

Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2015
(Unaudited)

Mandalay Resources Corporation

September 30, 2015

Table of contents

Condensed consolidated interim statements of income and other comprehensive income	1
Condensed consolidated interim statement of financial position.....	2
Condensed consolidated interim statement of changes in equity	3
Condensed consolidated interim statement of cash flows	4
Notes to the condensed consolidated interim financial statements	5-24

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Mandalay Resources Corporation

Condensed consolidated interim statements of income and comprehensive income

three and nine months ended September 30, 2015 and 2014

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Revenue	43,282	34,676	150,854	117,656
Cost of operations				
Cost of sales excluding depletion and depreciation (Note 15)	28,946	21,183	90,855	67,932
Depletion and depreciation	9,472	9,537	28,440	24,787
	38,418	30,720	119,295	92,719
Income from mine operations	4,864	3,956	31,559	24,937
Expenses				
Administration	2,787	1,939	5,825	5,103
Business development costs	64	1,013	182	1,650
Share-based compensation	135	424	712	1,324
Loss on disposal of property, plant and equipment	29	63	177	88
Write-off of exploration and evaluation costs	-	-	-	682
	3,015	3,439	6,896	8,847
Income from operations	1,849	517	24,663	16,090
Other income (expenses)				
Finance costs (Note 16)	(1,344)	(1,262)	(4,000)	(2,253)
Gain (loss) on derivative financial instruments (Note 17)	438	34	1,018	(9)
Interest and other income	78	81	445	136
Foreign exchange gain	1,947	320	3,877	193
	1,119	(827)	1,340	(1,933)
Income before income taxes	2,968	(310)	26,003	14,157
Income taxes expense (Note 19)				
Current	(85)	526	1,496	2,772
Deferred	873	(144)	4,770	1,397
Income tax expense	788	382	6,266	4,169
Net income (loss) for the period	2,180	(692)	19,737	9,988
Other comprehensive income, net of tax				
Foreign currency translation	(6,978)	(6,297)	(14,181)	(3,230)
Comprehensive income for the period	(4,798)	(6,989)	5,556	6,758
Income per share (Note 20)				
Basic	\$0.01	\$0.00	\$0.05	\$0.03
Diluted	\$0.01	\$0.00	\$0.05	\$0.03
Weighted average number of common shares outstanding (Note 20)				
Basic ('000)	409,681	340,797	409,195	342,237
Diluted ('000)	411,082	356,785	411,048	357,263

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Condensed consolidated interim statement of financial position
as at September 30, 2015 and December 31, 2014

(Expressed in U.S dollars)

(Unaudited)

	September 30, 2015	December 31, 2014
	\$'000	\$'000
		(Restated - Note 21)
Assets		
Current assets		
Cash and cash equivalents	49,652	49,004
Trade and other receivables (Note 6)	23,970	32,142
Inventories (Note 7)	25,605	27,663
Prepaid expenses	2,100	1,635
Derivative financial instruments (Note 17)	3	552
	101,330	110,996
Non-current assets		
Reclamation and other deposits	25,818	28,523
Trade and other receivables (Note 6)	296	343
Property, plant and equipment (Note 8)	215,939	215,637
Intangible asset (Note 9)	922	249
Deferred tax asset	5,094	7,057
	248,069	251,809
	349,399	362,805
Liabilities		
Current liabilities		
Trade and other payables (Note 10)	17,349	23,347
Borrowings (Note 11)	868	951
Five year exchangeable loan (Note 12)	54,615	53,621
Income taxes payable	581	2,580
Provisions (Note 13)	2,126	2,707
Derivative financial instruments (Note 17)	1,283	2,854
	76,822	86,060
Non-current liabilities		
Borrowings (Note 11)	1,817	1,821
Reclamation and site closure costs provision	39,669	42,721
Provisions (Note 13)	642	521
Deferred tax liability	13,954	11,664
	56,082	56,727
	132,904	142,787
Equity		
Share capital (Note 14)	158,960	158,170
Share option reserve (Note 14)	9,348	8,896
Foreign currency translation reserve	(31,434)	(17,253)
Retained earnings	79,621	70,205
	216,495	220,018
	349,399	362,805

Approved and authorized for issue by the Board on November 05, 2015.

(Signed) Bradford A. Mills
Bradford A. Mills, Director

(Signed) Robert Doyle
Robert Doyle, Director

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Condensed consolidated statements of changes in equity

nine months ended September 30, 2015 and 2014

(Expressed in U.S. dollars)

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Warrants reserve	Foreign currency translation reserve	Retained earnings	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance, December 31, 2014 (Restated Note 21)	408,758	158,170	8,896	-	(17,253)	70,205	220,018
Stock options exercised (Note 14 (b))	1,527	760	(307)	-	-	-	453
Share-based compensation (Note 14 (c))	-	-	789	-	-	-	789
Redemption of RSU (Note 14 (d))	109	30	(30)	-	-	-	-
Dividends paid (Note 14 (e))	-	-	-	-	-	(10,321)	(10,321)
Total comprehensive (loss) income for the period	-	-	-	-	(14,181)	19,737	5,556
Balance, September 30, 2015	410,394	158,960	9,348	-	(31,434)	79,621	216,495

