MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

AS OF AUGUST 12, 2020

CONTENTS

Cautionary Note Regarding Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the three and six months ended June 30, 2020, the Company's annual information form dated March 30, 2020 (the "AIF"), the 2019 audited consolidated financial statements of the Company and accompanying MD&A for the year ended December 31, 2019, as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States ("U.S.") dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: risks surrounding the current COVID-19 pandemic, mining industry risks; fluctuations in the market price of mineral commodities; project development; expansion targets and operational delays; environmental risks and hazards; requirement of additional financing; health and safety; uncertainty as to calculations of mineral deposit estimates; marketability; licenses and permits; title matters; governmental regulation of the mining industry; current global financial conditions; currency risk; uninsured risks; competition; repatriation of earnings; properties without known mineral reserves; dependence upon key management personnel and executives; dependence on major customers; infrastructure; litigation; potential volatility of market price of common shares; possible conflicts of interest of directors and officers of the Company; risk of dilution; payment obligations relating to properties; instability of political and economic environments; and integration of acquisitions. Specific reference is made to the Annual Information Form and the Prospectus for a discussion of some of the factors underlying forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

This MD&A contains references to non-IFRS measures. Please refer to Section 1.14 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

Overview of Mandalay Resources

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile and Canada. The Company is focused on growing production and reducing costs at its gold-antimony operation in Australia, and its gold mine in Sweden to generate near-term cash flow.

Mandalay's mission is to create shareholder value through the profitable operation of its Costerfield gold-antimony mine and its Björkdal gold mine. Currently, the Company's main objective is to accelerate the mining of the high-grade Youle vein at Costerfield, which is critical to the Company's longer-term plan of increasing production. At Björkdal, the Company will aim to increase production from the Aurora zone in the coming years, in order to maximize profit margins from the mine.

Mandalay is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement.

1.0 SECOND QUARTER 2020 FINANCIAL AND OPERATING SUMMARY

Second Quarter 2020 Highlights:

- **Consolidated gold equivalent production of 24,752 ounces** compared to 25,677 ounces in Q1 2020, and 19,500 ounces in Q2 2019. The slight decrease in ounces produced in the current quarter compared to the previous quarter was due to lower grades processed at Costerfield.

- **Consolidated cash cost[1] of $904 and all-in sustaining cost[1] of $1,298 per ounce of saleable gold equivalent production** compared to $846 and $1,191 per ounce, respectively, in Q1 2020. In Q2 2019, these costs were $1,130 and $1,632 per ounce, respectively. The higher unit costs in the current quarter as compared to the previous quarter are mainly due to the lower production from Costerfield.

- **Revenue of $42.3 million on gold equivalent sales of 24,916 ounces** compared to $41.6 million on 24,276 ounces in Q1 2020. In Q2 2019, revenue was $26.3 million on gold equivalent sales of 19,995 ounces. The increase in revenue in the current quarter compared to the previous quarter is a result of more ounces sold at a higher realized gold price.

- **Adjusted EBITDA[1] of $21.3 million** compared to $20.9 million in Q1 2020, and $4.1 million in Q2 2019. This includes record quarterly Adjusted EBITDA at Costerfield of $15.4 million. The increase in Adjusted EBITDA compared to the previous quarter relates mainly to increased revenue, as mentioned above.

- **Adjusted net income[1] of $7.6 million** compared to an adjusted net income of $5.2 million in Q1 2020, and an adjusted net loss of $3.9 million in Q2 2019. Consolidated net loss in Q2 2020 was $3.0 million, mainly due to a $15.9 million mark-to-market expense in respect of gold hedging arrangements, and a reversal of reclamation liability of $5.8 million, compared to a consolidated net loss of $4.5 million in Q1 2020, and a consolidated net loss of $9.8 million in Q2 2019.

- **Consolidated capital expenditures of $10.6 million** compared to $10.0 million in Q1 2020, and $10.2 million in Q2 2019.

- **Final repayment of Gold Bonds** - during the quarter the Company successfully retired all of the outstanding senior exchangeable gold bonds issued by Gold Exchangeable Limited (the "Gold Bonds").

- **Cash on hand was $20.9 million at June 30, 2020** compared to $24.5 million as at December 31, 2019.

1 Adjusted EBITDA, cash and all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Summary of Mandalay Operational and Financial Results

Operating Summary

The following table sets forth a summary of the Company's operational results for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Björkdal				
Gold produced (oz)	11,250	14,243	22,000	28,628
Gold sold (oz)	11,290	14,376	23,055	30,154
Cash cost[1] per oz gold produced ($)	1,078	818	1,065	870
All-in sustaining cost[1] per oz gold produced ($)	1,500	1,168	1,490	1,138
Costerfield				
Gold produced (oz)	10,353	3,301	20,973	7,406
Antimony produced (t)	946	371	2,054	946
Gold equivalent produced (oz)[2]	13,502	5,257	28,429	12,812
Gold sold (oz)	10,521	3,385	19,688	7,464
Antimony sold (t)	933	424	1,793	949
Gold equivalent sold (oz)[2]	13,626	5,619	26,137	12,848
Cash cost[1] per oz gold eq. produced ($)	662	1,541	604	1,270
All-in sustaining cost[1] per oz gold eq. produced ($)	1,025	2,441	935	1,996
Consolidated				
Gold equivalent produced (oz)[2]	24,752	19,500	50,429	41,440
Gold equivalent sold (oz)[2]	24,916	19,995	49,192	43,002
Cash cost[1] per oz gold eq. ($)	904	1,130	867	1,100
All-in sustaining cost[1] per oz gold eq. ($)	1,298	1,632	1,244	1,513
Average gold price ($/oz)	1,709	1,309	1,646	1,306
Average antimony price ($/t)	5,688	6,894	5,920	7,353

[1]Cash and all-in sustaining costs are non-IFRS measures. See "Non-IFRS Measures" at the end of this MD&A for further information.
[2]Gold equivalent ounces (or "Au Eq. oz") produced/sold is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Financial Summary

The following table sets forth a summary of the Company's financial results for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	42,335	26,344	83,901	56,260
Cost of sales	19,734	20,751	38,566	44,145
Income from operations (excl. depr. & depletion)(1)	22,601	5,593	45,335	12,115
General and administrative costs	1,330	1,488	3,161	2,763
Adjusted EBITDA(1)	21,271	4,105	42,174	9,352
Depreciation and depletion	8,811	6,068	17,406	13,320
Adjusted EBIT(1)	12,460	(1,963)	24,768	(3,968)
Finance costs	2,989	1,521	8,608	3,193
Tax, forex and others(2)	12,485	6,266	23,706	3,924
Adjusted net income (loss)(1)	7,632	(3,926)	12,818	(4,385)
Consolidated net loss	(3,014)	(9,750)	(7,546)	(11,085)
Adjusted income (loss) per share(1)	0.08	(0.04)	0.14	(0.06)
Consolidated loss per share	(0.03)	(0.11)	(0.08)	(0.16)
Total assets	260,298	255,506	260,298	255,506
Total liabilities	156,523	135,609	156,523	135,609
Total equity	103,775	119,897	103,775	119,897
Consolidated capital expenditures				
Capital development	5,749	5,424	11,156	10,293
Property, plant and equipment purchases	3,168	4,154	6,276	6,340
Capitalized exploration	1,649	660	3,171	1,016
Total	10,566	10,238	20,603	17,649

[1] Income from operations (excl. depreciation & depletion), Adjusted EBIT, Adjusted EBITDA and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[2]Others includes such items as share based compensation and (loss)/gain on financial instrument.

