2.16	2.12	2.47	1.57	1.89	1.67
Ore mined Ag grade	g/t	199.22	255.92	217.16	273.99	181.00	200.33	199.63
Mined contained Au	oz	26,028	32,000	7,863	9,288	6,192	6,339	5,634
Mined contained Ag	oz	2,866,178	3,783,248	806,483	1,030,584	712,316	672,401	674,978
Mining cost per tonne ore	$/t	50.37	53.51	46.96	58.41	46.06	55.07	54.00
Processing and Processing Cost								
Processed ore	t	456,128	452,429	117,205	134,274	122,289	104,802	111,831
Mill head grade Au	g/t	1.81	2.19	2.11	2.39	1.58	1.90	1.65
Mill head grade Ag	g/t	197.66	258.97	215.70	265.50	182.85	204.82	188.24
Recovery Au	%	87.30	88.65	89.16	89.96	87.07	85.93	86.52
Recovery Ag	%	90.92	91.61	92.39	92.34	91.03	89.59	90.39
Concentrate produced	dry t	7,300	9,383	2,057	2,968	1,761	1,761	1,721
Concentrate grade Au	g/t	98.50	93.70	107.01	97.14	95.84	96.91	92.68
Concentrate grade Ag	g/t	11,229.15	11,439.71	11,353.81	11,092.89	11,561.12	10,918.57	11,058.38
Saleable Au produced	oz	22,572	27,600	6,901	9,052	5,305	5,361	5,005
Saleable Ag produced	oz	2,545,984	3,329,519	725,243	1,021,189	632,498	597,489	590,755
Saleable Au equivalent produced	oz	56,965	77,372	16,593	23,065	13,697	13,585	13,091
Processing cost per tonne ore	$/t	21.24	27.77	19.94	24.58	19.12	22.30	23.85
Sales								
Concentrate sold	dry t	7,924	9,004	1,754	3,145	1,921	1,974	2,275
Concentrate Au grade	g/t	98.41	89.44	106.37	90.07	96.39	92.45	99.14
Concentrate Ag grade	g/t	11,291	11,344	11,441	11,149	11,347	11,187	11,218
Au sold	oz	24,489	25,278	5,854	8,894	5,819	5,732	7,084
Ag sold	oz	2,778,837	3,168,211	623,184	1,087,776	677,152	685,703	792,797
Benchmark Unit Cost								
Site cash operating cost/ tonne ore processed[1]	$/t	81.89	96.93	75.21	89.74	76.93	88.29	86.56
Site cash operating cost/tonne concentrate produced[1]	$/t	5,117	4,674	4,285	4,060	5,343	5,253	5,625
Adjusted EBITDA/tonne ore milled[1]	$/t	49	85	50	72	29	45	73
Adjusted EBITDA/tonne concentrate produced[1]	$/t	3,057	4,097	2,855	3,276	2,049	2,698	4,762
Cash cost per oz Ag produced net of Au byproduct credit(	$/oz	7.50	5.30	4.58	3.95	8.31	7.61	10.09
Site all-in cost net of gold credit /oz Ag produced[1][3]	$/oz	14.69	11.36	11.75	10.37	15.18	14.84	17.61
Capital Spending								
Capital development	m	3,014	2,220	930	652	881	754	450
Capital development cost	$000	8,575	6,839	2,203	2,207	2,367	2,526	1,479
Capital development cost/meter	$/m	2,845	3,081	2,368	3,384	2,687	3,352	3,290
Capital purchases	$000	4,992	7,413	1,272	1,350	1,035	768	1,916
Capitalized exploration	$000	2,987	3,464	866	894	842	761	518

[1]Does not include intercompany transfer pricing recharge costs and business development costs. Adjusted EBITDA is a non-IFRS performance measure. Refer to Section 1.16 “Non-IFRS Measures” for further information.

[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.

