Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2014
(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
September 30, 2014

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Mandalay Resources Corporation

Condensed consolidated interim statements of income and comprehensive income
three and nine months ended September 30, 2014 and 2013
(Expressed in U.S dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Revenues	**34,676,076**	50,319,270	**117,655,886**	127,847,455
Cost of operations				
Cost of sales excluding depletion and depreciation (Note 15)	**21,183,074**	24,995,330	**67,931,703**	68,038,064
Depletion and depreciation	**9,537,388**	7,844,204	**24,786,949**	21,501,185
	30,720,462	32,839,534	**92,718,652**	89,539,249
Income from mine operations	**3,955,614**	17,479,736	**24,937,234**	38,308,206
Expenses				
Administration expense	**1,939,410**	2,289,099	**5,102,638**	5,464,990
Business development costs	**1,012,976**	83,951	**1,650,280**	565,680
Share-based compensation (Note 14 (b),(c) and (d))	**423,526**	429,576	**1,324,326**	1,434,739
Loss (gain) on disposal of property, plant and equipment	**62,873**	40,264	**87,843**	128,627
Write-off of exploration and evaluation (Note 8)	**-**	-	**681,825**	548,585
	3,438,785	2,842,890	**8,846,912**	8,142,621
Income from operations	**516,829**	14,636,846	**16,090,322**	30,165,585
Other income (expenses)				
Finance costs (Note 16)	**(1,262,039)**	(239,762)	**(2,252,591)**	(631,454)
(Loss) gain on derivative financial instruments (Note 17)	**34,098**	66,865	**(9,199)**	569,655
Interest and other income	**80,868**	144,265	**136,472**	323,354
Foreign exchange gain (loss)	**320,505**	(405,729)	**192,854**	428,884
	(826,568)	(434,361)	**(1,932,464)**	690,439
Income before income taxes	**(309,739)**	14,202,485	**14,157,858**	30,856,024
Income taxes expense (recovery) (Note 19)				
Current	**526,109**	1,613,238	**2,772,449**	6,076,344
Deferred	**(144,270)**	1,590,596	**1,397,081**	(227,878)
	381,839	3,203,834	**4,169,530**	5,848,466
Net income for the period	**(691,578)**	10,998,651	**9,988,328**	25,007,558
Other comprehensive income (loss)				
Item that may subsequently be reclassified to income (loss)				
Foreign currency translation	**(6,297,738)**	1,235,814	**(3,230,292)**	(6,246,421)
Comprehensive income (loss) for the period	**(6,989,316)**	12,234,465	**6,758,036**	18,761,137
Income per share (Note 19)				
Basic	**(0.00)**	0.03	**0.03**	0.08
Diluted	**(0.00)**	0.03	**0.03**	0.07
Weighted average number of common shares outstanding (Note 20)				
Basic	**340,796,882**	323,891,112	**342,236,856**	324,572,516
Diluted	**356,785,504**	339,562,161	**357,263,578**	343,443,554

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position
as at September 30, 2014 and December 31, 2013

(Expressed in U.S dollars)
(Unaudited)

	September 30, 2014	December 31, 2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	**45,227,691**	33,465,116
Trade and other receivables (Note 6)	**24,770,927**	18,579,577
Inventories (Note 7)	**32,439,690**	16,986,876
Prepaid expenses and other	**1,852,187**	636,953
	104,290,495	69,668,522
Non-current assets		
Reclamation and other deposits	**4,520,634**	2,252,579
Other receivables (Note 6)	**364,952**	359,383
Restricted cash	**24,273,674**	-
Property, plant and equipment (Note 8)	**220,976,991**	113,757,705
Intangible assets (Note 9)	**374,077**	748,180
Deferred tax asset (Note 19)	**(3,032,613)**	9,985,278
	247,477,715	127,103,125
	351,768,210	196,771,647
Liabilities		
Current liabilities		
Five year exchangeable bonds (Note 12)	**53,842,478**	-
Trade and other payables (Note 10)	**25,347,487**	14,140,662
Current portion of borrowings (Note 11)	**1,061,899**	-
Current income tax liabilities	**1,743,656**	4,956,054
Provisions (Note 13)	**2,746,688**	2,570,770
Derivative financial instruments (Note 17)	**4,442,095**	794,112
	89,184,302	22,461,598
Non-current liabilities		
Long-term debt (Note 11)	**2,209,334**	-
Reclamation and site closure costs	**41,562,739**	17,421,231
Provisions (Note 13)	**3,400,627**	3,307,487
	47,172,700	20,728,718
	136,357,002	43,190,316
Equity		
Share Capital (Note14)	**152,215,494**	89,779,961
Share option reserve (Note14)	**8,756,195**	8,438,580
Warrants reserve (Note14)	**793,033**	1,088,728
Foreign currency translation reserve	**(9,815,779)**	(6,585,487)
Retained earnings	**63,462,265**	60,859,549
	215,411,208	153,581,331
	351,768,210	196,771,647

Approved and authorized for issue by the Board on November 5, 2014.