Debt refinancing

On March 17, 2020, the Company entered into a credit agreement with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("Macquarie") providing for (i) a senior secured revolving credit facility in an aggregate amount of up to $25 million and (ii) a senior secured term credit facility in an aggregate amount of up to $40 million (collectively, the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previously outstanding revolver facility with HSBC. In April 2020, proceeds from the Syndicated Facility were used to repay the existing Revolver Facility in full and to fund the redemption and exchange of the all of the remaining outstanding Gold Bonds.

COVID-19 Pandemic

The COVID-19 pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary. More details are included in the press release dated March 20, 2020 and on the Company's website.

Outlook

Mandalay expects to see continued improvements in production and costs from Costerfield and Björkdal over the remainder of 2020. At Costerfield, the Company expects production increases throughout 2020 as it increases production from the high-grade Youle vein. The Youle vein has markedly higher grades as well as better recoveries than the Brunswick vein and is central to Mandalay's organic growth plan. Mandalay also expects production and costs improvements at Björkdal throughout 2020 as the higher-grade Aurora zone increases production throughout the year allowing for a higher feed grade to be processed.

The Company currently expects its strong operating performance in the first two quarters to continue, however the COVID-19 pandemic creates uncertainties as experienced across the mining industry. At this time, the Company is maintaining its existing 2020 production guidance but will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, as necessary.

As part of closing the Syndicated Facility, there was a requirement for Mandalay to enter into two gold hedge agreements with HSBC and Macquarie for a three-year period. The determination of the respective fair values for the two gold hedge agreements (liability or asset) is subject to key inputs, including among other, the price of gold. While the valuations recorded represent our best estimate of the fair value of the gold hedge agreements as at each reporting period, they are not necessarily the amounts that will ultimately be settled upon the expiry of the contract quantities of gold over the term of the gold hedge agreements. Also, given the relatively long terms of the gold hedge agreements, there could be significant volatility with respect to the valuations recorded. Further detail of these hedges can be found in Section 1.5 "Liquidity, Solvency and Uses of Cash".

The Company's 2020 guidance (incl. all-in sustaining costs) is below (see press release dated January 16, 2020):

	Björkdal	Costerfield	Consolidated[1]
	2020E		
Gold production (oz)	51,000-57,000	32,000-38,000	83,000-95,000
Antimony production (t)	-	3,000-3,500	3,000-3,500
Gold eq. production (oz) [2]	51,000-57,000	44,000-52,000	95,000-109,000
Cash cost, $/oz gold eq. [3]	750-900	725-875	765-915
All-in sustaining $/oz gold eq. [3]	1,110-1,340	1,010-1,220	1,090-1,360
Capex, $/million	22-27	17-21	39-48

[1]Consolidated cost guidance includes expected corporate overhead spending and care and maintenance costs

[2]2020E gold equivalent assumes metal prices of: Au $1,478/oz and Sb $5,931/t

[3]Cash and all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Exploration

At Björkdal, during April the last hole of the upper Aurora Extension drill program was completed. The extension programs to the east and at depth however continued through the second quarter and the current round of extensional drilling on Aurora is due to be complete in the third quarter. Drilling to the north of Aurora, targeting parallel veining, also continued though the quarter and is expected to be complete by year end.

At Costerfield, exploration continues in three main areas of focus. Firstly, the regional drilling continued with the drilling portion of the True Blue testing program completed in early July. Brown's and Robinson's Line drilling campaign begun and, with success, and was expanded. The current drilling campaign is due to be complete early in the third quarter with the continuation of drilling expected through to the end of the year. Secondly, proximal to mining operations the Youle Growth drilling program continued through the second quarter and is expected to be complete by year end. Above the current mine development, the Kendal Upper drilling program began in May with the current testing phase due to be complete in the third quarter. Finally, the Costerfield Deeps project continued with CD002 completed in July. A targeted daughter hole is expected to be complete in the third quarter.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	22,850	7,249	43,235	16,517
Cost of sales	7,427	9,127	13,832	16,886
Income (loss) from operations (excl. depr. & depletion)	15,423	(1,878)	29,403	(369)
General and administrative costs (1)	184	182	456	333
Adjusted EBITDA (2,3)	15,411	(1,920)	29,356	(454)
Depreciation & depletion	4,663	2,427	9,608	5,417
Adjusted EBIT (3)	10,576	(4,487)	19,339	(6,119)
Finance costs, forex and others (4)	564	108	2,236	54
Income (loss) before tax	10,012	(4,595)	17,103	(6,173)
Current tax expense	924	-	924	-
Deferred tax expense (recovery)	1,853	(1,369)	4,088	(1,846)
Consolidated net income (loss) after tax	7,235	(3,226)	12,091	(4,327)
Capital development	3,481	3,314	6,677	6,455
Property, plant and equipment purchases	716	1,312	1,497	2,552
Capitalized exploration	1,335	459	2,067	529
Total capital expenditures	5,532	5,085	10,241	9,536

[1]Includes intercompany transfer pricing costs of $172,000 and $409,000 in three months and six months ended June 30, 2020 and $140,000 and $248,000 in the corresponding period of 2019.
[2] Does not include intercompany transfer pricing recharge costs.
[3]Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $459,000 and $873,000 for the three months and six months ended June 30, 2020 and $150,000 and $344,000 in the corresponding periods of 2019.

