

Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2020
(Unaudited)

Mandalay Resources Corporation

September 30, 2020

Table of contents

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)	2
Condensed consolidated interim statements of financial position	3
Condensed consolidated interim statements of changes in equity	4
Condensed consolidated interim statements of cash flows	5
Notes to the condensed consolidated interim financial statements	6-23

Mandalay Resources Corporation

Condensed consolidated interim statements of income (loss) and comprehensive income (loss) Three and nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020 ⁽¹⁾	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue (Note 8)	49,753	28,798	133,654	85,058
Cost of operations				
Cost of sales, excluding depletion and depreciation	21,418	21,610	59,984	65,755
Depletion and depreciation	9,101	5,510	26,507	18,831
	30,519	27,120	86,491	84,586
Income from mining operations	19,234	1,678	47,163	472
Expenses				
Administration	1,608	1,633	4,769	4,397
Care and maintenance and other operating expenses	511	442	1,604	2,156
Share-based compensation (Note 7(b))	196	122	563	431
(Gain) loss on disposal of property, plant and equipment	(5)	-	3	(1,854)
Reversal of reclamation liability (Note 6)	-	-	(5,783)	-
Write down of assets	-	-	-	4,985
	2,310	2,197	1,156	10,115
Income (loss) from operations	16,924	(519)	46,007	(9,643)
Other income (expenses)				
Finance costs (Note 10)	(3,478)	(1,824)	(12,086)	(5,017)
(Loss) gain on financial instruments (Note 9)	(8,677)	103	(28,155)	(753)
Interest and other income	114	175	464	497
Foreign exchange gain (loss)	646	(183)	(222)	115
	(11,395)	(1,729)	(39,999)	(5,158)
Income (loss) before income taxes	5,529	(2,248)	6,008	(14,801)
Income tax expense (recovery)				
Current	4,669	467	6,933	876
Deferred	225	(1,312)	4,488	(3,190)
Income tax expense (recovery)	4,894	(845)	11,421	(2,314)
Net income (loss) for the period	635	(1,403)	(5,413)	(12,487)
Other comprehensive income (loss), net of tax Item that may subsequently be reclassified to net income (loss)				
Foreign currency translation	4,079	(6,069)	3,404	(9,141)
Comprehensive income (loss) for the period	4,714	(7,472)	(2,009)	(21,628)
Net profit (loss) per share				
Basic	0.01	(0.02)	(0.06)	(0.16)
Diluted	0.01	(0.02)	(0.06)	(0.16)
Weighted average number of common shares outstanding (Note 11)				
Basic ('000)	91,196	91,049	91,144	76,421
Diluted ('000)	92,693	91,049	91,144	76,421

⁽¹⁾ Includes restated figures for the three months ended March 31, 2020 and June 30, 2020 related to gain on financial instruments amounting to \$1,499,000 (See Note 16, *Restatement of Prior Period Figures*).

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars)

(Unaudited)

	September 30, 2020	December 31, 2019
	(\$'000)	(\$'000)
Assets		
Current assets		
Cash and cash equivalents	32,889	24,462
Reclamation deposits	3,595	10,909
Trade receivables and other assets	18,326	11,893
Inventories	16,388	12,266
Prepaid expenses	3,671	2,098
	74,869	61,628
Non-current assets		
Reclamation and other deposits	19,150	18,014
Trade receivables and other assets	2,938	1,941
Property, plant and equipment, net (Note 4)	186,422	176,355
Deferred tax asset	-	654
	208,510	196,964
	283,379	258,592
Liabilities		
Current liabilities		
Trade and other payables	27,728	21,927
Borrowings (Note 5)	15,118	40,286
Lease liabilities	1,591	1,970
Reclamation and site closure costs provision (Note 6)	9,067	10,909
Other provisions	2,108	1,488
Income taxes payable	6,779	783
Financial instruments (Note 9)	12,124	4,076
Five-year exchangeable loan	-	22,562
	74,515	104,001
Non-current liabilities		
Borrowings (Note 5)	46,168	418
Lease liabilities	2,779	3,542
Reclamation and site closure costs provision (Note 6)	17,790	31,438
Other provisions	1,760	1,560
Financial instruments (Note 9)	20,106	-
Deferred tax liability	10,163	5,881
	98,766	42,839
	173,281	146,840
Equity		
Share capital	229,962	229,809
Share option reserve	4,375	4,173
Foreign currency translation reserve	(36,690)	(40,094)
Retained deficit	(87,549)	(82,136)
	110,098	111,752
	283,379	258,592

Approved by the Board of Directors and authorized for issuance on November 11, 2020.

