Condensed consolidated interim financial statements of

Mandalay Resources Corporation

March 31, 2015
(Unaudited)

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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

Mandalay Resources Corporation
March 31, 2015

Table of contents

Mandalay Resources Corporation

Consolidated interim statements of income and comprehensive income
three months ended March 31, 2015 and 2014
(Expressed in U.S dollars)
(Unaudited)

	Three months ended March 31, 2015	2014
	$'000	$'000
Revenue	**56,779**	38,092
Cost of operations		
Cost of sales excluding depletion and depreciation (Note 15)	**30,994**	20,376
Depletion and depreciation	**9,624**	7,284
	40,618	27,660
Income from mine operations	**16,161**	10,432
Expenses		
Administration	**1,402**	1,416
Business development costs	**116**	274
Share-based compensation (Note 14(b),(c) and (d))	**283**	357
Loss on disposal of property, plant and equipment	**12**	6
Write-off of exploration and evaluation (Note 8)	**-**	294
	1,813	2,347
Income from operations	**14,348**	8,086
Other income (expenses)		
Finance costs (Note 16)	**(1,279)**	(235)
Gain (loss) on derivative financial instruments (Note 17)	**283**	105
Interest and other income	**171**	35
Foreign exchange gain	**2,471**	(52)
	1,646	(147)
Income before income taxes	**15,994**	7,939
Income taxes expense (recovery) (Note 19)		
Current	**1,226**	642
Deferred	**2,284**	1,552
Income tax expense	**3,510**	2,194
Net income for the period	**12,484**	5,744
Other comprehensive income, net of tax		
Item that may subsequently be reclassified to net income (loss)		
Foreign currency translation	**(9,571)**	1,574
Comprehensive income for the year	**2,913**	7,318
Income per share (Note 20)		
Basic	**$0.03**	$0.02
Diluted	**$0.03**	$0.02
Weighted average number of common shares outstanding (Note 20)		
Basic ('000)	**408,923**	331,686
Diluted ('000)	**411,855**	346,306

Approved and authorized for issue by the Board on May 12, 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

Consolidated intreim statements of financial position
as at March 31, 2015 and December 31, 2014
(Expressed in U.S dollars)
(Unaudited)

	March 31, 2015	December 31, 2014
	$'000	$'000 (Restated - note 21)
Assets		
Current assets		
Cash and cash equivalents	**51,954**	49,004
Trade and other receivables (Note 6)	**32,741**	32,142
Inventories (Note 7)	**26,178**	27,663
Prepaid expenses and other	**2,747**	2,187
Derivative financial instruments	**199**	-
	113,819	110,996
Non-current assets		
Reclamation and other deposits (Note 12)	**26,186**	28,523
Trade and other receivables (Note 6)	**333**	343
Property, plant and equipment (Note 8)	**212,937**	215,940
Intangible asset (Note 9)	**125**	249
Deferred tax asset (Note 19)	**4,728**	7,057
	244,309	252,112
	358,128	363,108
Liabilities		
Current liabilities		
Five year exchangeable loan (Note 12)	**53,945**	53,621
Trade and other payables (Note 10)	**19,658**	23,347
Current portion of borrowings (Note 11)	**832**	951
Income taxes payable	**5,960**	2,580
Provisions (Note 13)	**2,126**	2,707
Derivative financial instruments (Note 17)	**2,241**	2,854
	84,762	86,060
Non-current liabilities		
Borrowings (Note 11)	**1,685**	1,821
Reclamation and site closure costs	**40,437**	42,721
Deferred tax liability (Note 19)	**11,367**	11,967
Provisions (Note 13)	**556**	521
	54,045	57,030
	138,807	143,090
Equity		
Share capital (Note 14)	**158,315**	158,170
Share option reserve (Note 14)	**9,117**	8,896
Foreign currency translation reserve	**(26,824)**	(17,253)
Retained earnings	**78,713**	70,205
	219,321	220,018
	358,128	363,108

