MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

AS OF NOVEMBER 11, 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 nine months ended September 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, 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 THIRD QUARTER 2020 FINANCIAL AND OPERATING SUMMARY

Third Quarter 2020 Highlights:

- **Consolidated gold equivalent production of 25,664 ounces** compared to 24,752 ounces in Q2 2020, and 16,625 ounces in Q3 2019. The increase in ounces produced in the current quarter compared to the previous quarter was due to higher grades processed at Costerfield.

- **Free cash flow[1] of $17.0 million** compared to $4.4 million in Q2 2020, and negative $6.5 million for Q3 2019. The increase in free cash flow is the result of increased production and revenue.

- **Cash on hand was $32.9 million at September 30, 2020,** compared to $20.9 million at June 30, 2020 and $24.5 million as at December 31, 2019.

- **Consolidated cash cost[1] of $826 and all-in sustaining cost[1] of $1,355 per ounce of saleable gold equivalent production** compared to $831 and $1,298 per ounce, respectively, in Q2 2020. In Q3 2019, these costs were $1,186 and $1,858 per ounce, respectively. The lower unit costs in the current quarter as compared to the previous quarter were mainly due to higher production from Costerfield.

- **Revenue of $49.8 million on gold equivalent sales of 26,001 ounces** compared to $42.3 million on 24,916 ounces in Q2 2020. In Q3 2019, revenue was $28.8 million on gold equivalent sales of 17,814 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 $26.7 million** compared to $21.3 million in Q2 2020, and $5.6 million in Q3 2019. This includes record quarterly adjusted EBITDA at Costerfield of $18.8 million. The increase in adjusted EBITDA compared to the previous quarter relates mainly to increased revenue, as mentioned above.

- **Adjusted net income[1] of $9.8 million** compared to an adjusted net income of $7.6 million in Q2 2020, and an adjusted net loss of $1.0 million in Q3 2019. Consolidated net income in Q3 2020 was $0.6 million, mainly due to a $8.7 million mark-to-market expense in respect of gold hedging arrangements, compared to a consolidated net loss of $2.4 million in Q2 2020, and a consolidated net loss of $1.4 million in Q3 2019.

- **Consolidated capital expenditures of $12.1 million** compared to $10.6 million in Q2 2020, and $10.1 million in Q3 2019.

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1 Adjusted EBITDA, adjusted net income, free cash flow, 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 nine months ended September 30, 2020 and 2019:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Björkdal				
Gold produced (oz)	11,044	11,880	33,044	40,508
Gold sold (oz)	11,511	13,006	34,566	43,160
Cash cost[1] per oz gold produced ($)	1,051	941	1,061	891
All-in sustaining cost[1] per oz gold produced ($)	1,505	1,332	1,495	1,195
Costerfield				
Gold produced (oz)	11,749	3,103	32,722	10,509
Antimony produced (t)	991	402	3,045	1,348
Gold equivalent produced (oz)[2]	14,620	4,745	43,049	17,557
Gold sold (oz)	11,489	3,126	31,177	10,590
Antimony sold (t)	1,036	412	2,829	1,361
Gold equivalent sold (oz)[2]	14,490	4,808	40,627	17,655
Cash cost[1] per oz gold eq. produced ($)	657	1,800	622	1,413
All-in sustaining cost[1] per oz gold eq. produced ($)	1,088	2,714	987	2,190
Consolidated				
Gold equivalent produced (oz)[2]	25,664	16,625	76,093	58,065
Gold equivalent sold (oz)[2]	26,001	17,814	75,193	60,815
Cash cost[1] per oz gold eq. ($)	826	1,186	812	1,049
All-in sustaining cost[1] per oz gold eq. ($)	1,355	1,858	1,295	1,612
Average gold price ($/oz)	1,907	1,473	1,734	1,362
Average antimony price ($/t)	5,524	6,015	5,787	6,902