Costerfield Operating Results

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Operating development	m	1,563	1,256	3,097	2,312
Mined ore	t	37,054	36,082	73,428	74,365
Mined ore Au grade	g/t	11.32	3.83	12.58	4.39
Mined ore Sb grade	%	4.19	1.71	5.03	2.10
Mined contained Au	oz	13,481	4,443	29,695	10,505
Mined contained Sb	t	1,552	615	3,695	1,562
Mining cost per tonne ore	$/t	155	140	150	136
Processed ore	t	37,110	37,372	70,637	77,594
Processed ore mill head grade Au	g/t	11.17	4.00	11.86	4.42
Processed ore mill head grade Sb	%	4.18	1.68	4.78	2.04
Recovery Au	%	89.65	78.24	89.09	80.04
Recovery Sb	%	96.55	94.68	96.69	95.23
Saleable Au produced	oz	10,353	3,301	20,973	7,406
Saleable Sb produced	t	946	371	2,054	946
Saleable Au equivalent produced	oz	13,502	5,257	28,429	12,812
Processing cost per tonne ore	$/t	35.11	32.64	35.48	31.25
Au sold in gravity concentrate	oz	6,430	1,140	11,571	2,902
Au sold in floatation concentrate	oz	4,091	2,245	8,117	4,562
Au sold (total)	oz	10,521	3,385	19,688	7,464
Sb sold	t	933	424	1,793	949
Capital development metres	m	692	862	1,381	1,580
Capital development cost per metre	$/m	5,034	3,846	4,834	4,086
Cash cost per tonne ore processed (1,2)	$/t	254	217	255	210
Adjusted EBITDA per tonne ore processed (1,2)	$/t	415.27	(51.40)	415.59	(5.84)
Cash cost per oz Au equivalent produced (1,2)	$/oz	662	1,541	604	1,270
Site all-in sustaining cost per oz Au equivalent produced (1,2)	$/oz	1,025	2,441	935	1,996

[1]Does not include intercompany transfer pricing recharge costs.
[2]Cash and site all-in sustaining costs and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Costerfield – Three Months Ended June 30, 2020 and 2019

- ***Production*** — Saleable gold production for Q2 2020 was 10,353 ounces, a 214% increase from the 3,301 ounces produced in the second quarter of 2019. Saleable antimony production of 946 tonnes, a 155% increase from the 371 tonnes produced in Q2 2019. Gold equivalent production for Q2 2020 was 13,502 ounces, an increase of 157% from Q2 2019 when Costerfield produced 5,257 gold equivalent ounces. Processed gold and antimony grades were higher during Q2 2020 at 11.17 g/t gold and 4.18% antimony as compared to Q2 2019 with grades of 4.00 g/t gold and 1.68% antimony.

- ***Revenue*** **–** Costerfield's revenue for Q2 2020 was $22.9 million, a 218% increase from $7.2 million in Q2 2019, mainly due to an increase in gold equivalent ounces sold and higher gold prices, slightly offset by lower antimony prices. Gold equivalent ounces sold increased by 142% to 13,626 ounces in the second quarter of 2020 compared to 5,619 ounces in the second quarter of 2019. The increase in second quarter 2020 sales compared to the second quarter of 2019 was due to higher sales from increased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $7.4 million for the second quarter of 2020, compared to $9.1 million for the same period of 2019. The decrease in cost is mainly due to an increase in inventory and a favorable movement in exchange rates.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during Q2 2020 was $15.4 million, adjusted EBITDA was $15.4 million (the highest level under Mandalay ownership) and net income after tax was $7.2 million. Comparable results for the second quarter of 2019 were loss from mine operations before depreciation and depletion of $1.9 million, adjusted EBITDA was negative of $1.9 million and net loss after tax of $3.2 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense at Costerfield increased to $4.7 million in the second quarter of 2020, compared to $2.4 million for the same period in 2019 mainly due to higher production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in Q2 2020 was $662, compared to $1,541 in the Q2 2019. The site all-in sustaining cost per ounce of gold equivalent produced in Q2 2020 was $1,025 versus $2,441 in Q2 2019. These per ounce costs were lower than the year ago quarter due to higher gold equivalent ounces produced in Q2 2020, and due to comparatively lower operating costs.

- ***Capital Expenditures*** – Capital expenditures Q2 2020 totaled $5.5 million ($3.5 million in capital development costs, $1.3 million for exploration, and $0.7 million in property, plant and equipment) compared with $5.1 million ($3.3 million in capital development costs, $0.5 million for exploration, and $1.3 million for property, plant and equipment) during Q2 2019. The increased capital expenditures in Q2 2020 was mainly due to an increase in exploration activities.

Costerfield – Six Months Ended June 30, 2020 and 2019

- ***Production*** — Saleable gold production for the first half year of 2020 was 20,973 ounces, a 183% increase from the 7,406 ounces produced in the first half year of 2019. Saleable antimony production for the six months ending June 30, 2020 was 2,054 tonnes, a 117% increase from the 946 tonnes produced in same period in 2019. Gold equivalent production for the six months ending June 30, 2020 was 28,429 ounces, an increase of 122% from the same period in 2019 when the Company produced 12,812 gold equivalent ounces. The increase in production compared to the year ago period was largely attributable to significantly higher overall grades from the Youle vein versus grades from Brunswick and remnant ore, which the Company was mining in the 2019 period.

- ***Revenue*** – Costerfield revenue for the six months ending June 30, 2020 was $43.2 million, a 162% increase from $16.5 million in the six months ending June 30, 2019, mainly due to increase in gold equivalent ounces sold and higher gold prices. Gold equivalent ounces sold increased by 103% to 26,137 ounces in the six months ending June 30, 2020 compared to 12,848 ounces in the six months ending June 30, 2019. The increase in the first half of 2020 sales compared to the six months ending June 30, 2019, was due to higher sales from increased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $13.8 million for the six months ending June 30, 2020, compared to $16.9 million for the same period of 2019. The lower operating costs in the first half of 2020 relates to comparable cost savings, an increase in inventory and a favorable foreign exchange movement.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during the six months ending June 30, 2020 was $29.4 million, adjusted EBITDA was $29.4 million and net income after tax was $12.1 million. Comparable results for the six months ending June 30, 2019 were loss from mine operations before depreciation and depletion of $0.4 million, adjusted EBITDA was negative of $0.4 million and net loss after tax of $4.3 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $9.6 million in the six months ending June 30, 2020, compared to $5.4 million for the same period in 2019 mainly due to higher production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the six months ending June 30, 2020, was $604, compared to $1,270 in the six months ending June 30, 2019. The site all-in sustaining cost per ounce of gold equivalent produced in the six months ending June 30, 2020, was $935 versus $1,996 in the six months ending June 30, 2019. These per ounce costs were lower than the year ago period due to higher gold equivalent ounces produced in the first half of 2020, partially by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the second quarter of 2020 totaled $10.2 million ($6.7 million in capital development costs, $2.0 million for exploration, and $1.5 million in property, plant and equipment) compared with $9.5 million ($6.5 million in capital development costs, $0.5 million for exploration, and $2.5 million for property, plant and equipment) during the same period in 2019. The increased capital development was due to a ramp up of exploration spend in the current period.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	19,485	19,095	40,666	39,743
Cost of sales	12,307	11,624	24,734	27,259
Income from operations (excl. depr. & depletion) (3)	7,178	7,471	15,932	12,484
General and administrative costs (1)	163	272	545	449
Adjusted EBITDA (2,3)	7,178	7,477	15,929	12,481
Depreciation & depletion	3,972	3,496	7,415	7,523
Adjusted EBIT (3)	3,043	3,703	7,972	4,512
Finance costs, forex and others (4)	(1,177)	783	(743)	1,639
Income before tax	4,220	2,920	8,715	2,873
Current tax expense	868	501	1,334	404
Deferred tax expense (recovery)	97	105	175	(31)
Consolidated net income after tax	3,255	2,314	7,206	2,500
Capital development	2,268	2,110	4,479	3,838
Property, plant and equipment purchases	2,452	2,842	4,779	3,788
Capitalized exploration	338	189	984	294
Total capital expenditures (5)	5,058	5,141	10,242	7,920