Approved and authorized for issue by the Board on May 12, 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 interim statements of changes in equity
three months ended March 31, 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))	205	145	(59)	-	-	-	**86**
Share-based compensation (Note 14 (c))	-	-	280	-	-	-	**280**
Dividends paid (Note 14 (e))	-	-	-	-	-	(3,976)	**(3,976)**
Total comprehensive (loss) income for the period	-	-	-	-	**(9,571)**	**12,484**	**2,913**
Balance, March 31, 2015	**408,963**	**158,315**	**9,117**	-	**(26,824)**	**78,713**	**219,321**

	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))	299	197	(82)	-	-	-	115
Share-based compensation (Note 14 (c))	-	-	311	-	-	-	311
Warrants exercised	5,100	2,422	-	(284)	-	-	2,138
Normal course issuer bid	(31)	(9)	-	-	-	(13)	(22)
Dividends paid (Note 14 (e))	-	-	-	-	-	(2,344)	(2,344)
Challacollo acquisition (Note 4)	12,000	9,188	-	-	-	-	9,188
Total comprehensive (loss) income for the period	-	-	-	-	1,574	5,744	7,318
Balance, March 31, 2014	**340,148**	**101,578**	**8,668**	**804**	**(5,012)**	**65,487**	**171,525**

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Consolidated interim statements of cash flows
three months ended March 31, 2015 and 2014
(Expressed in U.S dollars)
(Unaudited)

	Three months ended March 31, 2015	2014
	$'000	$'000
Operating activities		
Net income	**12,484**	5,744
Adjustments to reconcile net income to net cash flows from operating activities		
Amortization of intangible assets	**125**	125
Depletion and depreciation	**9,631**	7,291
Share-based compensation	**283**	357
Loss (gain) on disposal of property, plant and equipment	**12**	6
Write-off of exploration and evaluation	**-**	294
Finance cost	**1,279**	235
Unrealized loss (gain) on derivative financial instruments	**(283)**	(241)
Interest and other income	**(171)**	(35)
Foreign exchange (gain) loss	**(2,369)**	107
Income tax expense	**3,698**	2,194
Change in non-cash operating working capital items		
Trade and other receivables	**(2,297)**	(10,647)
Inventories	**597**	(1,651)
Prepaid expenses and other	**(701)**	(957)
Trade and other payables	**(297)**	2,157
Provisions	**(81)**	370
Cash generated from operations	**21,910**	5,349
Income taxes paid		
Interest and other income received	**171**	35
Interest paid	**(881)**	(36)
Net cash flows from operating activities	**21,200**	5,348
Investing activities		
Payment/(recovery) for reclamation deposit and others	**(158)**	(29)
Expenditure for property, plant and equipment	**(13,001)**	(10,422)
Proceeds on disposal of property, plant and equipment	**2**	-
Acquisition of Challacollo (Note 4)	**-**	(7,501)
Net cash flows used in investing activities	**(13,157)**	(17,952)
Financing activities		
Proceeds from borrowings	**4**	-
Issuance of common shares for cash	**86**	2,253
Purchase of common shares for cancellation	**-**	(22)
Dividends paid (Note 14 (e))	**(3,976)**	(2,344)
Net cash flows used in financing activities	**(3,886)**	(113)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**(1,207)**	(753)
Increase (decrease) in cash and cash equivalents	**2,950**	(13,470)
Cash and cash equivalents, beginning of the period	**49,004**	33,465
Cash and cash equivalents, end of period	**51,954**	19,995
Cash and cash equivalents are comprised of		
Cash	**51,954**	19,995
Cash equivalents	**-**	-
	51,954	19,995

See accompanying notes to the condensed consolidated interim financial statements.

1. Description of business and nature of operations

Mandalay Resources Corporation ("Mandalay" or the "Company") 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 ("Mandalay Australia"), the Cerro Bayo silver and gold mine in Chile ("Cerro Bayo"), the Björkdal gold mine in Sweden, 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* and IFRS 3.