	Number of shares issued	Share capital	Share option reserve	Warrants reserve	Foreign currency translation reserve	Retained earnings	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance, December 31, 2013 (Restated Note 21)	322,780	89,780	8,439	1,089	(6,586)	62,100	154,821
Stock options exercised (Note 14 (b))	2,205	1,620	(720)	-	-	-	900
Share-based compensation (Note 14 (c))	-	-	1,117	-	-	-	1,117
Warrants exercised	5,300	2,519	-	(296)	-	-	2,223
Normal course issuer bid	(31)	(9)	-	-	-	(13)	(22)
Dividends paid (Note 14 (e))	-	-	-	-	-	(7,372)	(7,372)
Challacollo acquisition (Note 4)	12,000	9,188	-	-	-	-	9,188
Acquisition of Elgin Mining Inc (Note 5)	50,000	49,037	-	-	-	-	49,037
Redemption of RSU (Note 14 (d))	104	80	(80)	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,230)	9,988	6,758
Balance, September 30, 2014	392,358	152,215	8,756	793	(9,816)	64,703	216,650

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Condensed consolidated interim statement of cash flows

for nine months ended September 30, 2015 and 2014

(Expressed in U.S dollars)

(Unaudited)

	Nine months ended	
	September 30,	
	2015	2014
	\$'000	\$'000
Operating activities		
Net income	19,737	9,988
Adjustments to reconcile net income to net cash flows from operating activities		
Amortization of intangible assets	374	375
Depletion and depreciation	28,454	24,867
Share-based compensation	712	1,324
Loss on disposal of property, plant and equipment	177	88
Write-off of exploration and evaluation costs	-	681
Finance cost	4,000	2,240
Unrealized gain on derivative financial instruments	(1,018)	(128)
Interest and other income	(445)	(119)
Foreign exchange (gain) loss	(3,448)	387
Income tax expense	6,266	4,169
Change in non-cash operating working capital items		
Trade and other receivables	4,300	(485)
Inventories	703	(9,410)
Prepaid and other expenses	(76)	926
Trade and other payables	(1,984)	924
Provisions	269	1,010
Cash generated from operations	58,021	36,837
Income taxes paid	(3,737)	(4,188)
Interest and other income received	445	113
Interest paid	(2,880)	(1,069)
Net cash flows from operating activities	51,849	31,693
Investing activities		
Payment on deposits	(745)	(65)
Expenditure for property, plant and equipment	(38,366)	(41,006)
Proceeds on disposal of property, plant and equipment	163	11
Payment for intangible asset	(1,046)	-
Acquisition of Challacollo (Note 4)	-	(7,770)
Acquisition of Elgin (Note 5)	-	(23,542)
Investment in Associates	(45)	-
Net cash flows used in investing activities	(40,039)	(72,372)
Financing activities		
Proceeds from borrowings	1,709	57,008
Repayments of borrowings	(1,604)	(51)
Issuance of common shares for cash	453	3,124
Dividends paid (Note 14 (e))	(10,321)	(7,372)
Net cash flows used in financing activities	(9,763)	52,709
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(1,399)	(267)
Increase in cash and cash equivalents	648	11,763
Cash and cash equivalents, beginning of the period	49,004	33,465
Cash and cash equivalents, end of period	49,652	45,228
Cash and cash equivalents are comprised of		
Cash	49,652	45,228
Cash equivalents	-	-
	49,652	45,228

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2015 and December 31, 2014

(Expressed in U.S. dollars)

(Unaudited)

1. Description of business and nature of operations

Mandalay Resources Corporation (“Mandalay” or the “Company”) is a gold, silver and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Mandalay’s assets include the Costerfield gold and antimony mine in Australia (“Costerfield”), the Cerro Bayo silver and gold mine in Chile (“Cerro Bayo”), the Björkdalsgruvan gold mine in Sweden (“Björkdal”), as well as other exploration projects in Chile and Canada.

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

2. Basis of preparation

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

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

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

Judgments made by management in the application of International Financial Reporting Standards (“IFRS”) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company’s audited consolidated financial statements for the year ended December 31, 2014.

3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2014. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2014.

New accounting pronouncement

Accounting standards issued but not yet effective

The Company has not early adopted these new and amended standards. The Company is currently assessing the impact of the following standards and plans to adopt the new standards on the required effective dates.

IFRS 9 – Financial Instruments

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

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2015 and December 31, 2014

(Expressed in U.S. dollars)

(Unaudited)

3. Summary of significant accounting policies (continued)

IFRS 15 - Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. Acquisition of Minera Silver Standard Chile S.A.

On February 6, 2014, the Company closed its acquisition of 100% of Minera Silver Standard Chile S.A. ("MSSC") from Silver Standard Resources, Inc. ("SSR"). MSSC owns the Challacollo silver exploration property near Iquique, Chile. The Company acquired MSSC in exchange for the following consideration:

- (i) \$7,501,000 in cash;
- (ii) 12 million common shares of the Company;
- (iii) 5 million common shares of the Company to be issued to SSR at the end of the quarter in which commercial production commences at the Challacollo project (the "Deferred Payment Shares");
- (iv) an aggregate cash payment equal to the equivalent of 240,000 ounces of silver, payable in eight quarterly installments based on the average silver price for such quarter (i.e., cash payment equal to the equivalent of 30,000 ounces of silver for each quarter), beginning with the quarter immediately following the quarter in which commencement of commercial production occurs (the "Silver Delivery Consideration"); and
- (v) a 2% Net Smelter Returns ("NSR") royalty on silver sold from the Challacollo project in excess of 36 million ounces, with a cap/buyout of \$5,000,000.