Three months ended December 31, 2015 and 2014

During the fourth quarter, the Cerro Bayo mine produced 115,513 t of ore versus 116,991 t of ore in 2014. Mined grades were 217.16 g/t Ag and 2.12g/t Au in 2015 versus 273.99 g/t Ag and 2.47 g/t Au in 2014. During 2015, 1,107 m of operating development were completed versus 1,698 m in the 2014 period. Mining cost in the fourth quarter of 2015 was $46.96/t compared to $58.41/t in the fourth quarter of 2014.

During the fourth quarter of 2015, the Cerro Bayo concentrator processed 117,205 t of ore with grades of 215.70 g/t Ag and 2.11 g/t Au, compared to 134,274 t of ore with grades of 265.50 g/t Ag and 2.39 g/t Au during the fourth quarter of 2014. Metallurgical recoveries during the fourth quarter were 89.16% for Au and 92.39% for Ag in 2015 versus 89.96% for Au and 92.34% for Ag in the prior year period. Processing cost per tonne ore was $19.94/t in 2015 versus $24.58/t in 2014.

Cerro Bayo produced 2,057 dmt of concentrate containing 725,243 oz saleable Ag and 6,901 oz saleable Au in the fourth quarter of 2015, as compared to 2,968 dmt of concentrate containing 1,021,189 oz saleable Ag and 9,052 oz saleable Au in the comparable 2014 period.

During the fourth quarter of 2015, Cerro Bayo sold 1,754 dmt of concentrate containing 5,854 oz of saleable Au and 623,184 oz saleable Ag. Sales during the comparable quarter of 2014 were 3,145 dmt of concentrate, 8,894 oz of Au and 1,087,776 oz of Ag. Lower volumes sold were in line with the lower production compared to 2014.

Total site cash operating cost was $75.21/t of ore processed in the fourth quarter of 2015, compared to $89.74 per t in the fourth quarter of 2014 mainly due to comparative cost savings. Cash cost increased to $4.58 per oz Ag net of Au credits in the fourth quarter of 2015, compared to $3.95 per oz in the fourth quarter of 2014 due to lower production. In line with cash cost, Site all-in cost stands at $11.75 per oz Ag net of Au credit in the fourth quarter of 2015 was higher than the $10.37 per oz reported in the fourth quarter of 2014.

During the fourth quarter of 2015, the Company invested $2.2 million in mine development versus $2.2 million in 2014. The Company spent $1.3 million for the purchase of property, plant and equipment in 2015 versus $1.3 million in 2014. The Company spent $0.9 million on exploration versus $0.9 million in the fourth quarter of 2014.

Years ended December 31, 2015 and 2014

Cerro Bayo produced 447,481 t of ore in 2015 versus 459,802 t in 2014. In addition, the mine completed 5,652 m of operating development in 2015 versus 6,719 m in the previous year. Mined grades were 1.81 g/t Au and 199.22 g/t Ag for the year ended December 31, 2015 versus 2.16 g/t Au and 255.92 g/t Ag for the year ended 2014. Mining cost in 2015 was $50.37/t, lower than the $53.51/t for the year ended December 31, 2014.

During the year ended December 31, 2015, the Cerro Bayo concentrator processed 456,128 t of ore with grades of 197.66 g/t Ag and 1.81 g/t Au. During the year ended December 31, 2014, the concentrator processed 452,429 t of ore with grades of 258.97 g/t Ag and 2.19 g/t Au. The plant achieved 87.30% recovery of Au and 90.92% recovery of Ag in 2015 versus 88.65% recovery of Au and 91.61% of Ag in 2014.

Cerro Bayo produced 7,300 dmt of concentrate containing 2,545,984 oz of saleable Ag and 22,572 oz of saleable Au in 2015. Production for the year-ago period was 9,383 dmt of concentrate containing 3,329,519 oz saleable Ag and 27,600 oz saleable Au. Processing costs for the year ended December 31, 2015 were 21.24/t, lower than the $27.77/t during the year ended December 31, 2014.