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 Note 2 (t), of 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 March 31, 2015.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

(a) *IFRS effective for annual periods beginning on or after January 1, 2015*

Effective January 1, 2015, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB. The application of the following standards has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

(i) Amended Standard IAS 32 - Financial Instruments: Presentation

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

(ii) Amended Standard IAS 39 — Financial Instruments: Recognition and Measurement

3. Summary of significant accounting policies (continued)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

(iii) Interpretation : IFRIC 21 – Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

(iv) Amendment to IAS 36 - Impairment of Assets

The amendment clarifies the disclosures required in relation to the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

(b) 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.

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, 2017 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) $7.5 million in cash;

(ii) 12 million common shares of the Company;

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

(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 million.

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.

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) $24.5 million (C$27 million) in cash; (ii) issuance of 50 million common shares of the Company; and (iii) $4.6 million (C$5 million) in cash to repay an existing bridge loan of Elgin.

The transaction is being accounted for as a business combination with the Company identified as the acquirer. The acquisition has been accounted for on a preliminary basis taking into account the information available at the time these consolidated financial statements were prepared. The fair values related to property, plant and equipment, including stockpiled ore, disclosed above are preliminary as at

5. Acquisition of Elgin Mining Inc. (continued)

December 31, 2014, due to the complexity of the acquisition and the inherent uncertain nature of valuing mining interests, plant and equipment and exploration and evaluation assets. No value has been allocated to goodwill in the preliminary purchase allocation as all incremental values have been allocated to the property, plant and equipment, specifically to exploration and evaluation assets. The purchase price allocation is preliminary and will be finalized upon the completion of a mine plan, which will utilize the Company's recently issued reserve report, and the subsequent completion of a valuation completed by a third party valuator. It is expected these activities will be completed by the second quarter of 2015.

	($'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	**79,284**
Trade and other payables	**(10,869)**
Deferred tax liabilities	**(12,249)**
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**

The preliminary values allocated to property, plant and equipment are as follows:

	Björkdal	**Other**	**Total**
	($'000)	($'000)	**($'000)**
Mineral property	21,200	-	**21,200**
Property, plant and equipment	12,355	3,317	**15,672**
Exploration and evaluation	38,460	3,952	**42,412**
Total	72,015	7,269	**79,284**

5. Acquisition of Elgin Mining Inc. (continued)

These values may change upon the finalization of the purchase price allocation and goodwill may also be recognized.

6. Trade and other receivables

Trade and other receivables are comprised of the following:

	March 31, 2015	December 31, 2014
	($'000)	($'000)
Trade receivables	**24,390**	27,130
Mark to market adjustment	**1,376**	-
VAT and other indirect tax receivables	**6,302**	3,951
Other receivables	**1,006**	1,404
	33,074	32,485
Less: non-current portion	**333**	343
Total current portion	**32,741**	32,142

The allowance for doubtful accounts was $ Nil at March 31, 2015, and $ Nil at 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

	March 31, 2015	December 31, 2014
	($'000)	($'000)
Finished goods	**10,993**	11,567
Work in progress and stockpiled ore	**3,779**	4,089
Consumables	**11,406**	12,007
	26,178	27,663

The amount of inventories recognized in cost of sales for three months ended March 31, 2015 is $40,618,000 (2014 - $27,659,711).

There were no inventory write-downs or reversals of write-downs during the three months ended March 31, 2015 or 2014.