(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
nine months ended September 30, 2014 and 2013
(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
		$	$	$	$	$	$
Balance, December 31, 2013	**322,779,853**	**89,779,961**	**8,438,580**	**1,088,728**	**(6,585,487)**	**60,859,549**	**153,581,331**
Stock options exercised (Note 14 (b))	2,205,000	1,620,291	(719,740)	-	-	-	**900,551**
Share-based compensation (Note 14 (c))	-	-	1,116,874	-	-	-	**1,116,874**
Warrants exercised (Note 14 (e))	5,300,000	2,519,171	-	(295,695)	-	-	**2,223,476**
Normal course issuer bid (Note 14 (f))	(30,600)	(9,008)	-	-	-	(13,439)	**(22,447)**
Amendment of stock option plan (Note 14 (b))	-	-	-	-	-	-	**-**
Dividends paid (Note 14 (g))	-	-	-	-	-	(7,372,173)	**(7,372,173)**
Acquisition of Challacollo (Note 4)	12,000,000	9,188,160	-	-	-	-	**9,188,160**
Acquisition of Elgin Mining Inc (Note 5)	50,000,000	49,037,400	-	-	-	-	**49,037,400**
Redemption of RSUs	103,842	79,519	(79,519)	-	-	-	**-**
Total comprehensive (loss) income for the period	1,906,000		-	-	(3,230,292)	9,988,328	**6,758,036**
Balance, September 30, 2014	**392,358,095**	**152,215,494**	**8,756,195**	**793,033**	**(9,815,779)**	**63,462,265**	**215,411,208**

	Number of shares issued	Share capital	Share option reserve	Warrants reserve	Foreign currency translation reserve	Retained earnings	Total equity
		$	$	$	$	$	$
Balance, December 31, 2012	**322,187,153**	**88,634,701**	**7,332,054**	**1,251,752**	**2,167,685**	**43,692,706**	**143,078,898**
Stock options exercised (Note 14 (b))	912,500	544,232	(289,904)	-	-	-	**254,328**
Share-based compensation (Note 14 (c))	-	-	1,257,166	-	-	-	**1,257,166**
Warrants exercised (Note 14 (e))	2,600,000	1,390,856	-	(163,024)	-	-	**1,227,832**
Normal course issuer bid (Note 14 (f))	(1,832,100)	(539,360)	-	-	-	(913,356)	**(1,452,716)**
Amendment of stock option plan (Note 14 (b))	-	-	(197,356)	-	-	-	**(197,356)**
Dividends paid (Note 14 (g))	-	-	-	-	-	(7,783,713)	**(7,783,713)**
Total comprehensive (loss) income for the period	-	-	-	-	(6,246,422)	25,007,558	**18,761,136**
Balance, September 30, 2013	**323,867,553**	**90,030,429**	**8,101,960**	**1,088,728**	**(4,078,737)**	**60,003,195**	**155,145,575**

See accompanying notes to the condensed consolidated interim financial statements.

Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows
three and nine months ended September 30, 2014 and 2013
(Expressed in U.S dollars)
(Unaudited)

	Three months ended	September 30,	Nine months ended	September 30,
	2014	2013	**2014**	2013
	$	$	**$**	$
Operating activities				
Net income (loss) for the period	**(691,578)**	10,998,651	**9,988,328**	25,007,558
Adjustments to reconcile net income to net cash generated by operating activities				
Amortization of intangible assets	**124,701**	124,701	**374,103**	374,103
Depletion and depreciation	**9,602,608**	7,851,849	**24,866,643**	21,524,465
Share-based compensation	**423,527**	406,756	**1,324,327**	1,353,884
Loss (gain) on disposal of property, plant and equipment	**62,872**	40,264	**87,842**	128,627
Write-off of exploration and evaluation	**-**	-	**681,825**	548,585
Finance cost	**1,248,587**	(44,045)	**2,239,139**	(488,800)
Loss (gain) on derivative financial instruments	**(34,098)**	239,762	**(127,534)**	631,454
Interest and other income	**(63,419)**	(144,265)	**(119,023)**	(323,354)
Foreign exchange (gain) loss	**(50,228)**	437,996	**386,295**	(312,937)
Income tax expense	**381,839**	3,203,834	**4,169,530**	5,848,466
Change in non-cash operating working capital items				
Trade and other receivables	**12,003,587**	(8,571,395)	**(484,887)**	4,523,212
Inventories	**(7,154,682)**	2,351,489	**(9,409,258)**	(2,685,811)
Prepaid expenses and other	**1,487,403**	317,787	**926,278**	(138,920)
Trade and other payables	**(764,629)**	(2,293,114)	**924,234**	(2,011,866)
Provisions	**(210,781)**	383,424	**1,009,672**	1,298,852
Cash generated from operations	**16,365,709**	15,303,694	**36,837,514**	55,277,517
Income taxes paid	**(12,875)**	-	**(4,187,694)**	(4,879,489)
Interest and other income received	**56,755**	(67,577)	**112,359**	(165,479)
Interest paid	**(996,585)**	144,265	**(1,069,464)**	323,354
Net cash flows from operating activities	**15,413,004**	15,380,382	**31,692,715**	50,555,902
Investing activities				
Payment/(recovery) for reclamation deposit and others	**(47,354)**	(45,308)	**(65,885)**	45,092
Expenditure for property, plant and equipment	**(14,086,572)**	(8,958,085)	**(41,005,526)**	(30,450,932)
Proceeds on disposal of property, plant and equipment	**-**	34,530	**10,697**	133,919
Acquisition of Challacollo (Note 4)	**-**	-	**(7,769,512)**	-
Acquisition of Elgin (Note 5)	**(23,541,691)**	-	**(23,541,691)**	-
Net cash flows used in investing activities	**(37,675,617)**	(8,968,863)	**(72,371,917)**	(30,271,921)
Financing activities				
Proceeds/(repayment) from borrowings	**(51,490)**	-	**56,956,958**	-
Issuance of common shares for cash	**436,746**	23,870	**3,124,026**	1,482,160
Purchase of common shares for cancellation	**-**	(343,176)	**(22,445)**	(1,452,716)
Proceeds from Ulu option agreement	**22,323**	-	**22,323**	-
Exercise of stock options by cash election	**-**	-	**-**	(218,784)
Payment for settlement of financing warrants	**-**	-	**-**	(1,339,340)
Dividends paid	**(2,693,278)**	(2,151,365)	**(7,372,173)**	(7,783,713)
Net cash flows used in financing activities	**(2,285,699)**	(2,470,671)	**52,708,689**	(9,312,393)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**742,628**	(164,362)	**(266,909)**	(557,492)
Increase (decrease) in cash and cash equivalents	**(23,805,685)**	3,776,486	**11,762,575**	10,414,096
Cash and cash equivalents, beginning of period	**69,033,376**	23,902,056	**33,465,116**	17,264,446
Cash and cash equivalents, end of period	**45,227,691**	27,678,542	**45,227,691**	27,678,542
Cash and cash equivalents are comprised of				
Cash	**45,227,691**	14,328,978	**45,227,691**	14,328,978
Cash equivalents	**-**	13,349,564	**-**	13,349,564
	45,227,691	27,678,542	**45,227,691**	27,678,542