[1]Cash and all-in sustaining costs are non-IFRS measures. This quarter, the Company has restated consolidated cash cost to exclude corporate level general and administrative expenses in the current and comparative periods and going forward. Refer to Section 1.14 "Non-IFRS Measures" 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

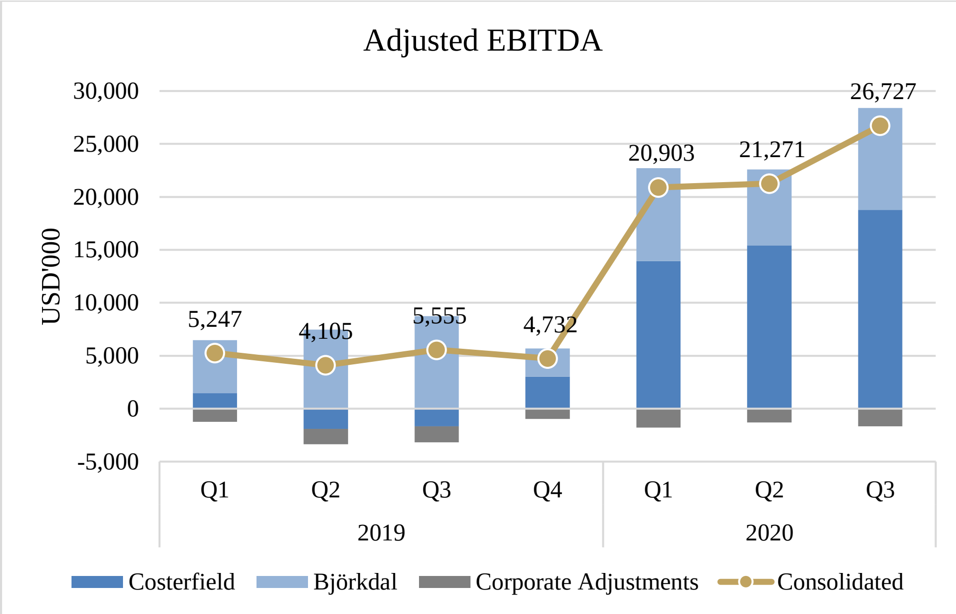
low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Financial Summary

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

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020[3]**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	49,753	28,798	133,654	85,058
Cost of sales	21,418	21,610	59,984	65,755
Income from operations (excl. depr. & depletion)[1]	28,335	7,188	73,670	19,303
General and administrative costs	1,608	1,633	4,769	4,397
Adjusted EBITDA[1]	26,727	5,555	68,901	14,906
Depreciation and depletion	9,101	5,510	26,507	18,831
Adjusted EBIT[1]	17,626	45	42,394	(3,925)
Finance costs	3,478	1,824	12,086	5,017
Tax, forex and others[2]	13,513	(376)	35,721	3,545
Adjusted net income (loss)[1]	9,823	(961)	22,639	(5,346)
Consolidated net income (loss)	635	(1,403)	(5,413)	(12,487)
Adjusted income (loss) per share[1]	0.11	(0.01)	0.25	(0.07)
Consolidated income (loss) per share	0.01	(0.02)	(0.06)	(0.16)
Total assets	283,379	252,042	283,379	252,042
Total liabilities	173,281	139,494	173,281	139,494
Total equity	110,098	112,548	110,098	112,548.
Consolidated capital expenditures				
Capital development	6,481	5,396	17,636	15,689
Property, plant and equipment purchases	3,982	3,486	10,258	9,827
Capitalized exploration	1,620	1,212	4,790	2,228
Total	12,083	10,094	32,684	27,744

[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 losses or gains on financial instruments.
[3]Includes restated figures for the three months ended March 31, 2020 and June 30, 2020 related to a gain on financial instruments amounting to $1.5 million.



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 all the remaining outstanding Gold Bonds. The Company made the first repayment of $3 million on this facility on September 30, 2020.

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.