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	172,685
Acquisition	-	-	21,200	-	-	12,355	3,317	-	-	38,460	20,310	95,642
Additions	18,774	9,387	2,565	4,951	8,166	567	143	3,609	1,788	364	6,955	57,268
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)	(12,752)
As at December 31, 2014	60,741	55,414	21,856	27,062	42,637	11,533	3,558	2,030	4,300	38,738	40,146	308,015
Additions	3,173	1,936	1,782	1,566	1,916	772	5	301	61	519	1,119	13,150
Disposals	-	-	-	(115)	-	-	-	-	-	-	-	(115)
Reclassification to mining interest	281	-	-	-	-	-	-	(281)	-	-	-	-
Write-off of exploration and evaluation	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	(3,116)	-	(993)	(1,920)	-	(904)	(79)	(485)	-	(1,105)	68	(8,534)
As at March 31, 2015	**61,079**	**57,350**	**22,645**	**26,593**	**44,553**	**11,401**	**3,484**	**1,565**	**4,361**	**38,152**	**41,333**	**312,516**
Accumulated depreciation												
As at January 1, 2014	16,965	19,054	-	5,840	16,928	-	139	-	-	-	-	58,926
Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Expense	13,285	12,702	1,532	2,086	6,240	1,131	162	-	-	-	-	37,137
Disposals	-	-	-	(948)	-	-	-	-	-	-	-	(948)
Foreign exchange	(2,325)	-	-	(705)	-	-	(10)	-	-	-	-	(3,041)
As at December 31, 2014	27,925	31,756	1,532	6,273	23,168	1,131	290	-	-	-	-	92,075
Expense	2,897	2,631	952	664	1,789	818	50	-	-	-	-	9,801
Disposals	-	-	-	(101)	-	-	-	-	-	-	-	(101)
Foreign exchange	(1,688)	-	-	(497)	-	-	(11)	-	-	-	-	(2,196)
As at March 31, 2015	**29,134**	**34,387**	**2,484**	**6,339**	**24,957**	**1,949**	**329**	**-**	**-**	**-**	**-**	**99,579**
Carrying value												
As at January 1, 2014	24,904	24,939	-	20,607	17,544	-	447	5,164	5,788	-	14,365	113,759
As at December 31, 2014	32,816	23,658	20,324	20,789	19,469	10,402	3,268	2,030	4,300	38,738	40,146	215,940
As at March 31, 2015	**31,945**	**22,963**	**20,161**	**20,254**	**19,596**	**9,452**	**3,155**	**1,565**	**4,361**	**38,152**	**41,333**	**212,937**

For three months ended March 31, 2015, Cerro Bayo’s plant and equipment depreciation of $153,623 and at Costerfield $16,908 were capitalized in mining interest (2014 –at Cerro Bayo$188,447 and at Costerfield $47,983).

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 $1,414,082 to secure the contract. This payment is recorded as an intangible asset and amortized over the contractual life of the union agreement (three years). The carrying amount of the intangible asset as at March 31, 2015 is $124,675 (December 31, 2014 - $249,376). Amortization expense for the three months ended March 31, 2015 of $124,701 (2014 - $124,701) is recorded as part of cost of sales.

10. Trades and other payables

	March 31, 2015	December 31, 2014
	($'000)	($'000)
Trade payables	**10,281**	10,386
Accrued liabilities	**6,841**	8,626
Cash election option (Note 14(b))	**111**	125
Mark to market adjustment (Note 24)	**-**	2,373
Payroll and other taxes payable	**2,425**	1,837
	19,658	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 a closing balance as at March 31, 2015 of $1.2 million for an equipment loan facility (the "Equipment Facility") with a local Swedish bank to finance certain capital expenditures which 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 to 39 months from the three months ended March 31, 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 also has equipment leases totaling $1.3 million. These leases financed 80% of the equipment purchase cost, bear interest at the 1-month STIBOR plus 2.05% per annum with monthly lease payments over a term of 36 to 39 months from the three months ended March 31, 2015, and have an equipment buy-out option at the end of the lease term equal to 10% of the original equipment purchase cost.

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 million by way of a concurrent offering of senior exchangeable bonds (the "Bonds") issued by Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the

12. Five year exchangeable loan (continued)

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 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 Bond-holder exercises its exchange rights, the Issuer will give notice to the Company, and the Company will be required to deliver the requisite number of Gold Shares (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 depositary account maintained by The Bank of New York Mellon, London Branch. The depositary account serves as security for the Issuer's obligations to the Bondholders.

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

DSI = (1 / A) x ((B / C) – D)

Where:
DSI is the number of Gold Shares to be registered in the custody account on the relevant instalment date;
"A" is the number of instalment dates remaining (including the relevant instalment date);
"B" is the aggregate principal amount of the Bonds outstanding as at the relevant instalment 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 instalment 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 million or less in the principal amount of the Bonds remains outstanding.