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") and its wholly-owned subsidiaries is a gold, silver and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Mandalay's assets comprise 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 projects in Chile and Canada.

Mandalay is incorporated in 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 (s), of the Company's audited consolidated financial statements for the year ended December 31, 2013.

In 2014 the Company prospectively changed its estimate for the depletion of its reserves at Costerfield in response to the development of the Cuffley ore body. As a result, the formula was changed to include proven, probable and measured and indicated resources. This change in estimate was made to better reflect the addition of resources relating to the Cuffley ore body in Costerfield. This change in formula, because it brings in estimates of future capital expenditures to convert resources to reserves, increases the measurement uncertainty and the complexity of this estimate.

The acquisition of Elgin is accounted for using the acquisition method pursuant to IFRS 3, *Business Combinations* ("IFRS 3"). Under the acquisition method, the total purchase price is allocated to the identifiable assets acquired and the liabilities assumed based on their fair values on the date of the purchase. The excess of the consideration given over the fair value of the net assets acquired and identified, if any, is recorded as goodwill.

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 September 30, 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, 2013.

New accounting pronouncement

(a) *IFRS effective for annual periods beginning on or after January 1, 2014*

Effective January 1, 2014, the Company adopted new and revised International Financial Reporting Standards that were issued by the International Accounting Standards Board ("IASB").The application of the following IFRS 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.

(a) *IFRS effective for annual periods beginning on or after January 1, 2014 (continued)*

- Amended standard IAS 32 *Financial Instruments: Presentation*

  The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

- New interpretation IFRIC 21 *Levies*

  The interpretation provides guidance on recognition of a liability for a levy imposed by a government.

(i) Effective for annual periods beginning on or after January 1, 2018

- Amended standard IFRS 7 *Financial Instruments: Disclosures*

  The amendments to IFRS 7 outlines the disclosures required when initially applying IFRS 9 Financial Instruments.

- New standard IFRS 9 *Financial Instruments*

  Replacement of IAS 39 Financial Instruments: Recognition and Measurement

(b) IFRS Effective for annual periods beginning on or after January 1, 2016

- New standard IFRS 15 *Revenue from contracts with customers*

  Replacement of IAS 11 Construction Contracts, IAS 19 Revenue Recognition, IFRIC 13 Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. Provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions.

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:

- $7.5 million in cash.
- 12 million common shares of the company
- 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 Share"); and
- 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").
- A 2% Net Smelter Returns royalty on silver sold from the Project in excess of 36 million ounces, with a cap/buyout of $5 million.

(Expressed in U.S. dollars)

- 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.

The Company determined that MSSC was not a business in accordance with IFRS 3, Business combinations, and therefore it accounted for the acquisition as an asset acquisition rather than a business combination. The Deferred Payment Share 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** **$**
Initial cash payout	7,501,000
Issuance of 12 million shares	9,188,160
Acquisition cost	263,740
Purchase Consideration	**16,952,900**
Net assets acquired	
Net working capital acquired	594,513
Property, plant and equipment	16,358,387
Net identifiable assets	**16,952,900**

5. Acquisition of Elgin Mining

On September 9, 2014 the company acquired all of the outstanding common shares of (" Elgin") Inc.

In exchange for:

- C$27 million in cash; and
- 50 million common shares of the Company.
- C$5 million in cash, to repay existing bridge loan of Elgin Mining Inc.

(Expressed in U.S. dollars)

The provisional fair values of identifiable assets and liabilities of Elgin as at the date of acquisition were:

	Provisional fair value	Carrying Value
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,913,849	5,913,849
Accounts receivable	7,966,396	7,966,396
Inventories	7,893,164	7,893,164
Other current assets	916,625	916,625
Assets held for sale	-	825,732
	22,690,034	23,515,766
NON-CURRENT ASSETS		
Reclamation bond	2,388,874	2,388,874
Restricted cash and cash equivalents	24,779,319	24,779,319
Mineral properties, plant and equipment	78,691,863	67,743,133
Investment in joint venture	-	1,172,498
	128,550,090	**119,599,590**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	10,868,974	10,868,974
Income tax payable	206,413	206,413
	11,075,387	11,075,387
NON-CURRENT LIABILITIES		
Long-term debt	3,377,460	3,377,460
Provision for closure and reclamation	24,416,644	24,416,644
Deferred income taxes	11,466,207	4,250,830
	50,335,698	**43,120,321**
Total identifiable net assets at fair value	**78,214,392**	
Total Consideration Paid	**78,214,392**	

From the date of acquisition (September 10, 2014) to September 30, 2014, Elgin contributed US$ 4 million to the Company’s revenue and US$ 0.3 million to Company’s profit.