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. 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 the remainder of 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 the remainder of 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 revised 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, Mandalay was required 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 others, the price of gold. While the valuations recorded represent the Company's 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 revised guidance (incl. all-in sustaining costs) is below (see press release dated October 14, 2020):

	Björkdal	Costerfield	Consolidated[(1)]
	2020E		
Gold production (oz)	43,000-47,000	44,000-48,000	87,000-95,000
Antimony production (t)	-	4,000-4,300	4,000-4,300
Gold eq. production (oz) [(2)]	43,000-47,000	57,000-62,000	100,000-109,000
Cash cost, $/oz gold eq. [(3)]	950-1,100	575-725	710-860
All-in sustaining $/oz gold eq. [(3)]	1,400-1,640	950-1,160	1,090-1,360
Capex, $/million	22-27	21-26	43-53

[1]Consolidated all-in sustaining cost guidance includes expected corporate G&A expenses and care and maintenance costs. Consolidated cash cost has been restated since the October 14, 2020 press release to exclude corporate general and administrative expenses.
[2]2020E gold equivalent assumes metal prices of: Au $1,775/oz and Sb $5,792/t, which are revised prices as indicated in the Company's October 14, 2020 press release announcing the 2020 revised guidance.
[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, drilling continued the extension of Aurora to the east and at depth with additional definition of parallel veining, both to the north and south, of Aurora. Exploration to the north of Aurora also continued with an additional 600m drilled to define the larger step out panels. The Björkdal Deeps drilling program, targeting the depth and eastern extension of the Lake Zone veining, began in September and is expected to continue through Q4 2020. An exploration drive to the north of Aurora is scheduled for early 2021 which will allow for deeper drilling into Aurora and the surrounding veins. Drilling into scarification plunge potential is to begin and continue through Q4 2020 as well as eastern extension drilling of the central zone.

At Costerfield, Youle extension drilling continued through the quarter targeting depth and northern extensions. The Costerfield remnant veining was also targeted which lies above Youle. The Brown's drilling program was also continued through Q3. In the fourth quarter of 2020, drilling will continue to define the depth extension of Youle as well as follow-up drilling on the discovery of the potential significant extension to the historically mined Minerva reef. The Browns drilling program will also continue through Q4 2020. The drilling of the secondary target within the Costerfield Deeps program was completed with two holes intercepting the target area. Assaying and structural analysis is ongoing and is due to be completed in November 2020.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	27,883	7,070	71,118	23,587
Cost of sales	9,158	8,618	22,989	25,504
Income (loss) from operations (excl. depr. & depletion)	18,725	(1,548)	48,129	(1,917)
General and administrative costs [1]	46	298	502	632
Adjusted EBITDA [2,3]	18,791	(1,658)	48,148	(2,113)
Depreciation & depletion	5,076	2,251	14,685	7,668
Adjusted EBIT [3]	13,603	(4,097)	32,942	(10,217)
Finance costs, forex and others [4]	4,325	238	16,522	291
Income (loss) before tax	9,278	(4,335)	16,420	(10,508)
Current tax expense	3,695	-	4,618	-
Deferred tax expense (recovery)	48	(1,272)	4,136	(3,119)
Adjusted net income (loss)[3]	7,945	(3,063)	20,038	(7,389)
Consolidated net income (loss) after tax	5,535	(3,063)	7,666	(7,389)
Capital development	3,956	3,736	10,632	10,191
Property, plant and equipment purchases	1,568	521	3,065	3,073
Capitalized exploration	1,241	783	3,308	1,315
Total capital expenditures	6,765	5,040	17,005	14,579

[1]Includes intercompany transfer pricing costs of $112,000 and $521,000 in three months and nine months ended September 30, 2020 and $188,000 and $436,000 in the corresponding periods of 2019.

[2] Does not include intercompany transfer pricing recharge costs.