(Signed) Dominic Duffy

Dominic Duffy, President and Chief Executive Officer

(Signed) Robert Doyle

Robert Doyle, Director

Mandalay Resources Corporation

Condensed consolidated interim statements of changes in equity

Nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars, except number of shares)

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance, December 31, 2019	91,081	229,809	4,173	(40,094)	(82,136)	111,752
Net loss	-	-	-	-	(5,413)	(5,413)
Other comprehensive income for the period	-	-	-	3,404	-	3,404
Total comprehensive income (loss)	-	-	-	3,404	(5,413)	(2,009)
Stock options exercised (Note 7(c))	20	17	-	-	-	17
Share-based compensation (Note 7(b))	-	-	338	-	-	338
Redemption of RSU (Note 7(d))	126	136	(136)	-	-	-
Balance, September 30, 2020	91,227	229,962	4,375	(36,690)	(87,549)	110,098

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance, December 31, 2018	45,160	192,078	10,404	(36,196)	(70,150)	96,136
Net loss	-	-	-	-	(12,487)	(12,487)
Other comprehensive loss for the period	-	-	-	(9,141)	-	(9,141)
Total comprehensive loss	-	-	-	(9,141)	(12,487)	(21,628)
Share-based compensation (Note 7(b))	-	-	431	-	-	431
Redemption of RSU (Note 7(d))	14	75	(75)	-	-	-
Shares issued for cash	35,940	32,273	-	-	-	32,273
Conversion of bridge loan into common shares	9,936	8,000	-	-	-	8,000
Share issuance cost	-	(2,664)	-	-	-	(2,664)
Balance, September 30, 2019	91,050	229,762	10,760	(45,337)	(82,637)	112,548

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, 2020 and 2019

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020 ⁽¹⁾	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Operating activities				
Net income (loss)	635	(1,403)	(5,413)	(12,487)
Adjustments to reconcile net loss to net cash flows from operating activities				
Depletion and depreciation	9,101	5,510	26,507	18,831
Share-based compensation (Note 7(b))	196	122	563	431
(Gain) loss on disposal of property, plant and equipment	(5)	-	3	(1,854)
Finance cost (Note 10)	3,478	1,824	12,086	5,017
Loss (gain) on financial instruments (Note 9)	8,677	(103)	28,155	753
Interest and other income	(114)	(175)	(464)	(497)
Foreign exchange (gain) loss	(1,425)	297	(523)	(759)
Income tax expense (recovery)	4,894	(845)	11,421	(2,314)
Reclamation expenditures (Note 6)	(497)	(814)	(5,796)	(1,692)
Reversal of reclamation liability (Note 6)	-	-	(5,783)	-
Write down of assets	-	-	-	4,985
Changes in non-cash operating working capital items				
Trade receivables and other assets	1,467	(1,780)	(6,280)	(6,868)
Inventories	(556)	2,015	(3,982)	5,073
Prepaid expenses	(2,205)	(633)	(1,601)	(518)
Trade and other payables	5,565	(151)	(406)	(7,281)
Other provisions	415	(97)	730	(237)
Cash generated from operations	29,626	3,767	49,217	583
Interest and other income received	114	175	464	497
Interest and bank charges paid	(804)	(1,414)	(3,177)	(4,099)
Net cash flows from (used in) operating activities	28,936	2,528	46,504	(3,019)
Investing activities				
Expenditure for property, plant and equipment	(11,709)	(9,269)	(31,685)	(26,616)
Receipt from reclamation deposits	-	-	5,846	2,544
Payment to reclamation deposits	-	(14)	-	(4,720)
Proceeds from sale of non-core assets	-	-	-	2,148
Net cash flows used in investing activities	(11,709)	(9,283)	(25,839)	(26,644)
Financing activities				
Proceeds from borrowings (Note 5)	-	5,000	63,111	10,576
Repayments of borrowings	(3,233)	(209)	(71,779)	(3,652)
Lease payments	(727)	(615)	(1,427)	(995)
Payment of gold derivative contracts	(2,085)	-	(2,085)	-
Shares issued for cash	-	-	16	32,273
Share issuance cost	-	-	-	(2,664)
Proceeds from bridge loan	-	-	-	8,000
Net cash flows from financing activities	(6,045)	4,176	(12,164)	43,538
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	792	115	(74)	968
Net increase (decrease) in cash and cash equivalents	11,974	(2,464)	8,427	14,843
Cash and cash equivalents, beginning of the period	20,915	25,702	24,462	8,395
Cash and cash equivalents, end of the period	32,889	23,238	32,889	23,238
Cash and cash equivalents consist of				
Cash	32,889	23,238	32,889	23,238
	32,889	23,238	32,889	23,238

⁽¹⁾ Includes restated figures for the three months ended March 31, 2020 and June 30, 2020 related to gain on financial instruments amounting to \$1,499,000 (See Note 16, *Restatement of Prior Period Figures*).