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

12. Five year exchangeable bonds (continued)

Following is a summary of the carrying amount of the loan:

	$'000
Principal issued	60,000
Fund raising expenses	(2,992)
Fair value allocated to derivative	(4,634)
Debt as at May 13, 2014	52,374
Accretion	1,111
Interest payable	460
Debt balance as at March 31, 2015	53,945

As the Bondholder's have the right to exchange the principal amount for Gold Shares any time after June 23, 2014, the Company has classified the carrying amount of the loan as a current liability in the consolidated statement of financial position of the Company as at March 31, 2015.

13. Provisions

	Employee benefits
	($'000)
Balance, December 31, 2014	3,229
Additions	490
Amounts paid	(861)
Foreign exchange	(176)
Balance, March 31, 2015	2,682
Less: current portion	2,126
Total non-current portion	556

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

(ii) Cerro Bayo provides for certain severance payments in accordance with statutory requirements.

14. Share capital

At March 31, 2015, the Company had unlimited authorized common shares without par value and 408,963,095 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 March 31, 2015, the Company issued its common shares upon exercise of share options and warrants by their holders (Note 14 (b) and (e)).

14. Share capital (continued)

(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.

The Company has amended its stock option plan whereby 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. As a result of this amendment, the Company reclassified $197,356 from share option reserve to derivative financial instruments in 2013. Subsequently, the liability is re measured at fair value. As at March 31, 2015, the liability is $110,964 (2014-$129,807).The Company recognized a fair value measurement gain/ (loss) of $116,098 for the three months ended March 31, 2015 (2014 - $3,064) which is included in share-based compensation.

During the three months ended March 31, 2015, the Company paid $ Nil upon exercise of stock options under the cash election option. As at March 31, 2015, 2,020,000 stock options with the cash election option are outstanding.

	Number of options	Weighted average exercise price
	('000)	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	(50)	0.83
Exercised-equity issuance	(205)	0.54
Balance, March 31, 2015	**21,813**	**0.87**

(Expressed in U.S. dollars)

14. Share capital (continued)

(b) Stock options (continued)

The following table summarizes information about the stock options outstanding at March 31, 2015:

		Options outstanding	Options exercisable	
Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
		C$		**C$**
50,000	1.26	0.76	50,000	0.76
370,000	1.03	0.58	370,000	0.58
2,992,500	0.95	0.56	2,992,500	0.56
300,000	0.52	0.33	300,000	0.33
700,000	0.41	0.26	700,000	0.26
250,000	1.67	0.70	250,000	0.70
3,662,500	1.94	0.83	3,662,500	0.83
3,942,500	2.97	1.13	-	1.13
4,305,000	3.98	0.98	-	0.98
120,000	4.60	0.93	-	0.93
5,120,000	4.98	0.91	-	0.91
21,812,500	**1.86**	**0.87**	**8,325,000**	**0.65**

(c) Share-based compensation

For the three months ended March 31, 2015, the Company recorded $283,000 (2014 - $356,836) 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$0.91 (2014 - C$0.98) for the three months ended March 31 2015, and was calculated using the following weighted average assumption. Expected stock price volatility is based on the Company's historical share price volatility.

(Expressed in U.S. dollars)

14. Share capital (continued)

(c) Share-based compensation (continued)

	Three months ended March 31, 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	**47.87%**	62.98%
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. 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 March 31, 2015 is as follows:

	Number of RSU's
Balance, December 31, 2014	211,004
Granted	302,861
Outstanding at March 31, 2015	513,865

For the three months ended March 31, 2015, the company recorded $15,744 (2014 - $47,783) as share based compensation relating to RSUs.

(e) Dividends

On February 17, 2015, the Board of Directors declared a dividend in the amount of C$0.0121 per common share, based on the Company's operating results for the three months ended December 31, 2014, payable to shareholders of record as of February 27, 2015. Total payment of $3,976,068 was made during the three months ended March 31, 2015 (2014 - $2,344,012).