Until all of the consideration is paid, the shares of MSSC and all of the present and future assets of MSSC are provided to SSR as security for Mandalay's post-closing payment obligations to SSR.

The Company determined that MSSC was not a business in accordance with IFRS 3, Business Combinations, and therefore the Company accounted for the acquisition as an asset acquisition rather than a business combination. The NSR, Deferred Payment Shares and the Silver Delivery Consideration are considered to be contingent liabilities. These contingent liabilities have not been included in the purchase consideration and shall only be recognized if and when the contingency in question is satisfied.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

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

4. Acquisition of Minera Silver Standard Chile S.A. (continued)

The following table summarizes the fair value of the consideration transferred to SSR and the fair value of MSSC's net assets acquired:

Particulars	Amount \$'000
Initial cash payout	7,501
Issuance of 12 million shares	9,188
Acquisition cost	264
Purchase Consideration	16,953
Net assets acquired	
Net working capital acquired	595
Property, plant and equipment	16,358
Net identifiable assets	16,953

5. Acquisition of Elgin Mining Inc.

On September 9, 2014, the Company completed the acquisition of Elgin Mining Inc. ("Elgin"). Elgin was a Canadian-based company focused on gold production at the Björkdal gold mine in Sweden. In addition, Elgin's portfolio included the Lupin and Ulu gold properties located in Nunavut, Canada.

The Company acquired all of the issued and outstanding shares of Elgin for (i) \$24,514,000 (C\$27,000,000) in cash; (ii) issuance of 50 million common shares of the Company; and (iii) \$4,663,000 (C\$5,000,000) in cash to repay an existing bridge loan of Elgin.

The transaction was accounted for as a business combination with the Company identified as the acquirer. The purchase price allocation recognized in previous financial statements was based on a preliminary assessment of the fair values of the identified acquired assets and liabilities while the Company sought an independent valuation of property, plant and equipment, including stockpiled ore, which in turn was dependent upon the finalization of the Company's recently updated resource estimate and mine plan. The valuation was finalized as of September 30, 2015, resulting in an adjustment to the purchase price allocation. The adjustments resulted in a decrease to plant property and equipment of \$303,000 with an equal decrease in deferred tax liability. Also, within property, plant and equipment, there was an adjustment to the amount of each category, with the final position being shown in the property, plant and equipment table below.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements
as at September 30, 2015 and December 31, 2014

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

5. Acquisition of Elgin Mining Inc. (continued)

	Elgin
	(\$'000)
Cash consideration paid	24,514
Cash consideration paid for repayment of Bridge loan	4,663
Equity instruments (50 million common shares of the Company)	49,037
Total purchase price	78,214
Cash and cash equivalents	5,914
Trade and other receivables	7,966
Inventories	7,893
Prepaid expenses and other	1,107
Reclamation and other deposits	27,168
Property, plant and equipment	78,981
Trade and other payables	(10,869)
Deferred tax liabilities	(11,946)
Income taxes payable	(206)
Long-term debt	(3,377)
Reclamation and site closure costs	(24,417)
Net assets acquired	78,214
Cash paid	29,177
Net cash acquired	(5,914)
Net cash flow on acquisition	23,263

Property, plant and equipment are as follows:

	Björkdal	Other	Total
	(\$'000)	(\$'000)	(\$'000)
Mineral property*	42,833	-	42,833
Property, plant and equipment	13,913	3,317	17,230
Exploration and evaluation	13,769	5,149	18,918
Total	70,515	8,466	78,981

*Mineral property includes \$4,845,000 for stockpile ore

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

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

6. Trade and other receivables

Trade and other receivables are comprised of the following:

	September 30, 2015	December 31, 2014
	(\$'000)	(\$'000)
Trade receivables	18,588	27,130
VAT and other indirect tax receivables	4,619	3,951
Other receivables and marketable securities	1,059	1,404
	24,266	32,485
Less: non-current portion	296	343
Total current portion	23,970	32,142

There was no allowance for doubtful debts as at September 30, 2015 and December 31, 2014.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recorded as an adjustment to revenue and trade receivables.

7. Inventories

	September 30, 2015	December 31, 2014
	(\$'000)	(\$'000)
Finished goods	8,593	11,567
Work in progress and stockpiled ore	5,620	4,089
Consumables	11,392	12,007
	25,605	27,663

There were no inventory write-downs or reversals of write-downs during the three months ended September 30, 2015 (2014 - \$nil).

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2015 and December 31, 2014

(Expressed in U.S. dollars)

(Unaudited)

8. Property, plant and equipment

Property, plant and equipment consist of the following:

	Mining interests			Plant and equipment				Exploration and evaluation				Total
	Costerfield	Cerro Bayo	Björkdal	Costerfield	Cerro Bayo	Björkdal	Others	Costerfield	Cerro Bayo	Björkdal	Others	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cost												
As at January 1, 2014	41,869	43,993	-	26,447	34,471	-	586	5,164	5,788	-	14,365	172,683
Acquisition (Restated Note)	-	-	42,833 *	-	-	13,913	3,317	-	-	13,769	21,507	95,339
Additions	18,774	9,387	2,565	4,951	8,166	567	143	3,609	1,788	364	6,955	57,269
Disposals	-	-	-	(1,707)	-	-	(379)	-	-	(31)	(165)	(2,283)
Reclassification to mining interest	4,688	2,034	-	-	-	-	-	(4,688)	(2,034)	-	-	-
Write-off of exploration and evaluation	-	-	-	-	-	-	-	(1,303)	(1,242)	-	-	(2,545)
Foreign exchange	(4,590)	-	(1,909)	(2,629)	-	(1,389)	(109)	(752)	-	(55)	(1,319)	(12,751)
As at December 31, 2014	60,741	55,414	43,490	27,062	42,637	13,091	3,558	2,030	4,300	14,047	41,343	307,712
Additions	8,004	8,017	4,934	4,738	3,719	3,430	5	1,434	477	2,405	2,410	39,573
Disposals	-	-	-	(660)	-	-	-	-	-	-	-	(660)
Reclassification to mining interest	984	-	-	-	-	-	-	(984)	-	-	-	-
Write-off of exploration and evaluation	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	(7,122)	-	(131)	(4,294)	-	(791)	(197)	(1,034)	-	(1,599)	105	(15,063)
As at September 30, 2015	62,607	63,431	48,293	26,846	46,356	15,730	3,366	1,446	4,777	14,853	43,858	331,562
Accumulated depreciation												
As at January 1, 2014	16,965	19,054	-	5,840	16,928	-	138	-	-	-	-	58,925
Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Expense	13,285	12,702	1,532	2,086	6,240	1,131	162	-	-	-	-	37,138
Disposals	-	-	-	(948)	-	-	-	-	-	-	-	(948)
Foreign exchange	(2,325)	-	-	(705)	-	-	(10)	-	-	-	-	(3,040)
As at December 31, 2014	27,925	31,756	1,532	6,273	23,168	1,131	290	-	-	-	-	92,075
Expense	8,333	7,803	2,689	2,263	5,396	2,539	113	-	-	-	-	29,136
Disposals	-	-	-	(438)	-	-	-	-	-	-	-	(438)
Foreign exchange	(3,986)	-	-	(1,146)	-	-	(18)	-	-	-	-	(5,150)
As at September 30, 2015	32,272	39,559	4,221	6,952	28,564	3,670	385	-	-	-	-	115,623
Carrying value												
As at January 1, 2014	24,904	24,939	-	20,607	17,543	-	448	5,164	5,788	-	14,365	113,758
As at December 31, 2014	32,816	23,658	41,958	20,789	19,469	11,960	3,268	2,030	4,300	14,047	41,343	215,637
As at September 30, 2015	30,335	23,872	44,072	19,894	17,792	12,060	2,981	1,446	4,777	14,853	43,858	215,939

For the three and nine months ended September 30, 2015, Cerro Bayo's plant and equipment depreciation of \$232,000 and \$637,000 (2014 - \$153,260 and \$390,832) at Costerfield \$10,000 and \$44,000 (2014 - \$57,335 and \$125,152) were capitalized in mining interest.

*Mineral property at the Björkdal mine includes \$4,845,000 for stockpile ore

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

9. Intangible asset

In June, 2012, the Company reached an agreement with its union workers in Chile and paid a lump-sum cash payment of \$1,414,000 to secure the contract. This payment is recorded as an intangible asset and will be amortized over the contractual life of the union agreement (three years).

On July 8, 2015 the Company signed new two-year collective agreements with its union workers in Chile and secured these contracts with a cash payment of \$1,020,000. The carrying amount of the intangible asset as at September 30, 2015 is \$922,000 (December 31, 2014 - \$249,000). Amortization expense for the three and nine months ended September 30, 2015 were \$98,000 and \$348,000 respectively (2014 - \$125,000 and \$375,000) is recorded as part of cost of sales.

10. Trades and other payables

	September 30, 2015	December 31, 2014
	(\$'000)	(\$'000)
Trade payables	7,432	10,386
Payroll and other taxes payable	2,674	1,837
Accrued liabilities	6,257	8,626
Cash election option (Note 14(b))	19	125
Mark to market adjustment	967	2,373
	17,349	23,347

The average credit period of purchases is one month. The Company has financial risk management policies that provide reasonable assurance that all payables are paid within the pre-agreed credit terms.

Mark to market adjustment relates to revaluation of trade debtors.

11. Borrowings

Equipment loans

The Company's wholly-owned Swedish subsidiary, Björkdalsgruvan AB, has an equipment loan facility (the "Equipment Facility") with an outstanding principal amount as at September 30, 2015 of \$845,000. The Equipment Facility is with a local Swedish bank to finance certain capital expenditures, bears variable interest at the 3-month STIBOR plus 2.16% per annum, is repayable in monthly installments plus interest, over a term of 36 months from the three months ended September 30, 2015. The Equipment Facility is secured by the underlying equipment and by a corporate guarantee provided by the Company.

In addition to the Equipment Facility, Björkdalsgruvan AB has four equipment leases from two vendors totaling \$1,840,000 as at September 30, 2015. Three of these leases are with one vendor who financed 80% of the equipment purchase costs and has a principal of \$1,622,000 as at September 30, 2015. These leases have an interest rate of 1-month STIBOR plus 2.05% per annum, payable with monthly lease payments; the final lease payment will be made on the final lease after 46 months from the three months ended September 30, 2015. These leases also have an equipment buy-out option at the end of the lease term equal to 10% of the original equipment purchase cost. The fourth equipment lease was taken out from a separate vendor in January, 2015, and has an outstanding principal amount of \$218,000 as at September 30, 2015. It has with an interest rate at the 3-month STIBOR plus 2.385% per annum payable with monthly lease payments with, the last payment after 52 months from the three months ended September 30, 2015.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

12. Five year exchangeable loan

In May, 2014, Mandalay issued \$60 million of debt securities at an interest rate of 5.875% for proceeds of \$60,000,000 by way of a concurrent offering of senior exchangeable bonds (the "Bonds") issued by Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the proceeds of the Bond offering from the Issuer under the terms of a loan agreement and related funding agreement (the "Loan") which together mirror the principal terms of the Bonds. The bonds are secured by the shares of the Australian subsidiary of the company.