[1]Includes intercompany transfer pricing recharge costs of $163,000 and $542,000 for three and six months ended June 30, 2020 and $278,000 and $446,000 for same period of 2019.
[2]Does not include intercompany transfer pricing recharge costs.
[3]Income from operations (excl. depreciation & depletion) and Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as intercompany transfer pricing recharge for marketing fees and stock-based compensation of $394,000 and $676,000 for Q2 2020 and six months ended June 30, 2020 and $244,000 and $656,000 in corresponding periods of 2019.
[5]Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Operating development	m	1,399	1,384	2,622	2,935
Mined ore	t	268,096	297,754	487,065	644,274
Mined ore Au grade	g/t	1.37	1.43	1.42	1.37
Mined contained Au	oz	11,846	13,677	22,253	28,424
Mining cost per tonne ore	$/t	20.91	21.28	22.72	21.09
Processed ore	t	320,736	320,218	648,562	643,066
Processed ore mill head grade Au	g/t	1.26	1.55	1.24	1.57
Recovery Au	%	87.96	88.83	87.19	88.94
Saleable Au produced	oz	11,250	14,243	22,000	28,628
Processing cost per tonne ore	$/t	9.01	7.13	7.91	6.94
Au sold	oz	11,290	14,376	23,055	30,154
Capital development (underground)	m	835.80	626	1,676	1,061
Capital development cost per metre	$/m	2,528	2,877	2,521	2,952
Cash operating cost per tonne ore processed (1)	$/t	37.81	36.41	36.14	38.73
Adjusted EBITDA per tonne ore processed (1,2)	$/t	22.38	23.35	24.56	19.41
Cash cost per oz Au produced (1,2)	$/oz	1,078	818	1,065	870
Site all-in sustaining cost per oz Au produced (1,2)	$/oz	1,500	1,168	1,490	1,138

[1]Does not include intercompany transfer pricing recharge costs.
[2]Adjusted EBITDA, cash and site all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Björkdal - Three Months Ended June 30, 2020 and 2019

- ***Production*** – Saleable gold production at Björkdal for Q2 2020 was 11,250 ounces, a 21% decrease from the 14,243 ounces produced in Q2 2019 due to a decrease in mill head grade as a result of lower head grades in the processing plant related to lower than expected ore tonnes from underground.

- ***Revenue*** **–** Björkdal revenue for Q2 2020 was $19.5 million, a slight increase from $19.1 million in Q2 2019. Gold ounces sold decreased by 21% to 11,290 ounces in Q2 2020, compared to 14,376 ounces in Q2 2019, however, revenue increased due to a higher realized gold prices in the current quarter compared to Q2 2019.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $12.3 million Q2 2020, higher than $11.6 million for Q2 2019. The increase in operating costs was mainly due additional maintenance costs targeted in the quarter and additional drilling to define the Aurora structure.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for Q2 2020 was $7.2 million, adjusted EBITDA was $7.2 million and net income after tax was $3.3 million. Comparable results for Q2 2019 were income from mine operations before depreciation and depletion of $7.5 million, adjusted EBITDA of $7.5 million and net income after tax of $2.3 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $4.0 million in Q2 2020, compared to $3.5 million for the same period in 2019 mainly due to an increased unit cost in the current period.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for Q2 2020 was $1,078, 32% higher as compared to Q2 2019 of $818. All-in sustaining cost per ounce of gold produced at Björkdal for Q2 2020, was $1,500, 28% higher than the all-in sustaining cost per ounce of gold produced in Q2 2019, of $1,168. These per ounce costs were higher in Q2 2020, compared to Q2 2019, primarily due to lower metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for Q2 2020 totaled $5.1 million ($2.3 million in mine development costs, $0.3 million for exploration, and $2.5 million in property, plant and equipment) compared with $5.1 million ($2.1 million in mine development costs, $0.2 million for exploration, and $2.8 million for property, plant and equipment) during Q2 2019.

Björkdal - Six Months Ended June 30, 2020 and 2019

- ***Production*** – Saleable gold production at Björkdal for the six months ending June 30, 2020 was 22,000 ounces, a 23% decrease from the 28,628 ounces produced in the six months ending June 30, 2019. The decrease can be attributed to a 21% decrease in mill feed grade.

- ***Revenue*** **–** Björkdal revenue for the six months ending June 30, 2020 was $40.7 million, slightly higher than the $39.7 million in the same period of 2019. This was due to higher realized gold prices in the six months ending June 30, 2020 compared to six months ending June 30, 2019.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $24.7 million for the six months ending June 30, 2020, slightly lower than $27.3 million for the same period of 2019. The decrease in operating costs were primarily due to the strengthening of the United States dollar against the Swedish Krona.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the six months ending June 30, 2020 was $15.9 million, adjusted EBITDA was $15.9 million and net income after tax was $7.2 million. Comparable results for the same period of 2019 were income from mine operations before depreciation and depletion of $12.5 million, adjusted EBITDA of $12.5 million and net income after tax of $2.5 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $7.4 million in the six months ending June 30, 2020, compared to $7.5 million for the same period in 2019 due to decrease in production in current period as compared to previous period.

- ***Cost per Ounce*** **–** Cash cost per ounce of gold produced at Björkdal for the six months ending June 30, 2020 was $1,065, 22% higher than the cash cost per ounce of gold produced in the same period of 2019 of $870. All-in sustaining cost per ounce of gold produced at Björkdal for the six months ending June 30, 2020 was $1,490, 31% higher than the all-in sustaining cost per ounce of gold produced in the same period of 2019 of $1,138. These per ounce costs were higher in the first half of 2020 compared to the same period 2019 due primarily to lower metal volumes produced.

- ***Capital Expenditures*** **–** Capital expenditures at Björkdal for the six months ending June 30, 2020 totaled $10.2 million ($4.5 million in mine development costs, $0.9 million for exploration, and $4.8 in property, plant and equipment) compared with $7.9 million ($3.8 million in mine development costs, $0.3 million for exploration, and $3.8 million for property, plant and equipment) during the same period of 2019. The increase in capital expenditures was due primarily to more capital development meters underground compared to the previous year period, as well as higher amounts spent on mining equipment and exploration.

Non-Core Properties

Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the sale of the Cerro Bayo mine in Chile. Cerro Bayo continues to be under care and maintenance. See announcement dated October 8, 2019 for further details.