15. Cost of sales

The cost of sales for the three months ended March 31, 2015 and 2014 consists of:

	Three months ended March 31,	
	2015	2014
	$	$
Raw materials and consumables	12,024	8,032
Salary and employee benefits	9,347	8,988
Contractors	4,011	835
Change in inventories	258	(2,452)
Royalty	582	446
Other	4,772	4,527
	30,994	**20,376**

16. Finance Costs:

The finance costs for the three months ended March 31, 2015 and 2014, consists of:

	Three months ended March 31,	
	2015	2014
	($'000)	($'000)
Interest on borrowings	**1,207**	124
Accretion of reclamation and site closure costs	**72**	111
	1,279	235

17. Derivative financial instruments

(a) Conversion feature under 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 $4,633,984 at the date of May 13, 2014. For three months ended March 31, 2015, the derivative value of the conversion feature amounts to $2,241,118 and is recorded in derivative financial instruments on the consolidated statements of financial position. The Company recorded a fair value measurement gain of $612,914 for three months ended March 31, 2015. The value was estimated using the following Level 2 assumptions: risk free interest rate of 0.50%; volatility of 18%, gold forward curve adjustment of -0.37%.

(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. As at March 31, 2015, the derivative has a carrying value of $198,565 recorded as current asset in the consolidated financial statements.

17. Derivative financial instruments (continued)

(c) Marketable securities

In context of the Elgin acquisition, the Company acquired marketable securities with a fair market value of $189,629 as at March 31, 2015, 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 $13,208 for three months ended March 31, 2015.

18. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables (non-provisional pricing portion), reclamation and other deposits, and trade and other payables approximate their carrying value due to the nature of these items. The fair value of the five year exchangeable bonds approximate their carrying value as it was recently issued.

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 March 31, 2015, provisional pricing feature of trade receivables, financing warrants, cash election option and the conversion feature under the five year exchangeable bond are measured on a recurring basis and based on Level 2 inputs.

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 March 31, 2015, the Company recognized $1,333,710 (2014-$1,077,370) as deferred tax expense for Mandalay Australia, $668,755 ($474,948) as deferred tax expense for Cerro Bayo and $281,673 as deferred tax expense for Björkdal.

20. Income per share

As at March 31, 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 March 31,	
	2015	2014
	('000)	('000)
Basic weighted average number of shares outstanding	**408,923**	331,686
Effective of diluted securities		
Stock options	**2,682**	4,073
Warrants	**-**	10,239
RSU	**249**	308
Diluted weighted average number of shares outstanding	**411,854**	346,306

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 months ended March 31, 2015 of C$0.94 (three months ended March 31, 2014 (C$0.90), respectively:

	Three months ended March 31,	
	2015	2014
	('000)	('000)
Stock options	8,248	8,324

21. Restatement

In preparing the consolidated interim financial statements for the three month period ended March 31, 2015 and 2014, the Company 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 $3.2 million with a corresponding deferred tax asset of $0.9 million.

In addition, the Company determined that the deferred income tax asset in Australia was overstated due to incorrectly transferring immaterial amounts of tax basis from exploration assets to developed mine properties over several years. The deferred income tax asset as at December 31, 2014 was $1.1 million.

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

21. Restatement (continued)

	Previously reported ($'000) Dr/(Cr)	Effect of correction ($'000) Dr/(Cr)	**Restated ($'000) Dr/(Cr)**
Provisions (non current liability)	(3,754)	3,233	(521)
Deferred tax asset	9,050	(1,993)	7,057
Retained earnings	(68,965)	(1,240)	(70,205)
Total	**(63,669)**	**-**	**(63,669)**

The correction also resulted in an adjustment to increase opening retained earnings (i.e. as at January 1, 2014) by $1.2 million 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 March 31, 2014, June 30, 2014, September 30, 2014 or December 31, 2014 nor for the years ended December 31, 2014 or 2013.