During the year ended December 31, 2015, Cerro Bayo sold 7,924 dmt of concentrate, 24,489 oz Au and 2,778,837 oz Ag, compared to the 9,004 dmt of concentrate, 25,278 oz Au and 3,168,211 oz Ag sold during the year ended December 31, 2014.

Total site cash operating cost was $81.89/t per tonne ore processed for the year ended December 31, 2015, versus $96.93/t for the year of 2014. Cash cost per ounce Ag produced net of Au by-product credit was $7.50 in 2015, higher than the $5.30 in the previous year. The all-in cost per ounce Ag produced net of Au byproduct credit was $14.69 in 2015, versus $11.36 in 2014.

During the year ended December 31, 2015, the Company invested $8.6 million in capital mine development versus $6.8 million in 2014; $5.0 million for purchase of property, plant and equipment versus $7.4 million; and $3.0 million versus $3.4 million for exploration.

Björkdal Results, Production, Sales and Costs for the three months ended December 31, 2015

During fourth quarter, Björkdal generated revenue of $10.5 million as compared to $14.8 million for the fourth quarter of 2014. Income from mine operations before depreciation and depletion was $1.2 million versus $4.2 million in fourth quarter of 2014. Adjusted EBITDA was $1.2 million and net loss after tax of $1.3 million and operating net loss was $0.8 million in fourth quarter of 2015 as compared to $4.2 million of adjusted EBITDA and $1.3 million in net income after tax and $1.4 million in operating net income in corresponding prior year period.

Björkdal financial results

	Three months ended December 31, 2015 ($'000)	Three months ended December 31, 2014 ($'000)
Revenue	10,527	14,772
Cost of sales	9,283	10,529
Income from mine operations before depreciation and depletion	1,244	4,243
Depreciation and depletion	2,522	1,548
Income from mine operations	(1,278)	2,695
Administration	328	-
Adjusted EBITDA (1)	1,244	4,243
Finance costs, foreign exchange and others	724	44
Income/(loss) before tax	(2,330)	2,650
Current tax expense	(451)	792
Deferred tax expense (recovery)	(534)	564
Operating net income/(loss) after tax (1)	(803)	1,377
Adjusted Net income/(loss) after tax before special items	(1,073)	1,294
Net income/(loss) after tax	(1,345)	1,294
Capital expenditure (2)	5,650	2,899

[1]Adjusted EBITDA, adjusted net income and operating net income/(loss) after tax are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.

[2]Includes capitalized depreciation on equipment.

Björkdal operating net income/(loss) after tax reconciliation to net income/(loss) after tax

	Three months ended December 31, 2015 ($'000)	Three months ended December 31, 2014 ($'000)
Net income/(loss) after tax	(1,345)	1,294
Add: Intercompany expenses		
Intercompany interest expense	-	83
Intercompany transfer pricing recharge costs	542	-
Operating net income/(loss) after tax	(803)	1,377