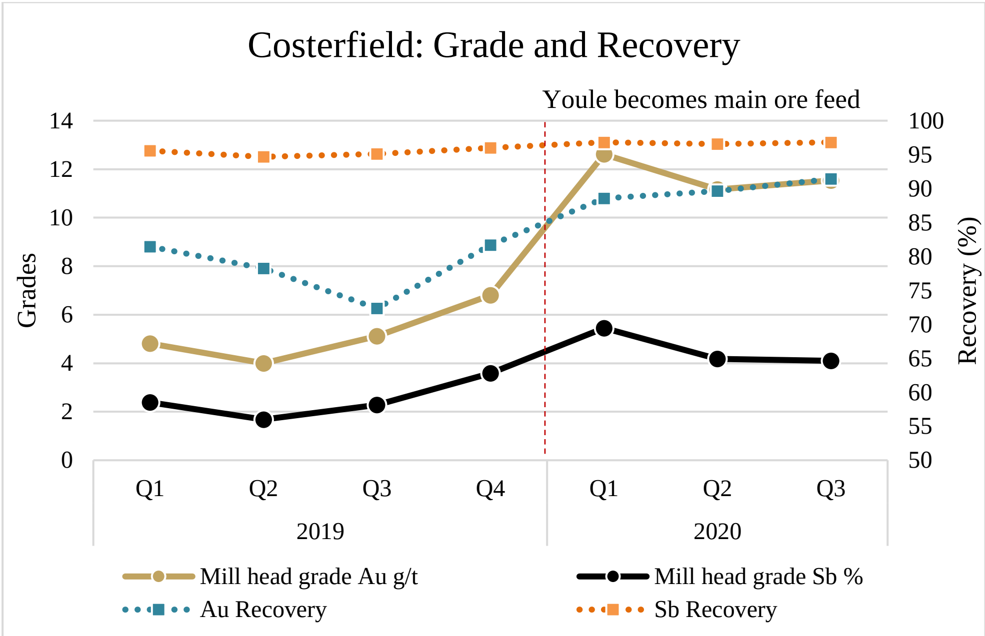
[3]Adjusted EBITDA, Adjusted EBIT and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.

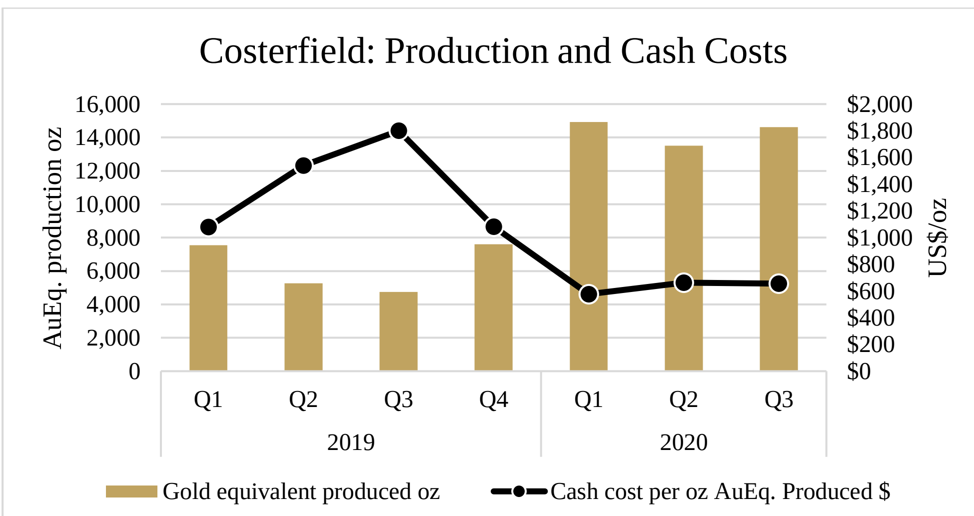
[4]Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $560,000 and $1,433,000 for the three months and nine months ended September 30, 2020 and $144,000 and $489,000 in the corresponding periods of 2019.