Beginning on June 23, 2014, each Bond-holder has the right to exchange the principal amount of its Bonds for shares in the SPDR Gold Trust ("Gold Shares") based on the then-applicable exchange price. The initial exchange price is \$149.99 per Gold Share, which, at the initial issuance date of the Bonds, was equivalent to a gold price of \$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 net asset value (NAV) of the SPDR Gold Trust or Gold Shares is calculated.

If a Bondholder exercises its exchange rights, the Issuer will give notice to the Company, and the Company will be required to deliver the requisite number of Gold Shares (less the number of Gold Shares, if any, being released from the Custody Account in connection with the exchange) to the Bond - holder.

Starting on May 14, 2017, the Company is required to start depositing, on a quarterly basis, Gold Shares into a depository account maintained by The Bank of New York Mellon, London Branch. The depository account serves as security for the Issuer's obligations to the Bondholders.

The number of Gold Shares that must be deposited on each quarterly installment date is determined in accordance with the following formula:

$$DSI = (1 / A) \times ((B / C) - D)$$

Where:

DSI is the number of Gold Shares to be registered in the custody account on the relevant installment date;

"A" is the number of instalment dates remaining (including the relevant installment date);

"B" is the aggregate principal amount of the Bonds outstanding as at the relevant installment date;

"C" is the then prevailing exchange price for the Bonds; and

"D" is the number of Gold Shares that are held in the custody account immediately before the relevant installment date.

The Issuer 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 \$9,000,000 or less in the principal amount of the Bonds remains outstanding.

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

As the Bondholders have the right to exchange the principal amount for Gold Shares any time after June 13, 2017, the Company has classified the carrying amount of the loan as a current liability of \$54,615,000 (December 31, 2014 - \$53,621,000) in the consolidated statement of financial position of the Company as at September 30, 2015.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

13. Provisions

	Employee benefits
	(\$'000)
Balance, December 31, 2014	3,229
Additions	1,549
Amounts paid	(1,572)
Foreign exchange	(437)
Balance, September 30, 2015	2,768
Less: current portion	2,126
Total non-current portion	642

Costerfield and Cerro Bayo provide for vacation provisions for their current employees in accordance with statutory requirements.

14. Share capital

At September 30, 2015, the Company had unlimited authorized common shares without par value and 410,394,979 common shares outstanding (December 31, 2014 - 408,758,095 common shares). All outstanding shares are fully paid.

(a) Shares issued

For the three months ended September 30, 2015, the Company issued common shares upon exercise of share options by their holders (Note 14 (b)) and redemption of RSUs.

(b) Stock options

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

Option holders resident in Australia have a choice of receiving cash in the amount equal to the differences between the exercise price and the market price of the Company's share at the date of exercise. The cash election option expires two days after the vesting date. The share purchase option remains exercisable until the end of the term which is generally five years from the date of grant. The liability is re measured at fair value. As at September 30, 2015, the liability is \$19,000 (2014 - \$278,000). The Company recognized a fair value measurement gain / (loss) of \$217,000 and \$462,000 for the three and nine months ended September 30, 2015, respectively (2014 - \$77,000 and \$13,000) which is included in share-based compensation.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

14. Share capital (continued)

(b) Stock options (continued)

During the three months ended September 30, 2015, there were no stock options exercised under the cash election option. As at September 30, 2015, 2,020,000 stock options with the cash election option are outstanding.

	Number of options (^{'000})	Weighted average exercise price C\$
Balance, December 31, 2013	16,073	0.73
Granted	4,555	0.98
Forfeited	(675)	1.01
Exercised-equity issuance	(3,005)	0.39
Balance, December 31, 2014	16,948	0.85
Granted	5,120	0.91
Forfeited	(1,058)	1.00
Exercised-equity issuance	(1,527)	0.38
Balance, September 30, 2015	19,483	0.89

The following table summarizes information about the stock options outstanding at September 30, 2015:

	Options outstanding		Options exercisable		
	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of options exercisable	Weighted average exercise price C\$
	50,000	0.76	0.76	50,000	0.76
	370,000	0.53	0.58	370,000	0.58
	2,712,500	0.45	0.56	2,712,500	0.56
	250,000	1.17	0.70	250,000	0.70
	3,572,500	1.44	0.83	3,572,500	0.83
	3,542,500	2.47	1.13	-	1.13
	4,065,000	3.48	0.98	-	0.98
	100,000	4.10	0.93	-	0.93
	4,820,000	4.48	0.91	-	0.91
	19,482,500	2.66	0.89	6,955,000	0.71

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

14. Share capital (continued)

(c) Share-based compensation

For the three and nine months ended September 30, 2015, the Company recorded \$135,000 and \$712,000 (2014 - \$484,000 and \$1,241,000) as share-based compensation expense and recorded this amount in share option reserve. The value was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value was C\$0.90 and C\$0.91 (2014 - C\$0.98 and C\$0.98) for the three and nine months ended September 30 2015, and was calculated using the following weighted average assumption. Expected stock price volatility is based on the Company's historical share price volatility.