(Expressed in U.S. dollars)

6. Trade and other receivables

Trade and other receivables include the following:

	September 30, 2014	December 31, 2013
	$	$
Trade receivables	**20,464,752**	16,706,381
Mark to market adjustment	**364,590**	-
VAT and other indirect tax receivables	**4,041,994**	1,930,994
Other receivables	**264,542**	301,585
	25,135,878	18,938,960
Less: non current portion	**364,952**	359,383
Current portion	**24,770,927**	**18,579,577**

The allowance for doubtful accounts was $ Nil at September 30, 2014 and $ Nil at December 31, 2013.

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 marked-to-market adjustment is recorded as an adjustment to revenue and trade receivables.

7. Inventories

	September 30, 2014	December 31, 2013
	$	$
Finished goods	15,432,096	6,260,439
Work in progress and stockpiled ore	5,041,629	1,371,018
Consumables	11,965,965	9,355,419
	32,439,690	**16,986,876**

The amount of inventories recognized in cost of sales for three and nine months ended September 30, 2014 is $30,720,462 and $92,718,652 (2013 - $32,839,534 and $89,539,249).

There were no inventory write-downs or reversals of write-downs during the three and nine months ended September 30, 2014 or 2013.

(Expressed in U.S. dollars)

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	Others	Costerfield	Cerro Bayo	Björkdal	Others	Costerfield	Cerro Bayo	Björkdal	Others	
	$	$		$	$	$		$	$	$		$	$
st													
As at December 31, 2013	41,868,994	43,993,129	-	-	26,447,695	34,472,116		586,121	5,164,448	5,788,204		14,363,937	172,684,644
Acquisition	-	-	55,774,848	-	-	-	29,888,716	-	-	-	40,676,799	16,358,387	142,698,750
Additions	17,193,220	5,504,388	596,449	-	2,303,517	6,442,283		134,051	3,193,310	1,696,990		4,965,670	42,029,878
Disposals	-	-	-	-	(251,252)	-	(16,850)	(379,443)	-	-	(196,504)	-	(844,049)
Reclassification to mining interest	3,500,446	2,034,149	-	-		-		-	(3,500,446)	(2,034,149)		-	-
Write-off of exploration and evaluation	-	-	-	-	-	-		-	(681,825)	-		-	(681,825)
Foreign exchange	(1,542,671)	-	(366,362)	-	(719,496)	-	(254,204)	(7,984)	(222,217)	-	(621,896)	(479,591)	(4,214,421)
As at September 30, 2014	**61,019,989**	**51,531,666**	**56,004,935**	**-**	**27,780,464**	**40,914,399**	**29,617,662**	**332,745**	**3,953,270**	**5,451,045**	**39,858,399**	**35,208,403**	**351,672,976**
As at December 31, 2013	16,965,292	19,054,539	-	-	5,840,753	16,927,585		138,770	-	-	-	-	58,926,939
Acquisition	-	-	33,622,780	-	-	-	14,025,721	-	-	-	-	-	47,648,501
Expense	9,796,830	9,046,175	452,322	-	1,229,466	4,715,642	(48,301)	50,438	-	-	-	-	25,242,572
Disposals		-	-	-	(169,646)	-		-	-	-	-	-	(169,646)
								-					
Foreign exchange	(733,047)	-	-	-	(213,219)	-		(6,115)	-	-	-	-	(952,381)
As at September 30, 2014	**26,029,075**	**28,100,714**	**34,075,102**	**-**	**6,687,354**	**21,643,227**	**13,977,420**	**183,093**	**-**	**-**	**-**	**-**	**130,695,985**
rying value													
As at January 1, 2013	21,666,342	25,054,792	-	-	19,370,565	17,038,813	-	493,649	7,365,289	3,990,105	-	13,965,617	108,945,172
As at December 31, 2013	24,903,702	24,938,590	-	-	20,606,942	17,544,531	-	447,351	5,164,448	5,788,204	-	14,363,937	113,757,705
As at September 30, 2014	**34,990,914**	**23,430,952**	**21,929,833**	**-**	**21,093,110**	**19,271,172**	**15,640,241**	**149,652**	**3,953,270**	**5,451,045**	**39,858,399**	**35,208,403**	**220,976,991**

For three and nine months ended September 30, 2014, Cerro Bayo's plant and equipment depreciation of $153,260 and $390,832 and at Costerfield $57,335 and $124,152 were capitalized in mining interest (2013 –at Cerro Bayo $203,215 and $640,967).

(Expressed in U.S. dollars)

9. Intangible asset

In September 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 three-year union agreement. The carrying amount of the union payment as at September 30, 2014 is $374,077 (December 31, 2013 - $748,180). Amortization expense for the three and nine months ended September 30, 2014, of $124,701 and $374,103 respectively (2013 - $124,701 and $374,103) is recorded as part of cost of sales.