Costerfield Operating Results

		Three months ended September 30		Nine months ended September 30	
		2020	**2019**	**2020**	**2019**
Operating development	m	1,611	1,092	4,708	3,404
Mined ore	t	42,227	28,622	115,656	102,987
Mined ore Au grade	g/t	12.35	5.27	12.50	4.64
Mined ore Sb grade	%	4.65	2.56	4.89	2.23
Mined contained Au	oz	16,769	4,854	46,464	15,358
Mined contained Sb	t	1,965	734	5,660	2,296
Mining cost per tonne ore	$/t	138	181	146	149
Processed ore	t	39,136	31,256	109,773	108,850
Processed ore mill head grade Au	g/t	11.54	5.11	11.74	4.62
Processed ore mill head grade Sb	%	4.12	2.28	4.54	2.11
Recovery Au	%	91.41	72.36	89.90	77.60
Recovery Sb	%	96.82	95.09	96.74	95.18
Saleable Au produced	oz	11,749	3,103	32,722	10,509
Saleable Sb produced	t	991	402	3,045	1,348
Saleable Au equivalent produced	oz	14,620	4,745	43,049	17,557
Processing cost per tonne ore	$/t	42.21	38.20	37.87	33.25
Au sold in gravity concentrate	oz	6,190	1,071	17,762	3,974
Au sold in floatation concentrate	oz	5,299	2,055	13,415	6,616
Au sold (total)	oz	11,489	3,126	31,177	10,590
Sb sold	t	1,036	412	2,829	1,361
Capital development metres	m	739	481	2,120	2,060
Capital development cost per metre	$/m	5,355	7,774	5,015	4,947
Cash cost per tonne ore processed [1,2]	$/t	245	273	244	228
Adjusted EBITDA per tonne ore processed [1,2]	$/t	480	(53)	439	(19)
Cash cost per oz Au equivalent produced [1,2]	$/oz	657	1,800	622	1,413
Site all-in sustaining cost per oz Au equivalent produced [1,2]	$/oz	1,088	2,714	987	2,190

[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 September 30, 2020 and 2019

- ***Production*** — Saleable gold production for Q3 2020 was 11,749 ounces, a 278% increase from the 3,103 ounces produced Q3 2019. Saleable antimony production of 991 tonnes, a 147% increase from the 402 tonnes produced in Q3 2019. Gold equivalent production for Q3 2020 was 14,620 ounces, an increase of 208% from Q3 2019 when Costerfield produced 4,745 gold equivalent ounces. Processed gold and antimony grades were higher during Q3 2020 at 11.54 g/t gold and 4.12 % antimony as compared to Q3 2019 with grades of 5.11 g/t gold and 2.28% antimony.

- ***Revenue*** – Costerfield's revenue for Q3 2020 was $27.9 million, a 294% increase from $7.1 million in Q3 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 201% to 14,490 ounces in Q3 2020 compared to 4,808 ounces in Q3 2019. The increase in Q3 2020 sales compared to Q3 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 $9.2 million for the Q3 2020, compared to $8.6 million for the same period of 2019. The increase in cost is mainly due to an increase in royalty expense.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during Q3 2020 was $18.7 million, adjusted EBITDA was $18.8 million (the highest quarterly level under Mandalay ownership), adjusted net income was $7.9 million and net income after tax was $5.5 million. Comparable results for Q3 2019 were loss from mine operations before depreciation and depletion of $1.5 million, adjusted EBITDA was negative $1.7 million, adjusted net loss was $3.1 million and net loss after tax of $3.1 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense at Costerfield increased to $5.1 million in Q3 2020, compared to $2.3 million for Q3 2019 mainly due to higher production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in Q3 2020 was $657, compared to $1,800 in the Q3 2019. The site all-in sustaining cost per ounce of gold equivalent produced in Q3 2020 was $1,088 versus $2,714 in Q3 2019. These per ounce costs were lower than the year ago quarter due to higher gold equivalent ounces produced in Q3 2020, and due to comparatively lower operating costs.