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)

(Unaudited)

1. Description of business and nature of operations

Mandalay Resources Corporation (“Mandalay” or the “Company”), together with its wholly owned subsidiaries, is a gold and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Mandalay’s assets consist of the Costerfield gold and antimony mine in Australia, the Björkdal gold mine in Sweden, as well as other exploration and care and maintenance projects in Chile and Canada.

Mandalay is incorporated in the province of British Columbia, Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). The head office and principal address of the Company is 76 Richmond Street East, Suite 330, Toronto, Canada, M5C 1P1. The Company’s registered office is located at 2600 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

2. Basis of preparation

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

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

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

Judgments made by management in the application of International Financial Reporting Standards (“IFRS”) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2019.

Risks and Uncertainties

COVID-19

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.

The Company is not able to estimate the duration of the pandemic and potential impact on its business if disruptions or delays in our operations occur or our ability to transfer our products to market. In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including a decreased ability to raise additional capital when needed on acceptable terms, if at all. As the situation continues to evolve, the Company will continue to closely monitor operating conditions in the countries we operate and respond accordingly.

As of the date of the issuance of these unaudited Condensed Consolidated Financial Statements, there have been no other significant impacts, including impairments, to the Company’s operations and financial statements.

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 consolidated financial statements as at and for the year ended December 31, 2019. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2019.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)

(Unaudited)

4. Property, plant and equipment

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cost				
As at January 1, 2019	217,488	126,400	49,104	392,992
Additions	21,693	13,895	5,444	41,032
Disposals	-	(3,939)	(2,069)	(6,008)
Write-off of assets	-	-	(4,985)	(4,985)
Reclassification to mining interest	5,485	(647)	(4,838)	-
Change in estimate of reclamation bond	-	-	1,508	1,508
Foreign exchange	(4,443)	(2,166)	(196)	(6,805)
As at December 31, 2019	240,223	133,543	43,968	417,734
Additions	17,142	11,630	4,764	33,536
Disposals	-	(530)	-	(530)
Write-down of assets (Note 6)	-	-	(785)	(785)
Reclassification to mining interest	1,974	-	(1,974)	-
Foreign exchange	5,972	2,688	187	8,847
As at September 30, 2020	265,311	147,331	46,160	458,802
Accumulated depreciation				
As at January 1, 2019	149,404	75,208	-	224,612
Expense	14,075	10,908	-	24,983
Disposals	-	(2,845)	-	(2,845)
Foreign exchange	(4,401)	(970)	-	(5,371)
As at December 31, 2019	159,078	82,301	-	241,379
Expense	18,339	8,305	-	26,644
Disposals	-	(1,016)	-	(1,016)
Foreign exchange	3,582	1,791	-	5,373
As at September 30, 2020	180,999	91,381	-	272,380
Carrying value				
As at January 1, 2019	68,084	51,192	49,104	168,380
As at December 31, 2019	81,145	51,242	43,968	176,355
As at September 30, 2020	84,312	55,950	46,160	186,422

Carrying amount by segment

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
As at September 30, 2020				
Costerfield	35,613	14,414	7,278	57,305
Björkdal	48,699	38,389	23,026	110,114
Cerro Bayo (Note 6)	-	1,466	-	1,466
La Quebrada	-	-	10,546	10,546
Challacollo	-	-	3,086	3,086
Other	-	1,681	2,224	3,905
	84,312	55,950	46,160	186,422

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
As at December 31, 2019				
Costerfield	34,677	13,208	5,822	53,707
Björkdal	46,468	34,079	21,412	101,959
Cerro Bayo (Note 6)	-	1,913	785	2,698
La Quebrada	-	-	12,380	12,380
Challacollo	-	-	8,424	8,424
Other	-	2,042	(4,855)	(2,813)
	81,145	51,242	43,968	176,355

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

4. Property, plant and equipment (continued)

For the three months ended September 30, 2020, there was \$262,000 of plant and equipment depreciation capitalized to mining interests (2019 – \$324,600).

As at September 30, 2020, the Company had right-of-use assets of \$5,850,000 (2019 – \$5,109,000) included in property, plant and equipment, of which \$234,000 is at Costerfield and \$5,616,000 is at Björkdal (2019 – Costerfield: \$744,000 and Björkdal: \$4,365,000).

Details of non-operating exploration and evaluation assets are shown below:

(i) Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the potential sale of the Cerro Bayo mine in Chile. As at September 30, 2020, Equus had not exercised their option. Cerro Bayo continues to be held under care and maintenance.