On June 23, 2020, the Chilean mining authority, Sernageomin, approved the modification of the reclamation plan at Cerro Bayo. This in turn reduced the reclamation and site closure provision liability at Cerro Bayo to $12.2 million as at June 30, 2020. The reduction from the change in estimate of $6.6 million Q2 2020, was credited against the Cerro Bayo exploration and evaluation asset of $0.8 million and the remaining $5.8 million was recognized as reversal of reclamation liability in the income statement.

During Q2 2020, the Company spent $0.5 million on care and maintenance activities at Cerro Bayo compared to $0.8 million in Q2 2019. For the six months ending June 2020 the company spent $1.1 million as compared to $1.7 million during the same period of 2019. The decrease in expense was mainly due to a reduction in the number of staff and activities.

Challacollo

On November 12, 2019, the Company announced that it has entered into a definitive agreement with Aftermath Silver Ltd. ("Aftermath") in respect of the previously announced transaction in which Aftermath will acquire Minera Mandalay Challacollo Limitada ("MMC"), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile. Pursuant to the terms of the transaction, Aftermath will purchase 100% of MMC in exchange for total consideration of up to CAD$10.5 million, consisting of CAD$7.5 million in non-contingent consideration (the "Non-Contingent Consideration") plus a 3% net smelter returns royalty on production at Challacollo, capped at CAD$3.0 million.

The Non-Contingent Consideration is payable as follows:

- CAD$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019);
- CAD$1.0 million in cash payable on or before December 30, 2020; and
- CAD$5.0 million in cash or shares payable on or before April 21, 2021, or CAD$5.5 million if Aftermath elects to extend this date to April 21, 2022.

In addition, on November 28, 2018 the Company signed a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property for consideration of $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions. During the fourth quarter of 2019, the Company received CAD$1.0 million of this total amount.

Lupin

During Q2 2020, the Company spent less than $0.1 million on care and maintenance activities at Lupin, which was the same as Q2 2019. Reclamation spending at Lupin was $5.1 million during the second quarter of 2020 and $5.3 million for six months ending June 2020, compared to $0.2 million in second quarter of 2019 and $0.9 for the same period in 2019.In January 2020, Lupin concluded its Public Hearing process for the Final Closure and Reclamation Plan ("FCRP") and this FCRP was subsequently approved on February 28, 2020. Lupin is currently in the process of final closure and reclamation activities funded by progressive security reductions.

La Quebrada

Care and maintenance spending at La Quebrada was less than $0.1 million during the second quarter and six month ending June 30, 2020, which was the same as the prior year quarter and period.

1.2 SECOND QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	42,335	26,344	83,901	56,260
Cost of sales	19,734	20,751	38,566	44,145
Income from operations (excl. depr. and depletion)	22,601	5,593	45,335	12,115
Depreciation and depletion	8,811	6,068	17,406	13,320
Income (loss) from mining operations	13,790	(475)	27,929	(1,205)
General and administrative costs	1,330	1,488	3,161	2,763
Adjusted EBITDA(1)	21,271	4,105	42,174	9,352
Finance costs	2,989	1,521	8,608	3,193
Tax, forex and others(2)	8,738	7,024	17,180	5,392
Consolidated income (loss) before tax	733	(10,508)	(1,020)	(12,553)
Current tax expense (recovery)	1,797	506	2,263	409
Deferred tax expense (recovery)	1,950	(1,264)	4,263	(1,877)
Adjusted net income (loss)(1)	7,632	(3,926)	12,818	(4,385)
Consolidated net loss	(3,014)	(9,750)	(7,546)	(11,085)
Adjusted income (loss) per share(1)	0.08	(0.04)	0.14	(0.06)
Consolidated loss per share	(0.03)	(0.11)	(0.08)	(0.16)
Total assets	260,298	255,506	260,298	255,506
Total liabilities	156,523	135,609	156,523	135,609
Total equity	103,775	119,897	103,775	119,897
Capital expenditures – Consolidated(3)				
Underground capital development & open pit prestrip	5,749	5,424	11,156	10,293
Property, plant and equipment purchases	3,168	4,154	6,276	6,340
Capitalized exploration	1,649	660	3,171	1,016
Total capital expenditures	10,566	10,238	20,603	17,649

[1]Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share before special items are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[2]Others includes such items as share based compensation and (loss)/gain on financial instruments, if any.
[3] Includes capitalized spend from non-operating sites.

Summary Balance Sheet

	As at June 30, 2020	As at December 31, 2019
	$'000	$'000
Cash and cash equivalents	20,915	24,462
Inventories, accounts receivables and other current assets	41,352	37,166
Total current assets	**62,267**	**61,628**
Property, plant and equipment	178,221	176,355
Reclamation deposits and other non-current assets	19,810	20,609
Total assets	**260,298**	**258,592**
Five-year exchangeable loan	-	22,562
Revolver Facility	-	40,000
Syndicated Facility – *current*	13,556	-
Other current liabilities	44,248	41,439
Total current liabilities	**55,804**	**104,001**
Syndicated Facility – *non-current*	49,198	-
Non-current liabilities	51,512	42,839
Equity attributable to common shareholders	103,775	111,752
Total equity and liability	**260,298**	**258,592**

Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income to reported Net Income for the three and six months ended June 30, 2020 and 2019. See Section 1.14 "Non-IFRS Measures" for more information.

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
	$'000	$'000	$'000	$'000
Consolidated net loss	(3,014)	(9,750)	(7,546)	(11,085)
Add: Special items				
Write down of assets	-	4,985	-	4,985
Reversal of Cerro Bayo reclamation liability	(5,783)	-	(5,783)	-
Care and maintenance costs	488	839	1,093	1,715
Fair value loss on financial instruments – hedging	15,941	-	25,054	-
Adjusted net income (loss)	**7,632**	**(3,926)**	**12,818**	**(4,385)**
Add/less: Non-cash and finance costs				
Depletion and depreciation	8,811	6,068	17,406	13,320
Loss (gain) on disposal of PPE	8	(34)	8	(1,855)
Share based compensation expense	255	128	367	309
Interest and finance charges	2,989	1,521	8,608	3,193
Fair value adjustments loss (gain)	(1,117)	980	(4,077)	856
Current tax expense (recovery)	1,797	506	2,263	409
Deferred tax expense (recovery)	1,950	(1,264)	4,263	(1,877)

Foreign exchange loss (gain)	(915)	231	868	(296)
Interest and other income	(139)	(105)	(350)	(322)
Adjusted EBITDA	**21,271**	**4,105**	**42,174**	**9,352**
Depletion and depreciation	8,811	6,068	17,406	13,320
Adjusted EBIT	**12,460**	**(1,963)**	**24,768**	**(3,968)**

Cash Cost and All-in Sustaining Cost Reconciliation to Cost of Sales:

The table below reconciles cash cost, all-in sustaining cost to reported cost of sales for the three and six months ended June 30, 2020 and 2019. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
	$'000	**$'000**	**$'000**	**$'000**
Cost of sales, excluding depletion and depreciation	**19,734**	**20,751**	**38,566**	**44,145**
Add:				
General and administrative costs	1,330	2,327	3,161	4,478
Less:				
Change in inventory	1,911	(921)	3,138	(2,815)
Royalties	(595)	(116)	(1,152)	(244)
Total cash cost	**22,380**	**22,041**	**43,713**	**45,564**
Saleable Au equivalent produced (oz)	24,752	19,500	50,429	41,440
Cash cost per oz gold produced ($)	**904**	**1,130**	**867**	**1,100**

	Three months ended June 31, 2020	**Three months ended June 31, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
	$'000	**$'000**	**$'000**	**$'000**
Total Cash cost	**22,858**	**22,041**	**44,588**	**45,564**
Add:				
Capital development	5,749	5,424	11,156	10,293
Capital purchases – sustaining	3,194	4,154	6,302	6,340
Capital exploration – infill drilling	125	13	158	77
Royalties	116	116	277	244
Accretion on rehabilitation provisions	89	84	230	168
All-in sustaining cost	**32,131**	**31,832**	**62,711**	**62,686**
Saleable Au equivalent produced (oz)	24,752	19,500	50,429	41,440
All-in sustaining cost per oz gold produced ($)	**1,298**	**1,632**	**1,244**	**1,513**

Consolidated Financial Results - Three Months Ended June 30, 2020 and 2019

- ***Revenue*** – Consolidated revenue for Q2 2020 was $42.3 million, higher than $26.3 million in the second quarter of 2019. Consolidated gold equivalent ounces sold increased by 24.6% to 24,916 ounces in Q2 2020 compared to 19,995 ounces in Q2 2019. The increase in gold ounces sold along with higher gold prices between the quarters resulted in higher revenue.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $19.7 million for Q2 2020 compared to $20.8 million for Q2 2019. The 6% decrease in costs was mainly due to favorable comparative foreign exchange rates.

- ***Income from Operations*** **–** Consolidated income from mine operations before depreciation and depletion for Q2 2020 was $22.6 million, adjusted EBITDA was $21.3 million and net loss after tax was $3.0 million. Comparable results for second quarter of 2019 were income from mine operations before depreciation and depletion of $5.6 million, adjusted EBITDA of $4.1 million and net loss after tax of $9.8 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense for the Company increased to $8.8 million in second quarter of 2020 compared to $6.1 million for second quarter of 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for Q2 2020 was $923, 18% lower than Q2 2019 of $1,130. Consolidated all-in sustaining cost per ounce of gold equivalent produced for Q2 2020 was $1,298, 20% lower than Q2 2019 of $1,632. These per ounce cash cost was lower in Q2 2020 as compared to Q2 2019 due to lower cost of sales and higher production at Costerfield.

- ***Capital Expenditures*** – Consolidated capital expenditures for Q2 2020, totaled $10.6 million ($5.5 million occurred at Costerfield and $5.1 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q2 2019 were $10.2 million ($5.1 million occurred at Costerfield, $5.1 million at Björkdal). The increase in capital expenditures was due to increased exploration and capital development activities at Costerfield.

Consolidated Financial Results - Six Months Ended June 30, 2020 and 2019

- ***Revenue*** – Consolidated revenue for the six months ending June 30, 2020 was $83.9 million, a 49% increase from $56.3 million in the six months ending June 30, 2019, mainly due to increase in gold ounces sold along with higher gold prices. Consolidated gold equivalent ounces sold increased by 14% to 49,192 ounces in the six months ending June 30, 2020 compared to 43,002 ounces in the six months ending June 30, 2019.

- ***Operating Costs*** **–** Consolidated cost of sales excluding depletion and amortization was $38.6 million for the six months ending June 30, 2020, compared to $44.1 million for the same period of 2019. The 13% improvement was primarily due to cost savings at Costerfield and a relative improvement in the foreign exchange rate.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the six months ending June 30, 2020 was $45.3 million, adjusted EBITDA was $42.2 million and net loss after tax was $7.5 million. Comparable results for the six months ended June 30, 2019 were income from mine operations before depreciation and depletion of $12.1 million, adjusted EBITDA of $9.4 million and net loss after tax of $11.1 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense for the Company increased to $17.4 million in the six months ending June 30, 2020 compared to $13.2 million for the same period in 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for the six months ending June 30, 2020 was $867, 21% lower than the cash cost per ounce of gold equivalent produced in the six months ending June 30, 2019 of $1,100. Consolidated all-in sustaining cost per ounce of gold equivalent produced for the six months ending June 30, 2020 was $1,244, lower than the all-in sustaining cost per ounce of gold equivalent produced in the six months ending June 30, 2019 of $1,513. These per ounce costs were lower in the year to date 2020 compared to the same period in 2019 due to higher metal produced.

- ***Capital Expenditures*** – Consolidated capital expenditures for the six months ending June 30, 2020, totaled $20.6 million ($10.2 million occurred at Costerfield and $10.2 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the six months ending June 30, 2019 were $17.6 million ($9.5 million occurred at Costerfield and $7.9 million at Björkdal). The increase in capital expenditures was primarily due to increased capital spending at Björkdal.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 2 2020	**Quarter 1 2020**	**Quarter 4 2019**	**Quarter 3 2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	42,335	41,566	22,737	28,798
Adjusted net income (loss)	7,632	5,186	(4,223)	(961)
Net loss	(3,014)	(4,532)	(5,328)	(1,403)
Adjusted net income (loss) per share – Basic	0.08	0.06	(0.05)	(0.01)
Net loss per share – Basic and diluted	(0.03)	(0.05)	(0.07)	(0.02)

	Quarter 2 2019	**Quarter 1 2019**	**Quarter 4 2018**	**Quarter 3 2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	26,344	29,916	22,711	21,765
Adjusted net income (loss)	(3,926)	(459)	(11,475)	(6,242)
Net loss	(9,750)	(1,334)	(31,299)	(7,468)
Adjusted net income (loss) per share – Basic	(0.04)	(0.01)	(0.25)	(0.14)
Net loss per share – Basic and diluted	(0.11)	(0.03)	(0.69)	(0.17)

Financial results are impacted by the amounts of gold and antimony production, the costs associated with that production, and the prices received for metal in concentrate. Metal prices are determined using prevailing international prices for gold and antimony. The Company's products are priced in U.S. dollars, whereas the majority of mine costs are in Australian dollars (at Costerfield), Swedish Krona (at Björkdal) and Chilean pesos (at Cerro Bayo). The Company's results will be impacted by exchange rate variations during the reporting periods.