- ***Capital Expenditures*** – Capital expenditures in Q3 2020 totaled $6.8 million ($4.0 million in capital development costs, $1.2 million for exploration, and $1.6 million in property, plant and equipment) compared with $5.0 million ($3.7 million in capital development costs, $0.8 million for exploration, and $0.5 million for property, plant and equipment) during Q3 2019. The increased capital expenditures in Q3 2020 was due to an increase in exploration activities and the purchase of mining equipment in the current quarter.

Costerfield – Nine Months Ended September 30, 2020 and 2019

- ***Production*** — Saleable gold production for the first nine months of 2020 was 32,722 ounces, a 211% increase from the 10,509 ounces produced in the first nine months of 2019. Saleable antimony production for the nine months ending September 30, 2020 was 3,045 tonnes, a 126% increase from the 1,348 tonnes produced in same period in 2019. Gold equivalent production for the nine months ending September 30, 2020 was 43,049 ounces, an increase of 145% from the same period in 2019 when the Company produced 17,557 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 2019.

- ***Revenue*** – Costerfield revenue for the nine months ending September 30, 2020 was $71.1 million, a 202% increase from $23.6 million in the nine months ending September 30, 2019, mainly due to increase in gold equivalent ounces sold and higher gold prices. Gold equivalent ounces sold increased by 130% to 40,627 ounces in the nine months ending September 30, 2020 compared to 17,655 ounces in the nine months ending September 30, 2019. The increase in the first nine months of 2020 sales compared to the nine months ending September 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 $23.0 million for the nine months ending September 30, 2020, compared to $25.5 million for the same period of 2019. The lower operating costs in the first nine months 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 nine months ending September 30, 2020 was $48.1 million, adjusted EBITDA was $48.1 million, adjusted net income was $20.0 million and net income after tax was $7.7 million. Comparable results for the nine months ending September 30, 2019, were loss from mine operations before depreciation and depletion of $1.9 million, adjusted EBITDA was negative $2.1 million, adjusted net loss was $7.4 million and net loss after tax of $7.4 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $14.7 million in the nine months ending September 30, 2020, compared to $7.7 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 nine months ending September 30, 2020, was $622, compared to $1,413 in the nine months ending September 30, 2019. The site all-in sustaining cost per ounce of gold equivalent produced in the nine months ending September 30, 2020, was $987 versus $2,190 in the nine months ending September 30, 2019. These per ounce costs were lower than the year ago period due to higher gold equivalent ounces produced in the first nine months of 2020, and partially by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the Q3 2020 totaled $17.0 million ($10.6 million in capital development costs, $3.3 million for exploration, and $3.1 million in property, plant and equipment) compared with $14.6 million ($10.2 million in capital development costs, $1.3 million for exploration, and $3.1 million for property, plant and equipment) during the same period in 2019. The increased capital expenditures was mainly due an increase in exploration spending in the current period.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