	Three and nine months ended September 30	
	2015	2014
Risk free interest rate	0.59%	1.06%
Expected dividend yield	3.49%	3.43%
Expected option life (years)	5.00	5.00
Expected stock price volatility	48%	63%
Expected annual forfeiture rate	5%	5%

(d) Restricted Share Unit Awards

During the year ended December 31, 2013, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") and granted Restricted Share Units ("RSUs") to certain directors. Additional RSUs have been granted to certain directors on an annual basis in each year since the RSU Plan was adopted. Under the RSU Plan, those directors granted RSUs will receive the Company's common shares at no cost at the end of vesting periods which are based on graded vesting over three years. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The RSU value is determined based on the fair value of the Company's share at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

The number of outstanding RSUs as at September 30, 2015 is as follows:

	Number of RSU's
Balance, December 31, 2013	306,560
Granted	8,286
Redeemed	(103,842)
Balance, December 31, 2014	211,004
Granted	313,672
Redeemed	(109,577)
Outstanding at September 30, 2015	415,099

For the three and nine months ended September 30, 2015, the company recorded \$39,000 and \$111,000 (2014 - \$17,000 and \$108,000) as share based compensation relating to RSUs.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

14. Share capital (continued)

(e) Dividends

On February 17, 2015, May 12, 2015, and August 5, 2015, the Board of Directors declared dividends in the amount of C\$0.0121, C\$0.0101 and C\$0.0098 per common share respectively, based on the Company's operating results for the three months period ended December 31, 2014, March 31, 2015, and June 30, 2015, respectively, payable to shareholders of record as of February 27, 2015, May 22, 2015, and August 17, 2015. Total payments of \$3,037,000 and \$10,321,383 were made during the three and nine months ended September 30, 2015 (2014 - \$2,693,000 and \$7,372,000).

15. Cost of sales

The cost of sales for the three and nine months ended September 30, 2015 and 2014 consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Raw materials and consumables	11,129	10,535	34,365	28,144
Salary and employee benefits	8,724	8,804	27,319	26,899
Contractors	3,755	1,322	11,797	3,124
Change in inventories	(177)	(5,704)	827	(8,273)
Royalty	481	476	1,607	1,579
Other	5,034	5,750	14,940	16,459
	28,946	21,183	90,855	67,932

16. Finance costs:

Finance costs for the three and nine months ended September 30, 2015 and 2014 consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Interest on borrowings	1,271	1,126	3,784	1,893
Accretion of reclamation and site closure costs	73	136	216	359
	1,344	1,262	4,000	2,252

17. Derivative financial instruments

(a) Conversion feature under the five year exchangeable bond

The Company has valued the conversion feature of the Loan (Note 12) using the Black Scholes option pricing model and determined the value of \$4,634,000 at the date of May 13, 2014. For three months ended September 30, 2015, the derivative value of the conversion feature amounts to \$1,282,768 (December 31, 2014 - \$2,854,000) and is recorded as a current liability on the consolidated statement of financial position. The Company recorded a fair value measurement gain of \$668,000 for three months ended September 30, 2015, and fair value measurement gain of \$1,571,000 for nine months

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

17. Derivative financial instruments (continued)

(a) *Conversion feature under the five year exchangeable bond (continued)*

ended September 30, 2015. The value was estimated using the following Level 2 assumptions: risk free interest rate of 0.52%; volatility of 18%, gold forward curve adjustment of -0.32%.

(b) *Oil call option*

On December 15, 2014, the Company entered into a crude oil call for a notional amount of 120,000 barrels of crude oil at an exercise price of \$60.50 per barrel for the period comprising of January 1 to December 31, 2015. As at September 30, 2015, the derivative has a carrying value of \$3,000 (at December 31, 2014 - \$552,000) recorded as current asset in the consolidated financial statements. The Company recorded a fair value measurement gain of \$12,000 for three months ended September 30, 2015, and fair value measurement loss of \$305,000 for the nine months ended September 30, 2015.

(c) *Marketable securities*

In context of the Elgin acquisition, the Company indirectly acquired marketable securities with a fair market value of \$193,000 as at September 30, 2015 (at December 31, 2014 - \$221,000), 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 \$29,000 and \$47,000 for the three and nine months ended September 30, 2015, respectively.

18. Fair value measurement

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

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

As at September 30, 2015, the provisional pricing feature of trade receivables, other receivables and oil derivative are based on Level 2 input. Provisional pricing feature of trade and other payables, five year exchangeable bonds and derivative financial instruments are based on Level 2 input. Reclamation and other deposits and long term-debt are also based on Level 2 input, whereas Marketable securities are based on Level 1 input. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

19. Income tax

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 credits. 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.

During the three months ended September 30, 2015, the Company recognized \$1,013,000 (2014 - \$328,000 recovery) as deferred tax expense for Costerfield, \$133,000 (2014 - \$389,000 expense) as deferred tax recovery for Cerro Bayo and \$7,000 (2014 - \$83,000) as deferred tax recovery for Björkdal. During the nine months ended September 30, 2015, the Company recognized \$4,264,000 (2014 - \$1,419,000 recovery) as deferred tax expense for Costerfield, \$79,000 (2014 - \$61,000 recovery) as deferred tax expense for Cerro Bayo and \$427,000 (2014 - \$83,000) as deferred tax expense for Björkdal.