Björkdal operating statistics

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

	Unit	Year ended December 31, 2015	Year ended December 31, 2014	Three months ended December 31, 2015	Three months ended December 31, 2014	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Mining Production and Mining Cost								
Operating development	m	4,483	1,915	892	1,577	1,051	1,084	1,456
Mined ore	t	1,230,034	420,044	269,536	347,075	336,546	320,258	303,694
Ore mined Au grade	g/t	1.36	1.32	1.41	1.33	1.29	1.39	1.39
Mined contained Au	oz	53,965	17,826	12,203	14,785	13,917	14,294	13,551
Mining cost per tonne ore	$/t	19.52	17.47	22.40	17.33	17.20	19.13	19.94
Processing and Processing Cost								
Processed ore	t	1,302,724	412,847	332,317	333,839	333,972	318,088	318,347
Mill head grade Au	g/t	1.22	1.23	1.14	1.23	1.07	1.30	1.37
Recovery Au	%	88.25	88.10	88.04	88.00	86.59	88.27	89.79
Concentrate produced	dry t	3,180	1,000	855	824	656	724	944
Concentrate grade Au	g/t	431	453	381	432	463	493	406
Saleable Au produced	oz	44,039	14,549	10,465	11,458	9,761	11,494	12,319
Processing cost per tonne ore	$/t	6.65	6.94	7.27	7.02	5.98	6.55	6.79
Sales								
Concentrate sold	dry t	3,006	1,084	704	815	659	732	911
Concentrate Au grade	g/t	443	442	415	463	463	504	401
Au sold	oz	42,823	15,409	9,385	12,115	9,815	11,873	11,750
Benchmark Unit Cost								
Site cash operating cost/ tonne ore processed(1)	$/t	30.78	29.36	33.13	29.91	26.67	30.91	30.05
Site cash operating cost/tonne concentrate produced(1)	$/t	12,612	12,122	12,879	12,114	13,577	13,573	10,127
Adjusted EBITDA/tonne ore milled(1)	$/t	11.30	11.76	3.74	12.23	5.01	14.57	22.51
Adjusted EBITDA/tonne concentrate produced(1)	$/t	4,629	4,939	1,455	5,148	2,553	6,397	7,589
Cash cost per oz Au equivalent produced(1)(2)	$/oz	884	870	940	901	934	884	797
Site all-in cost/oz Au eq. oz produced(1)(3)	$/oz	1,128	1,024	1,224	1,051	1,185	1,110	1,016
Capital Spending								
Capital development (Underground)	m	1,086	271	430	197	196	300	160
Capital development (Open pit)	t	2,439,086	726,450	767,622	619,246	270,554	576,564	824,346
Capital development cost	$000	8,767	2,690	3,833	2,094	1,265	1,886	1,783
Capital purchases	$000	4,188	567	758	567	1,155	1,503	772
Capitalized exploration	$000	3,464	238	1,060	238	1,012	874	519

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

[2]The cash cost per ounce of gold equivalent is a non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" for further information.
[3]Site all-in cost per ounce gold equivalent is a non-IFRS performance measure. Refer to Section 1.16 "Non-IFRS Measures" for further information. Q1-Q3 2015 measures have been updated to reflect the updated depletion and depreciation as a result of the finalization of the PPA for Björkdal.

Three months ended December 31, 2015 and 2014

During the fourth quarter of 2015, Björkdal produced a combined 269,536 t of ore from the open pit and underground operations, with an average grade of 1.41 g/t Au as compared to 347,075 t for fourth quarter of 2014 with average grade of 1.33 g/t. During the fourth quarter of 2015, 892 m of operating development were completed against 1,577 m in fourth quarter of 2014. The weighted average mining cost from the open pit and underground was $22.40/t in the fourth quarter of 2015 against $17.33/t in the corresponding period of 2014.

During the fourth quarter of 2015, the Björkdal concentrator processed 332,317 t of ore with grades of 1.14 g/t Au against 333,839 t of ore with average grade of 1.23 g/t Au in 2014. Metallurgical recoveries during the fourth quarter of 2015 were 88.04%, and 88.00% for the fourth quarter of 2014. The Company continues to review and implement optimal metallurgy processes inside the plant. Processing cost was $7.27/t in 2015 as compared to $7.02/t in 2014.

During the fourth quarter of 2015, Björkdal produced 10,465 oz saleable Au and sold 9,385 oz of Au. In the fourth quarter of 2014, Björkdal produced 11,458 oz salable Au and sold 12,115 oz of Au.