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 March 31, 2015				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	17,588	22,900	16,291	-	56,779
Depletion and depreciation					
(including corporate offfice depreciation)	(3,544)	(4,281)	(1,770)	(35)	(9,630)
Income (loss) from operations	5,644	3,425	5,396	(117)	14,348
Other income (expense), except for fair value					
adjustment on derivatve financial warrants	(95)	(265)	32	1,690	1,362
Income (loss) for underlying operations	5,549	3,160	5,428	1,573	15,710
Income for underlying operations per share					
Basic					$0.04
Diluted					$0.04
Fair value adjustments gain (loss)					
Five year exchangeable bonds (Note 11)	-	-	-	613	613
Marketable Securities	-	-	-	(13)	(13)
Oil derivative	-	-	-	(317)	(317)
Total fair value adjustment	-	-	-	283	283
Net income (loss) before income tax	5,549	3,161	5,428	1,856	15,994
Current tax expense	-	(381)	(845)	-	(1,226)
Deferred tax recovery (expense)	(1,334)	(668)	(282)	-	(2,284)
Net income (loss)	4,215	2,112	4,301	1,856	12,484
Income (loss) per share					
Basic					$0.03
Diluted					$0.03
Cash expenditures for property, plant and equipment	5,024	4,904	3,073	-	13,001
Total non-current assets as at March 31,2015	56,420	87,363	69,959	30,567	244,309
Total assets as at March 31,2015	73,525	134,970	89,552	60,081	358,128
Total liabilities as at March 31,2015	10,352	26,429	25,071	76,955	138,807

22. Segmented information (continued)

	Three months ended on March 31, 2014				
	Australia	Chile	Sweden	Corporate	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue	15,967	22,125	-	-	38,092
Depletion and depreciation (including corporate offfice depreciation)	(3,337)	(3,947)	-	-	(7,284)
Income (loss) from operations	2,784	6,076	-	(774)	8,086
Other income (expense), except for fair value adjustment on derivatve financial warrants	(203)	(147)	-	98	(252)
Income (loss) for underlying operations	2,581	5,929	-	(676)	7,834
Income for underlying operations per share					
Basic					$0.02
Diluted					$0.02
Fair value adjustments gain (loss)					
Currency Hedge Contract	212	-	-	-	212
Financing warrants	-	-	-	(107)	(107)
Total fair value adjustment	212	-	-	-	105
Net income (loss) before income taxes	2,793	5,929	-	(783)	7,939
Current tax expense	-	(642)	-	-	(642)
Deferred tax recovery (expense)	(1,078)	(475)	-	-	(1,553)
Net income (loss)	2,793	5,287	-	(783)	5,744
Income (loss) per share					
Basic					$0.02
Diluted					$0.02
Cash expenditures for property, plant and equipment	6,274	4,148	-	-	10,422
Total non-current assets as at December 31,2014	60,007	87,615	71,883	32,607	252,112
Total assets as at December 31,2014	74,664	134,532	89,248	64,663	363,108
Total liabilities as at December 31,2014	8,560	28,631	25,979	79,920	143,090

(Expressed in U.S. dollars)

22. Segmented information (continued)

For the three months ended March 31, 2015, the Company had six customers from which it earned more than 10% of its total revenue (2013 - four). Revenue from these customers is summarized as follows:

	Three month ended	
	March 31, 2015	March 31, 2014
	$	$
Mandalay Australia (gold and antimony)		
Customer 1	**8,976**	10,112
Customer 2	**4,872**	5,855
	13,848	15,967
Cerro Bayo (silver and gold)		
Customer 3	**13,549**	14,553
Customer 4	**6,407**	4,500
	19,956	19,053
Björkdal (gold)		
Customer 5	**1,227**	-
Customer 6	**1,060**	-
	2,287	-
Total	**36,091**	35,020

23. Subsequent event

On May 12, 2015, the Board of Directors declared a dividend in the amount of $0.0083 per share (C$0.0101 per share), payable on June 1, 2015 to shareholders of record as of May 22, 2015.