Volatility in revenue and earnings over the past two years is due to the combined impact of changes in production volumes, fluctuations in metal prices and timing of concentrate shipments.

1.4 MARKETS – CURRENCY EXCHANGE RATES

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

Currency	Average Rate April 1, 2020 – June 30, 2020	Average Rate April 1, 2019 – June 30, 2019	Average Rate January 1, 2020 – June 30, 2020	Average Rate January 1, 2019 – June 30, 2019
1A$ = C$	0.9109	0.9369	0.8970	0.9421
1 A$ = US$	0.6569	0.7001	0.6576	0.7063
1 US$ = C$	1.3866	1.3382	1.3640	1.3338
1 US$ = Chilean Peso	823	684	814	676
1 US$ = SEK	9.6902	9.4470	9.6832	9.3120

Markets – Commodity Prices

Realized and market prices of gold on average were higher in the second quarter ended June 30, 2020, compared to the same periods of 2019. Realized and market prices of antimony were lower in Q2 2020, compared to Q2 2019. The average market and realized commodity prices for the reporting period are summarized in the table below:

Commodity	Prices April 1, 2020 June 30, 2020	Prices April 1, 2019 June 30, 2019	Prices January 1, 2020 June 30, 2020	Prices January 1, 2019 June 30, 2019
Realized gold US$/oz[1]	1,714	1,314	1,720	1,312
Average gold US$/oz – London PM close (Metal Bulletin)	1,709	1,309	1,646	1,306
Realized antimony US$/tonne[1]	5,316	6,265	5,794	6,921
Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	5,688	6,894	5,920	7,353

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

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At June 30, 2020, the Company's working capital was $6.5 million compared to negative $42.4 million at December 31, 2019. The Company had cash and cash equivalents of $20.9 million at June 30, 2020, as compared to $24.5 million at December 31, 2019.

On March 17, 2020, the Company entered into a credit agreement with HSBC and Macquarie providing for (i) a senior secured revolving credit facility in an aggregate amount of up to US$25 million and (ii) a senior secured term credit facility in an aggregate amount of up to US$40 million (the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previous US$40 million revolving credit facility with HSBC, which was scheduled to mature on July 24, 2020 (the "Prior Credit Facility"). The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds. The Syndicated Facility has a term of three years. In addition to repaying the Existing Facility and repurchasing or redeeming Gold Bonds, proceeds from the Syndicated Facility will be used for general corporate and working capital purposes.

During the first quarter of 2020, in conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold a year. This hedge consists of a zero-cost collar hedge for 75,000 ounces of saleable gold with a floor price of US$1,550 per ounce and a ceiling of US$1,617 per ounce; and an Australian dollar gold forward contract for the remaining 75,000 ounces of salable gold at AU$2,390 per ounce.

As at June 30, 2020, the Company was in compliance of all the covenants of its Syndicated Facility.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

$65 Million Syndicated Facility

On March 17, 2020, the Company entered into the Syndicated Facility, which consists of:

1. A senior secured Revolver Credit Facility in an aggregate amount of up to $25.0 million; and
2. A senior secured Term Credit Facility in an aggregate amount of up to $40.0 million.

The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds.

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of
  - not less than 1.25:1:00 for the Rolling periods (two quarters) ending March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, and
  - not less than 1.50:1:00 for the Rolling periods (two quarters) ending March 31, 2021 and thereafter;
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Adjusted Tangible Net Worth of not less than $95.0 million plus 50% of net income (cumulative) earned after Closing Date, less any write-downs related to non-core assets and add/less any fair value loss/gain related to the gold derivative contracts; and
- the aggregate of the Company's unrestricted cash shall not be less than $10.0 million at any time.

As at June 30, 2020, the Company was in compliance with all financial covenants under the Syndicated Facility.

The Syndicated Facility has a three-year term and the Term Credit Facility shall be reduced by $3.0 million each quarter commencing September 30, 2020, until December 31, 2020, and thereafter repaid in eight equal quarterly installments of $3.8 million starting March 31, 2021, with the final payment of $28.8 million on the maturity date, March 16, 2023, which includes repayment of the Revolver Credit Facility in full. The Syndicated Facility allows for early repayments with no associated penalties and will hold security over the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%.

As at June 30, 2020, the Company was fully drawn down on the Syndicated Facility, however, $5.0 million of this balance was held in escrow to partly fund exchanges of the Gold Bonds (which have since been completed).

In conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold per year. This hedge consists of a zero-cost collar hedge for 75,000 ounces of saleable gold with a floor price of US$1,550 per ounce and a ceiling of US$1,617 per ounce; and an Australian dollar gold forward contract for the remaining 75,000 ounces of saleable gold at AU$2,390 per ounce. The Company recognized a fair value loss of $15.9 million and $25.1 million for the quarter and six months ending June 30, 2020, respectively relating to these hedges. As the gain or loss from the valuation of these hedges can be volatile due to the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time, the Company has classified the valuation as a special item.

Five-year exchangeable loan

In May 2014, Mandalay issued debt securities 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 mirrored the principal terms of the Bonds. The Company had equivalent redemption rights with respect to the Loan.

Under the terms of the Loan, the Company had the right to repay the Loan (and require the Issuer to complete a concurrent redemption of the Bonds) at its option if $9.0 million or less in the principal amount of Bonds remained outstanding. As the outstanding principal amount of the Bonds was less than this amount after the repurchase on March 18, 2020, on March 25, 2020, the Company caused the issuer to send a redemption notice to the remaining Bond holders. In response to the redemption notice, all remaining Bond holders exercised their exchange rights by April 22, 2020. Associated to this final exercise was a loss on repayment of the Loan of $1.6 million. As a result, none of the Bonds remain outstanding and the entire amount of the Loan had been repaid by that date.

Fair-value Adjustments

As at June 30, 2020, the Company has repaid its balance loan and as a result of this, the derivative value of the conversion feature was Nil, as compared to $4.1 million as at December 31, 2019. As a result, the Company recorded a fair value measurement gain of $1.1 million and $4.1 million for the three and six months ended June 30, 2020 as compared to loss of $1.0 million and $0.9 million for comparable periods of 2019.

During the first quarter of 2020, the Company entered two gold hedging programs with HSBC and Macquarie, in connection with the Syndicated Facility. The Company has recognized a fair value loss of $15.9 million and $25.0 million, respectively, relating to these hedging programs during the three and six months ending June 30, 2020, as a result of the recent increase in gold price.

Contractual Obligations as at June 30, 2020

Contractual obligations	Payments due by year ($ '000)			Total ($ '000)
	Less than 1 year	1-3 years	4-5 years	
Syndicated Facility	13,556	51,444	-	**65,000**
Lease obligations	1,798	3,109	38	**4,945**
Other equipment loan obligations	612	633	-	**1,245**
Total contractual obligations	**15,966**	**55,186**	**38**	**71,190**

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

Kingsdale Advisors ("Kingsdale") is a shareholder services and strategic advisory firm which provided the Company with corporate advisory services in the amount of $15,000 during the six months to June 30, 2020. Amy Freedman is Chief Executive Officer of Kingsdale and is on the Board of Directors of Mandalay.