Total site cash operating cost was $33.13/t of ore processed in the fourth quarter of 2015 against $29.91/t in 2014. Cash cost per oz Au was $940 and all-in cost was $1,224 in 2015 against $901 and $1,051 respectively in 2014. In the fourth quarter of 2015 there was an adjustment to the depletion and depreciation of the Björkdal mine due to the finalization of the purchase price allocation associated with the Company's acquisition of Elgin Mining. The impact on the depletion and depreciation was an increase of $3.3m which was recognized in line with 2015 production. The 2015 all-in cost per oz at Björkdal after (and before) giving effect to this adjustment for: third quarter of 2015 was $1,185 ($1,110); the second quarter of 2015 was $1,110 ($1,035); and for the first quarter of 2015 was $1,016 ($940).

During the fourth quarter of 2015, the Company invested $3.8 million in mine development, $0.7 million in property, plant and equipment and $1.0 million in exploration. During the fourth quarter of 2014, the Company invested $2.1 million in mine development, $0.6 million in property, plant and equipment and $0.2 million in exploration.

Years ended December 31, 2015 and 2014

Mandalay acquired Björkdal on September 10, 2014. As a result, the comparative period for the year 2015 covers the partial period of September 10, 2014 to December 31, 2014.

During the year ended December 31, 2015, Björkdal produced a combined 1,230,034 t of ore from the open pit and underground operations, with an average grade of 1.36 g/t Au as compared to 420,044 t with an average grade of 1.32 g/t for the post-acquisition period of 2014. During the year ended December

31, 2015, 4,483 m of operating development were completed against 1,915 m for the post-acquisition period of 2014. Weighted average mining cost from the open pit and underground was $19.52/t in year ended 2015 against $17.47/t for the post-acquisition period of 2014.

During the year ended December 31, 2015, the Björkdal concentrator processed 1,302,724 t of ore with grades of 1.22 g/t Au against 412,847 t of ore with average grade of 1.23 g/t Au for the post-acquisition period of 2014. Metallurgical recoveries during the year ended 2015 were 88.25% for Au as compared to 88.10% in the post-acquisition period of 2014. Processing cost was $6.65/t in 2015 as compared to $6.94/t in the post-acquisition period of 2014.

During the year ended December 31, 2015, Björkdal produced 44,039 oz saleable Au and sold 42,823 oz of Au against which, in the post-acquisition period of 2014, Björkdal produced 14,549 oz salable Au and sold 15,409 oz of Au.

Total site cash operating cost was $30.78/t of ore processed in year ended December 31, 2015, against $29.36/t in 2014. Cash cost per oz Au was $884 and all-in cost per oz was $1,128 in 2015 against $870 per oz and $1,024 per oz, respectively, in 2014. Increase in all-in cost for 2015 was mainly due to a higher depletion, depreciation and amortization as a result of the finalization of the Eglin Mining purchase price allocation.

During the year ended December 31, 2015, the Company invested $8.8 million in mine development, $4.2 million in property, plant and equipment and $3.5 million in exploration. During the post-acquisition period of 2014, the Company invested $2.7 million in mine development, $0.6 million in property, plant and equipment and $0.2 million in exploration.

Challacollo

During the fourth quarter of 2015, the Company spent $0.2 million on exploration and feasibility study. Work completed to date by consultants on design of the underground mine, processing plant, tailing storage and project infrastructure has been completed. The development options being evaluated for Challacollo consist of the following components:

• Underground mine with ramp access for longhole open stoping to produce 1,800 tpd mill feed;

• Processing plant with 3-stage crushing, single-stage milling, agitated cyanide leach circuit, Merrill Crowe plant to produce a silver-gold doré and tailing filtration to recover water and cyanide;

• The extensive metallurgical testing program confirmed cyanidation as the most appropriate method and silver recovery to doré of 93%;

• Dry stack tailing storage facility;

• On-site infrastructure support facilities, to include camp accommodation for up to 250 people during the operating phase;

• Electrical power supply via connection to the SING grid; and

• New site access road (15 km).

The study has confirmed that water supply of 12 litres/second is required for the operation, and as of December 31, 2015, a suitable source of water has yet to be developed. Alternatives being evaluated include a well field on the property and off-site water sources. While developing the water source, the Company is continuing with key project optimization studies.