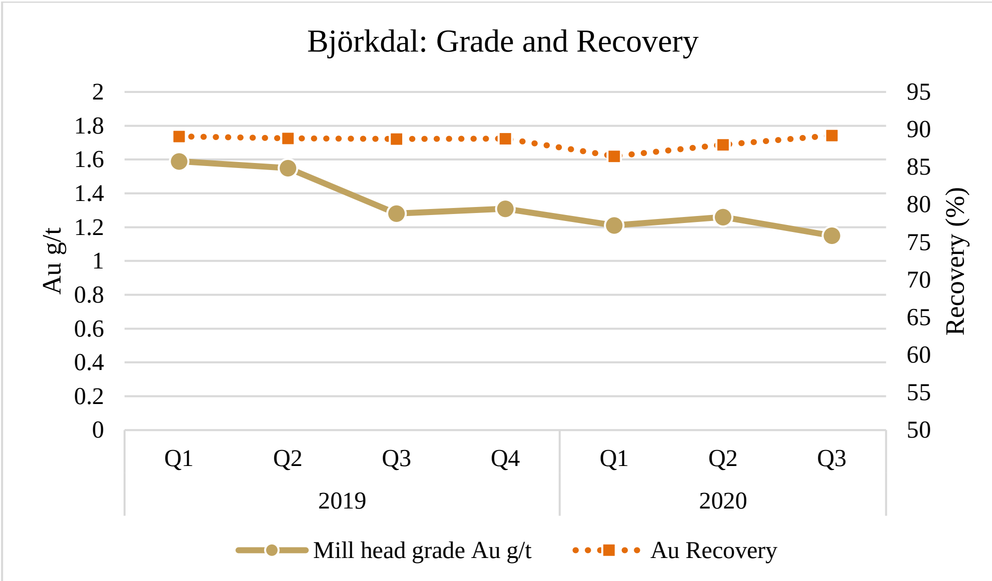
	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	21,870	21,728	62,536	61,471
Cost of sales	12,260	12,992	36,995	40,251
Income from operations (excl. depr. & depletion) (3)	9,610	8,736	25,541	21,220
General and administrative costs (1)	108	265	653	720
Adjusted EBITDA (2,3)	9,610	8,742	25,538	21,217
Depreciation & depletion	3,884	3,126	11,299	10,649
Adjusted EBIT (3)	5,618	5,345	13,589	9,851
Finance costs, forex and others (4)	6,982	880	19,833	2,513
(Loss) income before tax	(1,364)	4,465	(6,244)	7,338
Current tax expense	974	467	2,309	871
Deferred tax expense (recovery)	177	(40)	352	(71)
Adjusted net income(3)	3,752	4,038	10,955	6,538
Consolidated net (loss) income after tax	(2,515)	4,038	(8,905)	6,538
Capital development	2,525	1,660	7,004	5,498
Property, plant and equipment purchases	2,414	2,965	7,193	6,754
Capitalized exploration	359	412	1,343	704
Total capital expenditures (5)	5,298	5,037	15,540	12,956

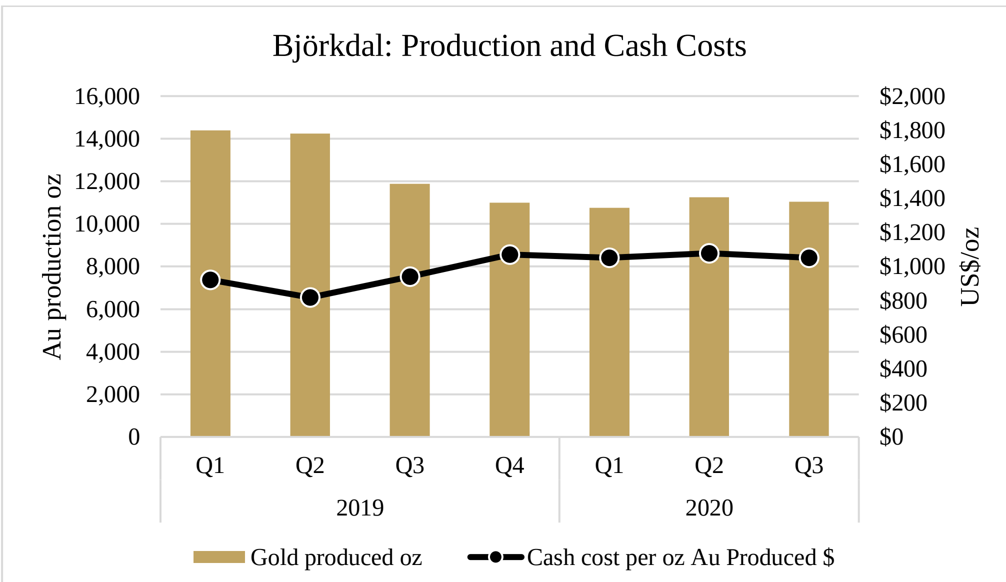
[1]Includes intercompany transfer pricing recharge costs of $108,000 and $622,000 for three and nine months ended September 30, 2020 and $271,000 and $717,000 for same period of 2019.
[2]Does not include intercompany transfer pricing recharge costs.
[3]Income from operations (excl. depreciation & depletion) and Adjusted EBITDA, Adjusted EBIT and Adjusted net income 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 $441,000 and $1,117,000 for Q3 2020 and nine months ended September 30, 2020 and $435,000 and $1,091,000 in corresponding periods of 2019.
[5]Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended September 30		Nine months ended September 30	
		2020	**2019**	**2020**	**2019**
Underground mining (3)					
Operating development	m	1,448	1,128	4,070	4,063
Mined ore	t	271,343	249,470	758,408	735,142
Mined ore Au grade	g/t	1.29	1.52	1.40	1.54
Mined contained Au	oz	11,296	12,191	34,204	36,398
Mining cost per tonne ore	$/t	21.99	19.57	22.46	20.67
Processed ore	t	342,371	330,044	990,933	973,110
Processed ore mill head grade Au	g/t	1.15	1.28	1.24	1.47
Recovery Au	%	89.20	88.73	88.10	88.87
Saleable Au produced	oz	11,044	11,880	33,044	40,508
Processing cost per tonne ore	$/t	7.18	6.34	7.66	6.74
Au sold	oz	11,511	13,006	34,566	43,160
Capital development (underground)	m	825	615	2,501	1,676
Capital development cost per metre	$/m	2,746	2,480	2,595	2,779
Cash operating cost per tonne ore processed (1)	$/t	33.90	33.87	35.37	37.08
Adjusted EBITDA per tonne ore processed (1,2)	$/t	28.07	26.49	25.77	21.80
Cash cost per oz Au produced (1,2)	$/oz	1,051	941	1,061	891
Site all-in sustaining cost per oz Au produced (1,2)	$/oz	1,505	1,332	1,495	1,195