(ii) Challacollo

On November 12, 2019, the Company announced that it had entered into a definitive agreement with Aftermath Silver Ltd. (“Aftermath”) pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of up to C\$10,500,000. Up until September 30, 2020, the Company had received C\$1,000,000 in accordance with the definitive agreement.

(iii) La Quebrada

La Quebrada is a non-core asset and the Company is currently not exploring on the property.

5. Borrowings

	September 30, 2020	December 31, 2019
	(\$'000)	(\$'000)
Syndicated Facility	59,766	-
Equipment Facilities	1,520	704
Revolver Facility	-	40,000
	61,286	40,704
Less: current portion of total borrowings	15,118	40,286
Non-current portion of total borrowings	46,168	418

Syndicated Facility

On March 17, 2020, the Company entered into a credit agreement with HSBC Bank Canada (“HSBC”) and Macquarie Bank Limited (“Macquarie”) providing for:

1. A senior secured Revolver Credit Facility in an aggregate amount of up to \$25,000,000; and
2. A senior secured Term Credit Facility in an aggregate amount of up to \$40,000,000 (together the “Syndicated Facility”).

The Syndicated Facility amends and restates the Company’s previous \$40,000,000 revolving credit facility with HSBC, which was scheduled to mature on July 24, 2020 (the “Revolver Facility”). The initial drawdown under the Syndicated Facility was used to repay the Revolver Facility in full and to fund the repurchase or redemption of the outstanding five-year exchangeable loan.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

5. Borrowings (continued)

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of:
 - I. 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
 - II. 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 \$95,000,000 plus 50% of net income (cumulative) earned after the 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 \$10,000,000 at any time.

As at September 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 was reduced by \$3,000,000 on September 30, 2020 and by the same amount on December 31, 2020, and thereafter repaid in eight equal quarterly installments of \$3,778,000 starting March 31, 2021, with the final payment of \$28,778,000 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 majority of the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%.

As at September 30, 2020, after the first \$3,000,000 repayment, the outstanding principal value of the Syndicated Facility was \$62,000,000.

Syndicated Facility – Gold Derivative Contracts

In conjunction with the Syndicated Facility, Mandalay entered into two separate gold derivative 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. These programs consist of a zero-cost collar contract 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 underlying contracts within these two programs have a fair value liability of \$32,230,000 as at September 30, 2020, specifically \$12,370,000 for the Australian dollar forward contract and \$19,860,000 for the US dollar collar contract (see Note 9). The amounts as at September 30, 2020 include a credit adjustment which considers market participant assumptions, taking into account the impact of the Company's credit risk.

During the three months ended September 30, 2020, the Company has paid \$2,084,000 as settlement of expired gold derivatives contracts.

Equipment Facilities

As at September 30, 2020, the Company's Björkdal mine in Sweden had a balance of \$ 1,520,000 (December 31, 2019 – \$703,000) for the equipment loan facilities (the "Equipment Facilities") with several Swedish banks to finance mining equipment. The Equipment Facilities bear variable interest at the three-month STIBOR plus 2.26% per annum and are repayable in monthly installments plus interest and are due to be repaid by June 30, 2024. The Equipment Facilities are secured by the underlying equipment.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

6. Reclamation and site closure costs

The Company's site closure reclamation obligations consist of costs for the mines at Costerfield, Cerro Bayo, Björkdal and Lupin. Significant site closure and reclamation activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs.

Changes to the site closure and reclamation cost balance are as follows:

	(\$'000)
Balance at December 31, 2018	40,674
Expenditure for reclamations	(1,864)
Change in estimated cash outflows	1,771
Accretion	572
Reduction of liability from sale of Ulu	(1,506)
Foreign exchange	2,700
Balance at December 31, 2019	42,347
Expenditure for reclamations	(5,796)
Change in estimated cash outflows	(6,568)
Accretion	284
Foreign exchange	(3,410)
Balance at September 30, 2020	26,857
Less: current portion	9,067
Total non-current portion	17,790

At each reporting period, the Company reviews cost estimates and other assumptions used in the valuation of reclamation and closure costs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the best estimate of the site closure and reclamation obligation costs.

The best estimate of the site closure and reclamation costs is measured by discounting the expected cash flows using a discount factor that reflects a pre-tax rate specific to the liability. The Company prepares estimates of the timing and amount of expected cash flows when site closure and reclamation costs are incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life-of-mine plan; changing ore characteristics that impact required environmental protection measures and related costs changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. The best estimate of the site closure and reclamation costs is recorded when it is incurred.

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 \$12,717,000 as at September 30, 2020 (2019 – \$18,667,000). During the nine months ended September 30, 2020, the reduction from the change in estimate of \$6,568,000 was credited against the Cerro Bayo exploration and evaluation asset of \$785,000 and the remaining \$5,783,000 was recognized as reversal of reclamation liability in the interim statements of financial income (loss).