La Quebrada and Lupin

Spending on care and maintenance at La Quebrada and Lupin, both held for sale, was less than $0.1 million during the fourth quarter of 2015 other than fuel inventory write down. The corresponding amount for the prior year quarter was $0.1 million. At Lupin there was a fuel inventory write-down of $0.9 million recognised during the fourth quarter of 2015.

Markets - Currency Exchange Rates

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

CURRENCY	Average rate October 1, 2015 December 31, 2015	Average rate January 1, 2015 December 31, 2015	Average rate October 1, 2014 December 31, 2014	Average rate January 1, 2014 December 31, 2014
1A$ = C$	0.9614	0.9604	0.9716	0.9963
1A$ = US$	0.7199	0.7523	0.8559	0.9027
1 US$ = C$	1.3354	1.2787	1.1356	1.0557
1 US$ = Chilean Peso	698	654	598	571
1 US$ = SEK	8.5051	8.4370	7.4239	6.8399

The U.S. dollar has strengthened in relation to the Australian dollar, the Canadian dollar, the Chilean peso, and the Swedish Krona.

Markets - Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of gold, silver and antimony were lower in the fourth quarter of 2015 compared to the fourth quarter of 2014. 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 fourth quarter of 2015 being marginally higher than relative average market prices.

COMMODITY	Average rate October 1, 2015 December 31, 2015	Average rate January 1, 2015 December 31, 2015	Average rate October 1, 2014 December 31, 2014	Average rate January 1, 2014 December 31, 2014
Realized gold US$/oz[1]	1,118	1,176	1,213	1,253
Gold- US$/oz - Average London Daily PM close (Metal Bulletin)	1,104	1,160	1,199	1,265
Realized antimony US$/tonne[1]	5,187	6,815	8,793	9,341
Antimony US$/tonne - Rotterdam Warehouse (Metal Bulletin)	5,604	7,296	9,004	9,440
Realized silver price US$/oz[1]	14.21	15.54	15.34	17.87
Silver US$/oz - Average London Daily PM close (Metal Bulletin)	14.76	15.68	16.45	19.07

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

1.5 SUMMARY OF QUARTERLY RESULTS

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

Particulars	Quarter 4, 2015 ($'000)	Quarter 3*, 2015 ($'000)	Quarter 2*, 2015 ($'000)	Quarter 1*, 2015 ($'000)
Revenue	43,646	43,282	50,793	56,779
Income/(loss)	(3,105)	1,608	4,400	11,762
Income/(loss) per share - Basic	(0.01)	0.00	0.01	0.03
Income/(loss) per share - Diluted	(0.01)	0.00	0.01	0.03

Particulars	Quarter 4, 2014 ($'000)	Quarter 3, 2014 ($'000)	Quarter 2, 2014 ($'000)	Quarter 1, 2014 ($'000)
Revenue	66,973	34,676	44,888	38,092
Income/(loss)	7,588	(692)	4,936	5,744
Income/(loss) per share - Basic	0.02	(0.00)	0.01	0.02
Income/(loss) per share - Diluted	0.02	(0.00)	0.01	0.02

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

Since the acquisition of the Costerfield mine in December, 2009, and 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 levels of Au, Ag, and Sb production, the costs associated with that production and the prices received for metal in concentrate. Metal prices are determined using prevailing international prices for Au, Ag, and Sb. 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 Kroners (Björkdal). The Company's results will be impacted by exchange rate variations during the reporting periods.

The general trend of increasing metal sales volumes with time represents the ramp-up of Costerfield production under Mandalay ownership and the acquisition, restart, and ramp-up of the Cerro Bayo mine and the acquisition of the Björkdal mine. Volatility in revenue and earnings over the past two years is due to the combined impact of changes in volumes, fluctuations in metal prices and timing of concentrate shipments.