10. Trades and other payables

	September 30, 2014	December 31, 2013
	$	$
Trade payables	**12,562,598**	4,311,337
Accrued liabilities	**9,777,747**	4,608,408
Cash election option liability	**286,549**	86,658
Mark to market adjustment	**1,953,250**	4,544,083
Payroll and other taxes payable	**767,343**	590,176
	25,347,487	14,140,662

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

Long term debt of $2,209,334 and current portion of long term debt $1,061,899 relates to an equipment loan entered into by Elgin.

12. Five year exchangeable bonds

In May, 2014, Mandalay raised $60 million debt at an interest rate of 5.875% 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.

Beginning on June 23, 2014, each Bondholder has the right to exchange the principal amount of its Bonds for shares in the SPDR Gold Trust (“Gold Shares”) based on the then applicable exchange price. The initial exchange price is US$149.99 per Gold Share, which, at the initial issuance date of the Bonds, was equivalent to a gold price of US$1,556 per ounce. The exchange price is subject to adjustment in the event of changes to the constitution of the SPDR Gold Trust (e.g., share splits and consolidation) or changes to the way in which NAV of the SPDR Gold Trust or Gold Shares is calculated.

(Expressed in U.S. dollars)

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 Bondholder.

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 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.

Following is the summary of Loan balance.

Particulars	**Amount** **$**
Five year exchangable bonds	60,000,000
Less: Fund raising expenses	(2,991,522)
	57,008,478
Add: Accretion	201,497
Add: Interest payable	470,000
Less: Exchangable Derivative	(3,837,497)
Balance as at September 30, 2014	**53,842,478**

The Company's Five year exchangeable bonds and related derivative financial instruments are classified as current liabilities because, pursuant to the terms of the bond agreement, holders have the free and clear right to exchange the debt into shares of SPDR Gold Trust any time after June 23, 2014. The maturity date of the bonds is May 13, 2019. IFRS requires that the Company ignore the probability that holders will elect to convert in the next 12 months, even if the Company assesses such probability as remote. However, if holders did elect to convert the debt as of September 30, 2014, the Company would realize a gain of $10.8 million and the holders of the debt would realize a loss of $13.1 million based on the principal value of $60 million. The Company has provided further explanation in Section 1.7 of the Management Discussion and Analysis of November 6, 2014.

(Expressed in U.S. dollars)

13. Provisions

	Employee benefit (i)	Severence payment (ii)	Total
	$	$	$
Balance, December 31, 2013	2,884,132	2,994,125	5,878,257
Additions	2,034,469	596,301	2,630,770
Amounts paid	(1,499,211)	(279,582)	(1,778,793)
Foreign exchange	(175,253)	(407,666)	(582,919)
Balance, September 30, 2014	3,244,137	2,903,178	6,147,315
Less: current portion	2,746,688	-	2,746,688
Non-current portion	497,449	2,903,178	3,400,627

(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 September 30, 2014, the Company had unlimited authorized common shares without par value and 392,358,095 common shares outstanding (December 31, 2013 - 322,779,853 common shares). All outstanding shares are fully paid.

(a) *Shares issued*

For the three and nine months ended September 30, 2014, the Company issued common shares upon exercise of share options and warrants by their holders (Note 13 (b) and (e)).The Company also issued 12 million common shares in connection with the Challacollo acquisition (Note 4) and 50 million common shares of the company were issued on acquisition of Elgin (Note 5).

(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 stock option plan 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 September 30, 2014, the liability is $278,491 (2013-$86,658).The Company recognized a fair value measurement gain/ (loss) of $76,951 and $12,895 for the three and nine months ended September 30, 2014 (2013 - $(22,820) and $(80,855)) which is included in share-based compensation.

(Expressed in U.S. dollars)

During the three months ended September 30, 2014, the Company paid $ Nil upon exercise of Nil stock options under the cash election option. As at September 30, 2014, 2,530,000 stock options with the cash election option are outstanding.

	Number of options	Weighted average exercise price
		C$
Balance, December 31, 2012	13,630,000	0.57
Granted	4,287,500	1.13
Forfeited	(297,500)	0.54
Expired	(100,000)	0.50
Exercised-equity issuance	(1,022,500)	0.32
Exercised-cash election	(425,000)	0.56
Balance, December 31, 2013	16,072,500	0.73
Granted	4,435,000	0.98
Forfeited	(325,000)	1.03
Expired	(140,000)	0.98
Exercised-equity issuance	(2,205,000)	0.27
Balance, September 30, 2014	**17,837,500**	**0.84**

(b) Stock options (continued)

The following table summarizes information about the stock options outstanding at September 30, 2014:

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	6.64	0.76	165,000	0.76
370,000	1.78	0.58	370,000	0.58
3,067,500	1.70	0.56	3,067,500	0.56
300,000	1.27	0.33	300,000	0.33
770,000	1.16	0.26	770,000	0.26
800,000	0.44	0.26	800,000	0.26
250,000	2.42	0.70	250,000	0.70
3,772,500	2.69	0.83	-	0.83
4,112,500	3.72	1.13	-	1.13
4,345,000	4.73	0.98	-	0.98
17,837,500	**3.05**	**0.58**	**5,722,500**	**0.48**

(Expressed in U.S. dollars)

(c) Share-based compensation

For the three and nine months ended September 30, 2014, the Company recorded $483,510 and $1,240,820 (2013 - $406,756 and $1,353,884) as share-based compensation expense and recorded this amount in share option reserve. The value was determined using the Black-Scholes option pricing model. The weighted average grant-date fair values were C$0.98 and C$0.98 (2013 - C$1.13 and C$1.13) for the three and nine months ended September 30 2014, and were calculated using the following weighted average assumption:

	Three and nine months ended September 30,	
	2014	2013
Risk free interest rate	**1.06%**	1.13%
Expected dividend yield	**3.43%**	3.64%
Expected option life (years)	**5.00**	5.00
Expected stock price volatility	**63%**	81%
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. The company granted additional RSUs to directors during the nine months ended September 30, 2014. 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 common shares at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

The number of RSUs as at September 30, 2014 is as follows:

	Number of RSU awards
Balance, December 31, 2013	306,560
Granted ,	6,978
Exercised	(69,228)
Outstanding at September 30, 2014	244,310

For the three and nine months ended September 30, 2014, the Company recorded $16,968 and $108,236 (2013 - $38,007 and $45,103) as share based compensation relating to RSUs.

(Expressed in U.S. dollars)

(e) Share purchase warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price
		C$
Balance, January 1, 2013	**23,600,000**	**0.37**
Exercised	(2,600,000)	0.47
Balance, January 1, 2014	**21,000,000**	**0.36**
Exercised	(5,300,000)	0.46
Balance, September 30, 2014	**15,700,000**	**0.32**

The following table summarizes information about outstanding and exercisable share purchase warrants as at September 30, 2014:

(e) Share purchase warrants (continued)

Number of warrants	Exercise price	Expiry date
	C$	
1,050,000	0.47	November 30, 2014
14,650,000	0.31	November 30, 2014

(f) Normal Course Issuer Bid ("NCIB")

The following table summarizes the NCIB transactions during the nine months ended September 30, 2014 respectively and year ended December 31, 2013. Purchases will be made at the discretion of the Company and the shares acquired under the NCIB will be cancelled upon purchase.

(Expressed in U.S. dollars)

	Number of shares repurchased	Average price of repurchase	Cost of repurchase
		C$	C$
Nine months ended September 30, 2014			
2013 NCIB	30,600	C$ 0.77	23,868
	30,600		23,868
Year ended December 31, 2013			
2013 NCIB	694,700	C$0.78	545,664
2012 NCIB	2,335,100	C$ 0.81	1,906,512
	3,029,800		2,452,176

	Life of plan		Maximum number of securities to be purchased over life of plan	Maximum number of securities to be pruchased on a daily basis
	From	To		
2013 NCIB	October 17, 2013	October 16, 2014	16,185,328 common shares	44,990 common shares
2012 NCIB	October 17, 2012	October 16, 2013	15,856,786 common shares	57,089 common shares
2011 NCIB	October 17, 2011	October 16, 2012	13,501,078 common shares 1,970,965 warrants	53,433 common shares 6,084 warrants

(g) Dividends

On February 18, 2014, May 5, 2014 and August 6, 2014 the Board of Directors declared dividends in the amounts of C$0.0077, C$0.0074 and C$0.0086 per common shares respectively, based on the Company's operating results for the three month period ended December 31, 2013, March 31, 2014 and June 30, 2014 respectively, payable to shareholders of record as of February 28, 2014, May 16, 2014 and August 28, 2014. Total payments of $2,693,278 and $7,372,173 were made during the three and nine months ended September 30, 2014 (2013$2,151,365 and $7,783,713).

15. Cost of sales

The cost of sales for the three and nine months ended September 30, 2014 and 2013 consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Raw materials and consumables	10,535,145	6,594,941	28,144,362	22,906,028
Salary and employee benefits	8,804,345	9,305,095	26,899,186	26,999,757
Contractors	1,322,199	2,373,831	3,124,347	4,292,189
Change in inventories	(5,704,183)	(84,251)	(8,272,937)	(3,262,009)
Royalty	475,542	684,110	1,578,434	1,117,835
Other	5,750,026	6,121,604	16,458,311	15,984,264
	21,183,074	**24,995,330**	**67,931,703**	**68,038,064**

(Expressed in U.S. dollars)

16. Finance Costs:

Finance costs for the three and nine months ended September 30, 2014 and 2013 consist of:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$		
Interest on borrowings	**1,125,885**	132,666	**1,893,171**	308,282
Accretion of reclamation and site closure costs	**136,154**	107,096	**359,420**	323,172
	1,262,039	239,762	**2,252,591**	631,454

17. Derivative financial instruments

(a) Financing warrants

During the year ended December 31, 2012, the Company reached an agreement to issue 3,050,000 warrants to specific service providers as considerations for financing and other services the Company received in prior years (“financing warrants”).

These financing warrants have an exercise price of $0.31 and expire on November 30, 2014. The service providers have the ability to require the Company to settle in cash, based on the Company’s share price at the date of settlement.

These financing warrants are accounted for as a liability and are marked to market at each period end until they are exercised or expire.

During the three and nine months ended September 30, 2014, Nil and Nil financing warrants (2013 - $1,647,000 and $1,647,000) were exercised with a cash settlement of $Nil and $Nil respectively (2013 - $1,339,340 and $1,339,340).As at September 30, 2014, 982,100 financing warrants (December 31, 2013 - 982,100) valued at $604,598 (December 31, 2013 - $433,985) are outstanding. The Company recorded a fair value measurement gain (loss) of 72,157 and $(196,798) for the three and nine months ended September 30, 2014 (2013 - $(122,962) and $(379,828)), which is reported in gain (loss) on derivative financial instruments.