20. Income per share

As at September 30, 2015, the weighted average number of common shares for the purpose of diluted income per share reconciles to the weighted average number of common shares used in the calculation of basic income per share were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	('000)	('000)	('000)	('000)
Basic weighted average number of shares outstanding	409,681	340,797	409,195	342,237
Effect of diluted securities				-
Stock options	985	4,587	1,461	3,940
Warrants	-	11,121	-	10,797
RSU	416	280	392	289
Diluted weighted average number of shares outstanding	411,082	356,785	411,048	357,263

The following potential stock options are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purpose of diluted income per share calculation because their exercise price exceeded the daily weighted average market values of the common shares for the three and nine months ended September 30, 2015, of C\$0.81 and C\$0.89 (three and nine months ended September 30, 2014 C\$1.10 and C\$1.01) respectively:

	Three months ended September 30,		Nine months ended, September 30,	
	2015	2014	2015	2014
	('000)	('000)	('000)	('000)
Stock options	16,100	4,113	12,528	4,113

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

21. Restatement

Restatement 1 & 2: In preparing the consolidated interim financial statements for the three month period ended March 31, 2015 and 2014, the Company had determined that a Chilean provision relating to termination payments, which had grown by immaterial amounts over several years, had been incorrectly recorded as the amounts did not meet the criteria for recognition under IFRS 19 Employees Benefits. The amount of the provision as at December 31, 2014, was \$3,233,000 with a corresponding deferred tax asset of \$900,000.

In addition, the Company had determined that the deferred income tax asset in Costerfield was overstated due to incorrectly transferring immaterial amounts of tax basis from exploration assets to develop mine properties over several years. The deferred income tax asset as at December 31, 2014, was \$1,093,000. The above two corrections also resulted in an adjustment to increase the opening retained earnings (i.e. as at January 1, 2014) by \$1,240,000 with no corresponding adjustment made to either or the consolidated statements of income and comprehensive income or cash flows for any of the three month periods ended June 30, 2014, June 30, 2014, September 30, 2014, or December 31, 2014, nor for the years ended December 31, 2014 or 2013.

Restatement 3: During three months ended September 30, 2015, as disclosed in Note 5 (Acquisition of Elgin Mining Inc.), the Company finalized the purchase price allocation for the Elgin acquisition resulting in adjustments to property, plant and equipment and the deferred tax liability. In accordance with IFRS 3, *Business Combinations*, these adjustments are applied retroactively.

The impact to the consolidated interim statement of financial position as at December 31, 2014, as a result of the above corrections and adjustments is as follows:

	Previously reported	Effect of correction			Restated
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
	Dr/(Cr)	Dr/(Cr)	Dr/(Cr)	Dr/(Cr)	Dr/(Cr)
		(1)	(2)	(3)	
Provisions (non current liability)	(3,754)	3,233			(521)
Deferred tax asset	9,050	(900)	(1,093)	-	7,057
Retained earnings	(68,965)	(2,333)	1,093	-	(70,205)
Deferred tax liability	(11,967)	-	-	303	(11,664)
Property, plant and equipment	215,940	-	-	(303)	215,637
Total	140,304	-	-	-	140,304

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

22. Segmented information

The Company manages its operations by geographical location. These reportable operating segments are summarized in the table below:

	Three months ended on September 30, 2015				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	16,363	15,956	10,963	-	43,282
Depletion and depreciation (including corporate depreciation)	(3,618)	(4,132)	(1,721)	(7)	(9,478)
Income (loss) from operations	4,407	(720)	(301)	(1,537)	1,849
Other expense, except for fair value adjustment on derivative financial warrants	200	(438)	131	788	681
Income for underlying operations	4,607	(1,158)	(170)	(749)	2,530
Income for underlying operations per share					
Basic					\$0.01
Diluted					\$0.01
Fair value adjustments gain (loss) (Note 17)					
Five year exchangeable bonds	-	-	-	667	667
Marketable Securities	-	-	-	(29)	(29)
Oil derivative	-	-	-	(200)	(200)
Total fair value adjustment	-	-	-	438	438
Income (loss) before income taxes	4,607	(1,158)	(170)	(311)	2,968
Current tax recovery (expense)	-	65	20	-	85
Deferred tax recovery (expense)	(1,013)	133	7	-	(873)
Net income (loss)	3,594	(960)	(143)	(311)	2,180
Income per share					
Basic					\$0.01
Diluted					\$0.01
Cash expenditure for property, plant and equipment	3,179	4,423	3,432	-	11,034
Total non-current assets as at September 30, 2015	54,369	89,448	73,674	30,578	248,069
Total assets as at September 30, 2015	68,338	129,314	92,689	59,058	349,399
Total liabilities as at September 30, 2015	10,826	20,521	25,948	75,609	132,904