1.6 LIQUIDITY, SOLVENCY AND USES OF CASH

At December 31, 2015, the Company had working capital of $19.8 million compared to $24.9 million at December 31, 2014. The Company had cash and cash equivalents of $49.2 million at December 31, 2015, as compared to $49.0 million at December 31, 2014.

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.

1.7 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Five year 5.875% debt financing

In May, 2014, the Company borrowed $60 million in a five-year loan at an interest rate of 5.875% from Gold Exchangeable Limited ("GEL"), an unaffiliated special purpose vehicle incorporated in Jersey.

GEL raised the financing proceeds by way of a concurrent offering of five year 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 (the "Borrower"), 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.

Beginning on June 23, 2014, each Bondholder 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 initial exchange price is US$149.99 per Gold Share, which, at the initial issuance date of the Bonds, was equivalent to a gold price of US$1,556 per ounce.

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 NAV of the SPDR Gold Trust or Gold Shares is calculated.

If a Bondholder exercises its exchange rights, GEL will give notice to the Borrower, and the Borrower will be required to deliver the requisite number of Gold Shares to the Bondholder.

As security for its obligations under the Bonds, GEL will be required to deposit into a custody account, in quarterly instalments over the fourth and fifth years of the term of the Bonds, the aggregate number of Gold Shares issuable upon exchange of the Bonds. Pursuant to the terms of the Loan, the Borrower will have to provide such Gold Shares to GEL.

The performance of the Borrower's obligations under the Loan is guaranteed by the Company. This guarantee is secured by first ranking pledge of all of the shares of Mandalay Resources Australia Pty Limited, which owns and operates Costerfield.

GEL may redeem the Bonds at its option:

- any time after June 13, 2017, 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
- any time, if US$9 million or less principal amount of the Bonds remains outstanding.

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

The maturity date of the Loan is May 13, 2019. However, because the Bondholders have the right to exercise their exchange rights any time after June 23, 2015 (which would trigger a requirement for GEL to exercise its parallel exchange rights under the Loan), the Company has classified the Loan balance as a current liability. IFRS requires that the Company ignore the probability that holders will elect to exchange in the next 12 months, even if the Company assesses such probability as remote. However, if holders had exchanged the Bonds for Gold Shares as of December 31, 2015, the Company would realize a gain of $14.1 million and the holders of the debt would realize a loss of $19.1 million based on the principal value of $60.0 million and a price of $101.46 per Gold Share.

For clarity, Company has provided some examples below to further explain the details of the Loan agreement, all of which exclude the interest that is payable on the principal until the date of redemption or maturity at the rate of 5.875%:

i) If all the Bondholders were to exercise their right to exchange based on a gold price of $1,060/oz (which is equivalent to $101.46 per Gold Share), then the repayment cost to the Company would be approximately $40.9 million.

$60 million ÷ $1,556/oz × $1,060 = $40.9 million

ii) The repayment cost to the Company to repay the loan on maturity will be minimum $60 million.

iii) If the average price of gold during the escrow period is $1,700/oz (which is equivalent to $ 162.72 per Gold Share) then repayment cost to the Company will be $65.6 million.

$60 million ÷ $1,556/oz × $1,700 = $65.6 million

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
	($'000)	($'000)
Salaries and short-term benefits	**2,433**	2,160
Share-based payments	**1,129**	988
	3,562	3,148

The CFO of the Company is a director of SKS Business Services, which provides accounting services to the Company as per contract.

	2015	2014
	($'000)	($'000)
Administration expense and Salaries		
SKS Business Services	139	15

1.10 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 source of ore is 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.

1.11FINANCIAL 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 December 31, 2015, 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 has extensive operations in the Australia, Chile and Sweden. 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 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 price 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 and silver.

1.12 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. During the fourth quarter of 2011, the Company finished implementing Sage AccPac Enterprise Resource Planning (ERP) software to strengthen internal control and reporting. Sage AccPac implementation combined with improvements in the monthly close process provides information to the senior management for appropriate 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 evaluated the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 for the quarter ended December 31, 2015. 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.