During the three and nine months ended September 30, 2020, the Company spent \$497,000 (2019 – \$549,000) and \$5,779,000 (2019 – \$1,244,000) respectively on reclamation work at the Lupin site in

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

Canada. On October 19, 2020, after approval from the Crown-Indigenous Relations and Northern Affairs Canada, the Company had \$3,789,000 released from security to fund this work (see Note 17).

7. Share capital

As at September 30, 2020, the Company had an unlimited number of authorized common shares without par value and 91,226,907 common shares outstanding (2019 – 91,049,423 common shares). All outstanding common shares are fully paid.

(a) Omnibus Equity Incentive Plan

On May 20, 2020, the shareholders of the Company approved an 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 (“RSUs”), 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 RSUs 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.

(b) Share-based compensation

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share-based compensation on options	79	81	242	306
Change in fair value for cash election option	60	(7)	159	(13)
RSU amortization	57	48	162	138
	196	122	563	431

During the nine months ended September 30, 2020, the Company granted 917,000 stock options (2019 – 570,000) at an exercise price of C\$0.61 (2019 – C\$1.10). The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C\$0.46 (2019 – C\$1.10) was calculated using the following weighted average assumptions.

	2020	2019
Risk free interest rate	1.25%	1.50%
Expected dividend yield	0.00%	0.00%
Expected life of options in years	7.00	7.00
Expected stock price volatility	87.09%	71.45%
Expected forfeiture rate	0.00%	5.00%

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

7. Share capital (continued)

(c) Stock options

	Number of options	Weighted average exercise price C\$
Balance, December 31, 2018	1,947,790	6.77
Granted	570,000	1.10
Expired	(181,000)	9.80
Forfeited	(177,490)	4.98
Cancelled	(350,500)	9.00
Balance, December 31, 2019	1,808,800	4.42
Granted	917,000	0.61
Expired	(165,500)	9.10
Forfeited	(652,500)	5.33
Exercised	(20,000)	(1.10)
Balance, September 30, 2020	1,887,800	1.91

The following table summarizes information about the stock options outstanding and exercisable as at September 30, 2020:

	Options outstanding		Options exercisable		
	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of options exercisable	Weighted average exercise price C\$
	126,300	0.48	9.10	126,300	9.10
	140,000	3.75	6.00	140,000	6.00
	264,500	4.75	2.00	176,333	2.00
	440,000	5.75	1.10	146,667	1.10
	917,000	6.75	0.61	-	-
	1,887,800	5.59	1.91	589,301	4.25

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

7. Share capital (continued)

(d) Restricted Share Units

Under the Company's RSU Plan, those directors granted RSUs received the Company's common shares at no cost at the end of the vesting period which are based on graded vesting over three years. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The RSU value is determined based on the fair value of the Company's share at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

The number of RSUs as at September 30, 2020, is as follows:

	Number of RSU awards
Balance, December 31, 2018	193,480
Granted	209,596
Redeemed	(44,789)
Forfeited	(41,404)
Balance, December 31, 2019	316,883
Granted	491,802
Redeemed	(126,233)
Balance, September 30, 2020	682,452

For the three and nine months ended September 30, 2020, the Company recorded \$57,000 and \$162,000 (2019 – \$48,000 and \$138,000), respectively as a share-based compensation expense relating to RSUs.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)

(Unaudited)

8. Revenue

Disaggregation of revenue

In the following table, the Company's revenue is disaggregated by primary geographical market, major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 11).

Three months ended September 30	Costerfield		Björkdal		Total	
	2020	2019	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	27,256	6,850	-	-	27,256	6,850
Sweden	-	-	22,204	21,824	22,204	21,824
Revenue from contracts with customers	27,256	6,850	22,204	21,824	49,460	28,674
Provisional pricing adjustments	627	220	(334)	(96)	293	124
Total revenue from mining operations	27,883	7,070	21,870	21,728	49,753	28,798
Commodities						
Gold	22,015	4,754	22,204	21,824	44,219	26,578
Antimony	5,241	2,096	-	-	5,241	2,096
Revenue from contracts with customers	27,256	6,850	22,204	21,824	49,460	28,674
Provisional pricing adjustments	627	220	(334)	(96)	293	124
Total revenue from mining operations	27,883	7,070	21,870	21,728	49,753	28,798
Nine months ended September 30	Costerfield		Björkdal		Total	
	2020	2019	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	70,549	23,294	-	-	70,549	23,294
Sweden	-	-	62,985	61,066	62,985	61,066
Revenue from contracts with customers	70,549	23,294	62,985	61,066	133,534	84,360
Provisional pricing adjustments	569	293	(449)	405	120	698
Total revenue from mining operations	71,118	23,587	62,536	61,471	133,654	85,058
Commodities						
Gold	54,637	14,699	62,985	61,066	117,622	75,765
Antimony	15,912	8,595	-	-	15,912	8,595
Revenue from contracts with customers	70,549	23,294	62,985	61,066	133,534	84,360
Provisional pricing adjustments	569	293	(449)	405	120	698
Total revenue from mining operations	71,118	23,587	62,536	61,471	133,654	85,058