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

22. Segmented information (continued)

	Nine months ended on September 30, 2015				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	53,285	56,394	41,175	-	150,854
Depletion and depreciation (including corporate depreciation)	(10,552)	(12,605)	(5,226)	(75)	(28,458)
Income (loss) from operations	16,348	3,081	7,994	(2,760)	24,663
Other income (expense), except for fair value adjustment on financial instruments	(294)	(800)	101	1,316	323
Income (loss) from underlying operations	16,054	2,281	8,095	(1,444)	24,986
Income for underlying operations per share					
Basic					\$0.06
Diluted					\$0.06
Fair value adjustments gain (loss) (Note 17)					
Five year exchangeable bonds	-	-	-	1,570	1,570
Marketable securities	-	-	-	(47)	(47)
Oil derivative	-	-	-	(505)	(505)
Total fair value adjustments	-	-	-	1,018	1,018
Income (loss) before income taxes	16,054	2,281	8,095	(426)	26,004
Current tax expense	-	(216)	(1,280)	-	(1,496)
Deferred tax expense	(4,264)	(79)	(427)	-	(4,770)
Net income (loss)	11,790	1,986	6,388	(426)	19,738
Income per share					
Basic					\$0.05
Diluted					\$0.05
Cash expenditure for property, plant and equipment	13,785	13,813	10,768	-	38,366
Total non-current assets as at September 30, 2015	54,369	30,578	89,448	73,674	248,069
Total assets as at September 30, 2015	68,338	59,058	129,314	92,689	349,399
Total liabilities as at September 30, 2015	10,826	75,609	20,521	25,948	132,904

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

22. Segmented information (continued)

	Three months ended on September 30, 2014				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	18,876	11,804	3,996	-	34,676
Depletion and depreciation (including corporate depreciation)	(4,035)	(4,887)	(586)	(37)	(9,545)
Income (loss) from operations	1,913	721	(33)	(2,084)	517
Other income (expense), except for fair value adjustment on derivative financial warrants	(432)	(97)	115	(447)	(861)
Income (loss) for underlying operations	1,481	624	82	(2,531)	(344)
Income for underlying operations per share					
Basic					\$0.00
Diluted					\$0.00
Fair value adjustments gain (loss) (Note 17)					
Financing instruments	-	-	-	72	72
Marketable Securities	-	-	-	(38)	(38)
Total fair value adjustment	-	-	-	34	34
Net income (loss) before income taxes	1480	624	82	(2,496)	(310)
Current tax expense	-	(568)	42	-	(526)
Deferred tax recovery (expense)	(328)	389	83	-	144
Net income (loss)	1,152	445	207	(2,496)	(692)
Income per share					
Basic					\$0.00
Diluted					\$0.00
Cash expenditure for property, plant and equipment	6,329	7,161	597	-	14,087
Total non-current assets as at December 31, 2014	60,007	87,615	71,580	32,607	251,809
Total assets as at December 31, 2014	74,664	134,532	88,945	64,663	362,805
Total liabilities as at December 31, 2014	8,560	28,631	25,676	79,920	142,787

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

22. Segmented information (continued)

	Nine months ended on September 30, 2014				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	52,796	60,864	3,996	-	117,656
Depletion and depreciation (including corporate depreciation)	(10,855)	(13,317)	(586)	(51)	(24,809)
Income (loss) from operations	5,897	14,705	(33)	(4,479)	16,090
Other income (expense), except for fair value adjustment on financial instruments	(1,026)	(221)	115	(791)	(1,923)
Income (loss) from underlying operations	4,871	14,484	82	(5,270)	14,168
Income from underlying operations per share					
Basic					\$0.04
Diluted					\$0.04
Fair value adjustments gain (loss) (Note 17)					
Currency Hedge Contract	226	-	-	-	226
Financing instruments	-	-	-	(197)	(197)
Marketable Securities	-	-	-	(38)	(38)
Total fair value adjustment	226	-	-	(235)	(9)
Net income (loss) before income tax	5,097	14,484	82	(5,505)	14,158
Current tax expense	-	(2,815)	42	-	(2,773)
Deferred tax expense	(1,419)	(61)	83	-	(1,397)
Net income (loss)	3,678	11,608	207	(5,505)	9,988
Income per share					
Basic					\$0.03
Diluted					\$0.03
Cash expenditure for property, plant and equipment	22,519	17,891	596	-	41,006
Total non-current assets as at December 31, 2014	60,007	87,615	71,580	32,607	251,809
Total assets as at December 31, 2014	74,664	134,532	88,945	64,663	362,805
Total liabilities as at December 31, 2014	8,560	28,631	25,676	79,920	142,787

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2015 and December 31, 2014

(Unaudited)

(Expressed in U.S. dollars)

22. Segmented information (continued)

For the three months ended September 30, 2015, the Company had four (2014 - six) customers from which it earned more than 10% of its total revenue. For the nine months ended September 30, 2015, the company had four (2014 – six) customers from which it earned more than 10% of its total revenue.

Revenue from these customers is summarized as follows:

	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	11,677	12,798	30,473	35,925
Customer 2	4,735	6,076	21,544	16,771
	16,412	18,874	52,017	52,696
Cerro Bayo (silver and gold)				
Customer 3	10,041	6,770	34,222	34,188
Customer 4	-	2,183	-	17,189
	10,041	8,953	34,222	51,377
Björkdal (gold)				
Customer 5	9,414	3,224	35,167	3,224
Customer 6	-	771	-	771
	9,414	3,995	35,167	3,995
Total	35,867	31,822	121,406	108,068

23. Subsequent event

Dividend:

On November 5, 2015, the Board of Directors declared a dividend in the amount of \$0.0063 per share (C\$ 0.0083 per share), payable on November 26, 2015, to shareholders of record as of November 16, 2015.