The Company appointed KPMG to conduct an internal audit review in 2011. 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:

<table>
<tr><th>Internal control weakness</th><th>Potential impact of the weakness on the issuer's financial reporting and its ICFR</th><th>Current plan or actions being undertaken for remediating the potential material weakness</th></tr>
<tr><td>Review of process and activities</td><td>Inaccuracy and possible fraud</td><td rowspan="2">Management has documented and taken adequate corrective actions to address the issues identified by auditors in each financial year. During 2015, the following internal audit activities were completed:

• Health and safety management system;
• Marketing of concentrates (compliance);
• Preventative maintenance system;
• Cost management and core financial controls; and
• Environmental management

The areas proposed to be covered during 2016 internal audit would be related to the following broad categories:
• Contracts compliance; and
• Mine disaster plans.</td></tr>
<tr><td>Documentation</td><td>Audit trail and completeness</td></tr>
</table>

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.

1.13 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 410,419,979 common shares issued and outstanding. The weighted average number of shares outstanding during the fourth quarter used for the calculation of per share results was 410,419,979.

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 December 31, 2015	As of February 17, 2016	Expiry Date
0.91	4,580,000	4,580,000	24 March, 2020
0.93	40,000	40,000	06 November, 2019
0.98	4,045,000	4,045,000	24 March, 2019
1.13	3,542,500	3,542,500	18 March, 2018
0.83	3,347,500	3,347,500	09 March, 2017
0.70	250,000	250,000	02 December, 2016
0.76	50,000	50,000	04 July, 2016
0.58	370,000	370,000	11 April, 2016
0.56	2,687,500	2,687,500	11 March, 2016
Total	**18,912,500**	**18,912,500**	

During the quarter ended December 31, 2015, 25,000 options were exercised. There were 18,912,500 options outstanding as of December 31, 2015, which could result in issuance of shares.

The Company has a Restricted Share Unit Plan (the “RSU Plan”) and has granted Restricted Share Units (“RSUs”) to certain directors. Under the RSU Plan, those directors granted RSUs 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 December 31, 2015 is as follows:

	Number of RSU awards
Balance, December 31, 2012	-
Granted	300,000
Redeemed	6,560
Balance, December 31, 2013	306,560
Granted	8,286
Redeemed	(103,842)
Outstanding at December 31, 2014	211,004

1.14 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

1.15 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.

1.16 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, income after tax from underlying operations and operating net income after tax as measures of operating performance to assist in comparing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and to assist in measuring financial performance from period to period on a consistent basis. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company presents "cash cost" and "all-in costs" metrics for its gold and 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. 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 earnings before interest, taxes, non-cash charges/(income) and finance costs. Refer to page 13-14 for 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 17 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 20, 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 Special items are items of income and expense, presented separately, due to their non-recurring nature or the expected infrequency of the events giving rise to them. Refer to page 13-14 for reconciliation between adjusted net income and net income.

5. *Cash cost per ounce of gold equivalent produced* – Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these equivalent ounces produced in the period is then divided

by the equivalent gold ounces produced to yield the cash cost per equivalent ounce produced. The cash cost excludes royalty expenses.

6. *Site all-in cost per ounce of gold equivalent produced* – Site all-in costs include total cash operating costs, royalty expense, depletion, depreciation, accretion and write-off of exploration and evaluation. Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The site all-in cost is then divided by the equivalent gold ounces produced to yield the site all-in cost per equivalent ounce produced.

7. *Cash cost per ounce of silver produced net of gold byproduct credit* – The cash cost per silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the silver ounces produced in the period. The cash cost excludes royalty expenses.

8. *Site all-in cost per ounce of silver produced net of gold byproduct credit* – The site all-in cost per silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, depletion, depreciation, accretion and write-off of exploration and evaluation to the cash cost net of gold byproduct credit as calculated in note 6 above and dividing the resultant number by the silver ounces produced in the period.