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

9. Financial instruments

The Company has recognized a loss on financial instruments of \$8,677,000 and \$28,155,000, respectively, for the three months and nine months ended September 30, 2020 (2019 – gain of \$103,000 and loss of \$753,000). Details of this are given below:

(a) Gold derivative contracts

During the nine months ended September 30, 2020, the Company entered into two programs with HSBC and Macquarie, as part of the Syndicated Facility. The Company has not applied hedge accounting for the derivative contracts within these two programs. The Company has recognized a fair value loss of \$8,677,000 and \$32,231,000 for the three months and nine months ended September 30, 2020 (2019 – \$nil). The amounts as at September 30, 2020 include a credit adjustment which considers market participant assumptions, taking into account the impact of the Company's credit risk.

The contracts are classified as Level 2, fair value through profit or loss financial instruments with fair value determined using the pricing models that utilize a variety of observable inputs that are a combination of quoted prices, applicable yield curves and credit spreads.

(b) Five-year exchangeable loan

The Company has valued the conversion feature of the five-year exchangeable loan using the Black-Scholes option pricing model. The Company had repaid its loan and as a result of this, the derivative value of the conversion feature was \$nil (2019 – \$4,076,000). The Company recorded a fair value measurement gain of \$nil and \$4,076,265 (2019 – gain of \$8,000 and loss of \$904,000) for the three months and nine months ended September 30, 2020.

(c) Marketable securities

On December 24, 2019, the Company sold 5,000,000 shares of Blue Star for \$150,000 as part of the sale of Ulu. There was no gain or loss during the three or nine months ended September 30, 2020 (2019 – gain of \$95,000 and \$151,000).

10. Finance costs

The finance costs for the three and nine months ended September 30, 2020, and 2019 consist of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Interest on Syndicated Facility	1,202	-	2,569	-
Realised loss on gold derivative contracts	2,085	-	2,085	-
Interest on other borrowings and other charges	138	238	643	651
Accretion of reclamation and site closure costs	53	255	284	423
Interest on Revolver Facility	-	746	660	2,158
Interest on five year exchangeable loan	-	585	587	1,785
Loss on repayment of five year exchangeable loan	-	-	3,752	-
Accelerated finance cost for repayment of five year exchangeable loan	-	-	1,506	-
	3,478	1,824	12,086	5,017

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

11. Net income (loss) per share

For the three months ended September 30, 2020, as there was net income, the weighted average number of common shares of calculating diluted income (loss) per share is shown in the table below. For the nine months to September 30, 2020, and 2019, and for the three months to September 30, 2019, the weighted average number of common shares for the purpose of calculating diluted income (loss) per share reconciles to the weighted average number of common shares used in the calculation of basic income (loss) per share as these periods were in a net loss position:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(\$'000)	(\$'000)	('000)	('000)
Net income (loss) for the period	635	(1,403)	(5,413)	(12,487)
Basic weighted average number of shares outstanding	91,196	91,049	91,144	76,421
Effect of diluted securities:				
Stock options	783	-	-	-
RSU	714	-	-	-
Basic and diluted weighted average number of shares outstanding	92,693	91,049	91,144	76,421

For the purposes of determining the diluted weighted average number of shares, for the three months ended September 30, 2020, 531,000 options were considered anti-dilutive and therefore excluded from the calculation. As all other periods presented in the table below were in a loss position, all options and RSUs were anti-dilutive and therefore excluded from the calculation.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	('000)	('000)	('000)	('000)
Stock options	531	1,833	1,888	1,833

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

12. Segmented information

The Company manages its operations by geographical location. These reportable operating segments are summarized in the table below ("Canada" is the provision of corporate services and administrative support and also includes non-core assets held in Canada):