(b) Currency option

On July 25, 2013 the Company’s Australian subsidiary entered into 50% participating forward contracts for A$33 million (A$3 million per month) starting August 2013 and ending June 2014. These contracts allow the Company to buy, monthly for 11 months starting August 2013, A$3 million at US$1=A$1.07526 (the “contract rate”), if the Australian dollar is stronger than the contract rate, or A$1.5 million at the contract rate and A$1.5 million at the spot rate if the Australian dollar is weaker than the contract rate. The derivative financial instruments are stated at fair value with any resulting gain or loss recognized in profit or loss. The Company recorded a fair value measurement gain of $ Nil and $225,658 for three and nine months ended September 30, 2014 (December 31, 2013 - $(414,833)).

The fair value of a currency option is determined by using the option pricing model based on an exchange spot rate and expected volatility which are considered to be level 2 inputs.

(c) Conversion feature under five year exchangeable bond.

The Company has valued the conversion feature of the five year exchangeable bonds (Note 11) using Black-Scholes and determined the value as at September 30, 2014 to be $3,837,497. The value was estimated using the following Level 2 assumptions: risk free rate of 1.13%; volatility of 18%, gold forward curve adjustment -0.35%.

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 1inputs 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, 2014, 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 September 30, 2014, the Company recognized $327,994 as deferred tax recovery for Mandalay Australia, $389,027 as deferred tax expense for Cerro Bayo and $83,237 as deferred tax expense for Elgin. During the nine months ended September 30, 2014, the Company recognized $1,480,318 (September 30, 2013–$3,476,336) as a deferred tax recovery, which consists of $1,419,145 and $61,173 for Mandalay Australia and Cerro Bayo, respectively (September 30, 2013 $1,624,229 and $1,852,107) and $83,237 as deferred tax expense for Elgin.

20. Income per share

As at September 30, 2014, 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 as follows:

(Expressed in U.S. dollars)

	Three months ended September 30,		Nine month ended September 30,	
	2014	2013	**2014**	2013
Basic weighted average number of shares outstanding	**340,796,882**	323,891,112	**342,236,856**	324,572,516
Effective of diluted securities			**-**	-
Stock options	**4,587,363**	3,461,337	**3,940,442**	5,091,892
Warrants	**11,121,339**	11,908,184	**10,797,182**	13,658,851
RSU	**279,920**	301,528	**289,098**	120,295
Diluted weighted average number of shares outstanding	**356,785,504**	339,562,161	**357,263,578**	343,443,554

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, 2014 of C$1.10 and C$1.01 (three and nine months ended September 30, 2013- C$0.72 and C$0.70), respectively:

	Three months ended September 30		Nine months ended September 30,	
	2014	2013	**2014**	2013
Stock options	4,112,500	4,287,500	4,112,500	4,287,500

(Expressed in U.S. dollars)

21. 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, 2014				
	Australia	Corporate	Chile	Sweden	Total
	$	$	$		$
Revenue	18,875,947	-	11,804,067	3,996,062	34,676,076
Depletion and depreciation					
(including corporate offfice depreciation)	(4,035,435)	(36,627)	(4,886,978)	(585,638)	(9,544,678)
Income (loss) from operations	1,912,889	(2,083,845)	720,641	(32,856)	516,829
Other income (expense), except for fair value					
adjustment on derivatve financial warrants	(432,194)	(446,459)	(96,753)	114,739	(860,667)
Income (loss) for underlying operations	1,480,695	(2,530,304)	623,888	81,883	(343,838)
Fair value adjustments gain (loss)					
Financing warrants (Note 17 (a))	-	72,157			72,157
Marketable Securities		(38,059)			(38,059)
Total fair value adjustment	-	34,098	-	-	34,098
Net income (loss) before income tax	1,480,695	(2,496,205)	623,888	81,883	(309,739)
Current tax expense	-	-	(568,209)	42,100	(526,109)
Deferred tax recovery (expense)	(327,994)	-	389,027	83,237	144,270
Net income (loss)	1,152,701	(2,496,205)	444,706	207,220	(691,578)
Cash expenditures for property, plant and equipment	6,329,276	-	7,160,847	596,449	14,086,572
Total non-current assets as at September 30,2014	66,164,039	12,911,756	78,894,150	89,507,770	247,477,715
Total assets as at September 30,2014	77,508,509	98,040,756	124,535,973	51,682,972	351,768,210
Total liabilities as at September 30,2014	11,163,198	81,447,647	29,625,443	14,120,714	136,357,002

(Expressed in U.S. dollars)

21. Segmented information (continued)

Nine months ended on September 30, 2014	Australia	Corporate	Chile	Sweden	Total
	$	$	$	$	$
Revenue	52,796,168	-	60,863,656	3,996,062	117,655,886
Depletion and depreciation					
(including corporate offfice depreciation)	(10,854,888)	(51,103)	(13,317,086)	(585,638)	(24,808,715)
Income (loss) from operations	5,897,158	(4,479,306)	14,705,326	(32,856)	16,090,322
Other income (expense), except for fair value					
adjustment on derivatve financial warrants	(1,026,044)	(791,031)	(220,930)	114,739	(1,923,266)
Income (loss) for underlying operations	4,871,114	(5,270,337)	14,484,396	81,883	14,167,056
Fair value adjustments gain (loss)					
Currency Hedge Contract (Note 17 (b))	225,658	-	-	-	225,658
Financing warrants (Note 17 (a))	-	(196,798)	-	-	(196,798)
Marketable Securities		(38,059)		-	(38,059)
Total fair value adjustment	225,658	(234,857)	-	-	(9,199)
Net income (loss) before income tax	5,096,772	(5,505,193)	14,484,396	81,883	14,157,857
Current tax expense	-	-	(2,814,549)	42,100	(2,772,449)
Deferred tax recovery (expense)	(1,419,145)	-	(61,173)	83,237	(1,397,081)
Net income (loss)	3,677,627	(5,505,193)	11,608,674	207,220	9,988,327
Cash expenditures for property, plant and equipment	22,518,551	-	17,890,526	596,449	41,005,526
Total non-current assets as at Sept 30,2014	66,164,039	12,911,756	78,894,150	89,507,770	247,477,715
Total assets as at Sept 30,2014	77,508,509	98,040,756	124,535,973	51,682,972	351,768,210
Total liabilities as at Sept 30,2014	11,163,198	81,447,647	29,625,443	14,120,714	136,357,002