1.9 FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade receivables and other assets, reclamation and other deposits, derivative financial instruments, trade and other payables. The Company also periodically uses financial instruments to protect itself against future downward fluctuations in the prices of gold and antimony and against currency exchange rate fluctuations (see gold hedging programs in Section 1.6 Contractual Commitments And Contingencies).

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at June 30, 2020, the Company had no past overdue trade receivables.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that its results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

The Company reports its financial statements in U.S. dollars. However, the Company's operations are located in Australia, Sweden, and Chile, where local costs are at least partially incurred in local currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to the Australian dollar, Chilean peso and Swedish krona. The Company has at times entered into foreign exchange hedges to limit exposure to exchange rate fluctuations. The Company's management assesses the Company's strategy towards its foreign exchange rate risk as needed, depending on market conditions.

1.10 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure.

II. Internal Controls and Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluates the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 on a regular basis. The Company's controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

III. Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

1.11 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 91,185,239 common shares issued and outstanding. The weighted average number of shares outstanding during the second quarter ended June 30, 2020 used for the calculation of per share results was 91,159,048.

So far in 2020, the following events added to the total amount of outstanding shares and options of the Company:

Omnibus Equity Incentive Plan

On May 20, 2020, the shareholders of the Company approved a rolling Omnibus Equity Incentive Plan (the "Omnibus Plan") which provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units, performance share units and deferred share units as described in the Company's Management Information Circular dated April 3, 2020. The Omnibus Plan replaced the Company's Stock Option Plan and RSU Plan which remain in effect with respect to stock options and RSUs issued prior to the adoption of the Omnibus Plan, but no further stock options and restricted share units will be issued thereunder.

The total number of common shares reserved for issuance pursuant to awards granted under the Omnibus Plan and all other security-based compensation outstanding under the Stock Option Plan and RSU Plan shall not exceed 10% of the issued and outstanding common shares from time to time

Stock Options

During 2013, the Company had established a "rolling" stock option plan (the "Option Plan") in compliance with the TSX's policy for granting stock options. Under the Option 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 stock option shall not be less than the market price of the Company's stock at the date of grant. Options generally vest over three years. Options issued until the year ended December 31, 2016, had a maximum term of five years, and from the year 2017, can have a maximum term of up to seven years.

The stock options issued and outstanding as at June 30, 2020, are as follows:

Exercise Price CAD$	As of June 30, 2020	As of August 13, 2020	Expiry Date
0.61	917,000	917,000	30 June, 2027
1.10	440,000	440,000	30 June, 2026
2.00	299,500	299,500	30 June, 2025
6.00	165,000	165,000	30 June, 2024
9.10	151,300	151,300	23 March, 2021
Total	**1,972,800**	**1,972,800**	

During the three months ended June 30, 2020, 20,000 options were exercised, while none were exercised in the 2019 comparative quarter. There were 1,972,800 options outstanding as of June 30, 2020, which could result in issuance of shares.

Restricted Share Units

During 2013, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") and granted Restricted Share Units ("RSUs") to certain directors. Under the RSU Plan, those directors granted RSUs receive the Company's common shares at no cost at the end of vesting periods. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period.

The RSUs issued and outstanding as at June 30, 2020, are as follows:

	Number of RSU Awards
Balance, December 31, 2018	**193,480**
Granted	209,596
Redeemed	(44,789)
Forfeited	(41,404)
Outstanding at December 31, 2019	**316,883**
Granted	491,802
Redeemed	(84,565)
Outstanding at June 30, 2020	**724,120**

1.12 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, Dominic Duffy (MAusIMM(CP)), Mandalay's President and CEO and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 SUBSEQUENT EVENTS

There were no material subsequent events after the June 30, 2020 balance sheet date.

1.14 NON-IFRS MEASURES

Non-IFRS performance measures are included in this MD&A because the Company believes these are useful indicators to discuss and understand performance of the Company and its operations. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These non-IFRS performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Management uses adjusted EBITDA, adjusted EBIT, adjusted net income and operating net income after tax as measures of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow in order to fund future working capital needs and to fund future capital expenditures, as well as in measuring financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company presents "cash cost" and "all-in sustaining costs" metrics for its gold and antimony production because it believes that these measures assist investors and other users of the Company's financial statements in understanding the economics of the Company's gold and antimony mining activities. Management also uses these metrics to assess Company's ability to meet short and long-term financial objectives.

1. *Income from operations (excl. depreciation & depletion)* – The Company defines Income from operations (excl. depreciation & depletion) as revenue net of cost of sales excluding depreciation, depletion and any write-off of assets.
2. *Adjusted EBITDA* – The Company defines adjusted EBITDA as income from mine operations, net of General and administrative, and business development costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. Refer to Section 1.2 for a reconciliation between adjusted EBITDA and net income.
3. *Adjusted EBIT* – The Company defines Adjusted EBIT as Adjusted EBITDA less depletion and depreciation.
4. *Adjusted net income* – The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their nature and, in some cases,

expected infrequency of the events giving rise to them. Starting in the first quarter of 2020, adjusted net income was calculated by excluding the impact of any loss or gain on financial instruments associated to the hedging. This is because this amount can be volatile from the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time. Refer to Section 1.2 for a reconciliation between adjusted net income and net income.

5. *Gold equivalent ounces* **-** Gold equivalent ounces is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

6. *Site cash cost per ounce of saleable gold equivalent produced* – For all sites, the cash cost per ounce of saleable gold equivalent equals the total cash operating cost associated with the production of saleable equivalent ounces produced in the period divided by the saleable equivalent gold ounces produced. The cash cost excludes royalty expenses.

7. *Site all-in sustaining cost per ounce of saleable gold equivalent produced* – Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense and accretion of reclamation provision. Sustaining capital reflects the capital required to maintain each site's current level of operations. For all sites, the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

8. *Consolidated cash cost per ounce of gold equivalent produced* – The corporate cash cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of the gold equivalent ounces at all operating sites in the period plus the corporate overhead expense in the period divided by the total saleable gold equivalent ounces produced in the period. The cash cost excludes royalty expenses.

9. *Consolidated all-in sustaining cost per ounce of saleable gold equivalent produced* – The corporate all-in sustaining cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of gold equivalent ounces at all operating sites in the period plus corporate overhead expense in the period plus sustaining mining capital, royalty expense, accretion of reclamation provision, divided by the total saleable gold equivalent ounces produced in the period. Refer to Section 1.2 for a reconciliation between consolidated cash cost per ounce and consolidated all-in sustaining cost per ounce, on the one hand, and cost of sales and consolidated cash cost per ounce, on the other hand.