	Three months ended September 30, 2020				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	27,883	-	21,870	-	49,753
Cost of sales, excluding depletion and depreciation	(9,158)	-	(12,260)	-	(21,418)
Depletion and depreciation	(5,076)	(136)	(3,884)	(5)	(9,101)
Income (loss) from mining operations	13,649	(136)	5,726	(5)	19,234
Other operating expenses	(630)	(66)	(518)	(585)	(1,799)
Care and maintenance and other operating expenses	-	(511)	-	-	(511)
Other expenses, except for fair value adjustment	(1,331)	(590)	(305)	(492)	(2,718)
Fair value adjustment loss	(2,410)	-	(6,267)	-	(8,677)
Income (loss) before income taxes	9,278	(1,303)	(1,364)	(1,082)	5,529
Current tax expense	(3,695)	-	(974)	-	(4,669)
Deferred tax expense	(48)	-	(177)	-	(225)
Net income (loss)	5,535	(1,303)	(2,515)	(1,082)	635
Net income per share					
Basic					\$0.01
Diluted					\$0.01
Cash expenditure for property, plant and equipment	6,764	19	4,926	-	11,709
Total non-current assets as at September 30, 2020	60,232	16,945	116,293	15,040	208,510
Total assets as at September 30, 2020	91,169	18,831	147,229	26,150	283,379
Total liabilities as at September 30, 2020	36,365	12,559	51,913	72,444	173,281

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)

(Unaudited)

12. Segmented information (continued)

	Three months ended September 30, 2019				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	7,070	-	21,728	-	28,798
Cost of sales, excluding depletion and depreciation	(8,618)	-	(12,992)	-	(21,610)
Depletion and depreciation	(2,251)	(133)	(3,126)	-	(5,510)
Income (loss) from mining operations	(3,799)	(133)	5,610	-	1,678
Other operating expenses	(445)	(240)	(703)	(367)	(1,755)
Care and maintenance and other operating expenses	-	(442)	-	-	(442)
Other expenses, except for fair value adjustment	(91)	(102)	(443)	(1,196)	(1,832)
Fair value adjustment gain	-	-	-	103	103
Income (loss) before income taxes	(4,335)	(917)	4,465	(1,461)	(2,248)
Current tax expense	-	-	(467)	-	(467)
Deferred tax recovery	1,272	-	40	-	1,312
Net income (loss)	(3,063)	(917)	4,038	(1,461)	(1,403)
Net loss per share					
Basic and diluted					(\$0.02)
Cash expenditure for property, plant and equipment	5,040	17	4,212	-	9,269
Total non-current assets as at September 30, 2019	54,139	19,766	96,255	25,115	195,275
Total assets as at September 30, 2019	63,376	23,470	124,891	40,305	252,042
Total liabilities as at September 30, 2019	21,388	20,027	24,312	73,767	139,494

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

12. Segmented information (continued)

	Nine months ended on September 30, 2020				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	71,118	-	62,536	-	133,654
Cost of sales, excluding depletion and depreciation	(22,989)	-	(36,995)	-	(59,984)
Depletion and depreciation	(14,685)	(447)	(11,299)	(76)	(26,507)
Income (loss) from mine operations	33,444	(447)	14,242	(76)	47,163
Other operating expenses	(1,969)	(255)	(1,736)	(1,375)	(5,335)
Care and maintenance and other operating expenses	-	(1,604)	-	-	(1,604)
Reversal of reclamation liability (Note 6)	-	5,783	-	-	5,783
Other income (expenses), except for fair value adjustment	(2,682)	(1,164)	1,110	(9,108)	(11,844)
Fair value adjustment gain (loss)	(12,372)	-	(19,860)	4,077	(28,155)
Income (loss) before income taxes	16,421	2,313	(6,244)	(6,482)	6,008
Current tax expense	(4,619)	(5)	(2,309)	-	(6,933)
Deferred tax expense	(4,136)	-	(352)	-	(4,488)
Net income (loss)	7,666	2,308	(8,905)	(6,482)	(5,413)
Net loss per share					
Basic and diluted					(\$0.06)
Cash expenditure for property, plant and equipment	17,005	138	14,542	-	31,685
Total non-current assets as at September 30, 2020	60,232	16,945	116,293	15,040	208,510
Total assets as at September 30, 2020	91,169	18,831	147,229	26,150	283,379
Total liabilities as at September 30, 2020	36,365	12,559	51,913	72,444	173,281