(Expressed in U.S. dollars)

21. Segmented information (continued)

	Three months ended on September 30, 2013			
	Australia	Corporate	Chile	Total
	$	$	$	$
Revenue	17,869,985	-	32,449,285	50,319,270
Depletion and depreciation				
(including corporate offfice depreciation)	(4,047,963)	(7,645)	(3,796,241)	(7,851,849)
Currency Hedge Contract				-
Income (loss) from operations	4,654,701	(1,561,244)	11,543,389	14,636,846
Other income (expense), except for fair value				
adjustment on derivatve financial warrants	(354,273)	143,356	(290,309)	(501,226)
Income (loss) for underlying operations	4,300,428	(1,417,888)	11,253,080	14,135,620
Currency Hedge Contract	189,827			189,827
Financing warrants (Note 17 (a))	-	(122,962)		(122,962)
Total fair value adjustment	189,827	(122,962)	-	66,865
Net income (loss) before income taxes	4,490,255	(1,540,850)	11,253,080	14,202,485
Current tax expense	-	-	(1,613,238)	(1,613,238)
Deferred tax recovery (expense)	(1,102,166)	-	(488,430)	(1,590,596)
Net income (loss)	3,388,089	(1,540,850)	9,151,412	10,998,651
Cash expenditures for property, plant and equipment	5,063,844	-	3,894,241	8,958,085
Total non-current assets as at December 31,2013	58,413,564	10,297,546	58,392,015	127,103,125
Total assets as at December 31,2013	71,503,300	12,136,588	113,131,759	196,771,647
Total liabilities as at December 31,2013	8,241,464	2,575,077	32,373,775	43,190,316

(Expressed in U.S. dollars)

21. Segmented information (continued)

	Nine months ended on September 30, 2013			
	Australia	Corporate	Chile	Total
	$	$	$	$
Revenue	51,061,488	-	76,785,967	127,847,455
Depletion and depreciation	-	-	-	
(including corporate office depreciation)	(9,770,941)	(23,280)	(11,730,244)	(21,524,464)
Currency Hedge Contract				
Income (loss) from operations	9,483,858	(3,981,620)	24,663,347	30,165,585
Other income (expense), except for fair value adjustment on Silver Contract and derivative financial instruments	(671,172)	1,157,028	(365,072)	120,784
Income (loss) from underlying operations	8,812,686	(2,824,592)	24,298,275	30,286,369
Currency Hedge Contract	189,827			189,827
Financing warrants (Note 17 (a))		379,828		379,828
Total fair value adjustment	189,827	379,828	-	569,655
Net income (loss) before income tax	9,002,513	(2,444,764)	24,298,275	30,856,024
Current tax expense	-	-	(6,076,344)	(6,076,344)
Deferred tax recovery (expense)	(1,624,229)	-	1,852,107	227,878
Net income (loss)	7,378,284	(2,444,764)	20,074,038	25,007,558
Income (loss) per share				
Total non-current assets as at December 31,2013	58,413,564	10,297,546	58,392,015	127,103,125
Total assets as at December 31,2013	71,503,300	12,136,588	113,131,759	196,771,647
Total liablilities as at December 31,2013	8,241,464	2,575,077	32,373,775	43,190,316

21. Segmented information (continued)

For the three and nine months ended September 30, 2014, 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:

(Expressed in U.S. dollars)

	Three month ended		Nine month ended	
	Sep 30, 2014	Sep 30, 2013	**Sep 30, 2014**	Sep 30, 2013
	$	$	**$**	$
AGD (gold and antimony)				
Customer 1	**12,798,441**	14,797,407	**35,925,314**	45,581,100
Customer 2	**6,076,302**	2,550,732	**16,771,385**	5,467,672
	18,874,743	17,348,139	**52,696,699**	51,048,772
Cerro bayo (silver and gold)				
Customer 1	**6,769,610**	16,129,620	**34,187,912**	34,343,661
Customer 2	**2,183,104**	8,776,884	**17,188,808**	29,311,763
	8,952,714	24,906,504	**51,376,720**	63,655,425
Björkdal				
Customer 1	**3,223,837**	-	**3,223,837**	-
Customer 2	**771,448**	-	**771,448**	-
	3,995,285	-	**3,995,285**	-
Total	**31,822,742**	**42,254,643**	**108,068,704**	114,704,197

21. Subsequent event

From Oct 1, 2014 to November 6, 2014.

a. On November 6, 2014, the Board of Directors declared a dividend in the amount of $0.0051 per share (C$0.0058 per share), payable on November 27, 2014 to shareholders of record as of November 17, 2014.