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

12. Segmented information (continued)

	Nine months ended September 30, 2019				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	23,587	-	61,471	-	85,058
Cost of sales, excluding depletion and depreciation	(25,504)	-	(40,251)	-	(65,755)
Depletion and depreciation	(7,668)	(509)	(10,650)	(4)	(18,831)
Income (loss) from mine operations	(9,585)	(509)	10,570	(4)	472
Other operating income (expenses)	(1,099)	1,062	(1,807)	(1,130)	(2,974)
Care and maintenance and other operating expenses	-	(2,156)	-	-	(2,156)
Write-down of assets (Note 4)	-	-	-	(4,985)	(4,985)
Other income (expenses), except for fair value adjustment	176	(262)	(1,425)	(2,894)	(4,405)
Fair value adjustments loss	-	-	-	(753)	(753)
Income (loss) before income taxes	(10,508)	(1,865)	7,338	(9,766)	(14,801)
Current tax expense	-	(5)	(871)	-	(876)
Deferred tax recovery	3,119	-	71	-	3,190
Net Income (loss)	(7,389)	(1,870)	6,538	(9,766)	(12,487)
Net loss per share					
Basic and diluted					(\$0.16)
Cash expenditure for property, plant and equipment	14,579	210	11,827	-	26,616
Total non-current assets as at September 30, 2019	54,139	19,766	96,255	25,115	195,275
Total assets as at September 30, 2019	63,376	23,470	124,891	40,305	252,042
Total liabilities as at September 30, 2019	21,388	20,027	24,312	73,767	139,494

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

12. Segmented information (continued)

For the three and nine months ended September 30, 2020, the Company had three customers from whom it earned more than 10% of its total revenue (2019 – three customers).

Revenue from these customers is summarized as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	16,173	5,620	40,359	18,791
Customer 2	9,402	-	23,638	-
	25,575	5,620	63,997	18,791
Björkdal (gold)				
Customer 3	18,207	18,153	50,469	50,355
Customer 4	-	3,575	-	11,116
	18,207	21,728	50,469	61,471
Total	43,782	27,348	114,466	80,262

13. 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 values due to the nature of these items.

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

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

As at September 30, 2020, other receivables are based on Level 1 inputs. Provisional pricing feature included in trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, the five year-exchangeable loan and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

14. Related party transactions

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 nine months to September 30, 2020. Amy Freedman is Chief Executive Officer of Kingsdale and is on the Board of Directors of Mandalay.

15. Commitments and contingencies

The Company is involved in legal proceedings from time to time arising in the ordinary course of business. Typically, the amount of the ultimate liability with respect to these actions will not materially affect the Company’s financial position and financial performance.

The Company’s Björkdal and Costerfield mines have entered into several equipment leases. The total lease liability as at September 30, 2020 was \$4,370,000 (December 31, 2020 - \$5,512,000).

16. Restatement of prior period figures

The Company had restated its previously filed Condensed Consolidated Interim Financial Statements as at and for the three months ended March 31, 2020 and as at and for the three and six months ended June 30, 2020 with respect to the restatement of the unrealized loss on gold derivative contracts to include their own non-performance risk.

The impact of this restatement are as follows:

	Previously reported	Effect of restatement	Amended
	(\$'000)	(\$'000)	(\$'000)
Consolidated Interim Statement of Financial Position as at March 31, 2020			
Financial instrument liability – current	3,414	(83)	3,331
Financial instruments liability – non-current	6,816	(841)	5,975
Retained deficit	(86,668)	924	(85,744)
Consolidated Interim Statement of Income (loss) and Comprehensive Income (loss) for the three months ended March 31, 2020			
Loss on financial instruments	(6,153)	924	(5,229)
Net loss for the period	(4,532)	924	(3,608)
Net loss per share – Basic and diluted	(0.05)	0.01	(0.04)

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

16. Restatement of prior period figures (continued)

	Previously reported	Effect of restatement	Amended
	(\$'000)	(\$'000)	(\$'000)
Consolidated Interim Statement of Financial Position as at June 30, 2020			
Financial instruments liability – current	7,774	(163)	7,611
Financial instruments liability – non-current	17,280	(1,336)	15,944
Retained deficit	(89,682)	1,499	(88,183)
Consolidated Interim Statement of Income (loss) and Comprehensive Income (loss) for the three months ended June 30, 2020			
Loss on financial instruments	(14,824)	575	(14,249)
Net loss for the period	(3,014)	575	(2,439)
Net loss per share – Basic and diluted	(0.03)	0.01	(0.02)
Consolidated Interim Statement of Income (loss) and Comprehensive Income (loss) for the six months ended June 30, 2020			
Loss on financial instruments	(20,977)	1,499	(19,478)
Net loss for the period	(7,546)	1,499	(6,047)
Net loss per share – Basic and diluted	(0.08)	0.02	(0.06)

17. Subsequent events

On October 19, 2020, after approval from the Crown-Indigenous Relations and Northern Affairs Canada, the Company received \$3,789,000 that was released from security, previously provided to fund the reclamation work associated with its Lupin mine.

As a result of a recent change in Chilean law, on October 26, 2020, the Company delivered cash security to the Chilean mining authority, Sernageomin, for the amount of \$1,950,000 relating to its reclamation bonding requirements for its Cerro Bayo mine.