[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.
[3] The 2019 comparative information for the three and nine months ended 2019 has been updated to exclude the open pit figures (in respect of which mining operations ceased in July 2019) to provide more relevant comparative information.





Björkdal - Three Months Ended September 30, 2020 and 2019

- ***Production*** – Saleable gold production at Björkdal for Q3 2020 was 11,044 ounces, a 7% decrease from the 11,880 ounces produced in Q3 2019 due to a decrease in mill head grade as a result of more dilution than in pre previous quarter.

- ***Revenue*** – Björkdal revenue for Q3 2020 was $21.9 million, a slight increase from $21.7 million in Q3 2019. Gold ounces sold decreased by 11.5% to 11,511 ounces in Q3 2020, compared to 13,006 ounces in Q3 2019, however, revenue increased due to a higher realized gold prices in the current quarter compared to Q3 2019.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $12.3 million Q3 2020, higher than $13.0 million for Q3 2019. The increase in operating costs was mainly due increased tonnage hauled from the underground.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for Q3 2020 was $9.6 million, adjusted EBITDA was $9.6 million, adjusted net income was $3.8 million and net loss after tax was $2.5 million. Comparable results for Q3 2019 were income from mine operations before depreciation and depletion of $8.7 million, adjusted EBITDA of $8.7 million, adjusted net income was $4.0 million and net income after tax of $4.0 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $3.9 million in Q3 2020, compared to $3.1 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 Q3 2020 was $1,051, 12% higher as compared to Q3 2019 of $941. All-in sustaining cost per ounce of gold produced for Q3 2020 was $1,505, 13% higher than the all-in sustaining cost per ounce of gold produced in Q3 2019, of $1,332. These per ounce costs were higher in Q3 2020, compared to Q3 2019, primarily due to lower metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for Q3 2020 totaled $5.3 million ($2.5 million in mine development costs, $0.4 million for exploration, and $2.4 million in property, plant and equipment) compared with $5.1 million ($1.7 million in mine development costs, $0.4 million for exploration, and $3.0 million for property, plant and equipment) during Q3 2019.

Björkdal - Nine Months Ended September 30, 2020 and 2019

- ***Production*** – Saleable gold production at Björkdal for the nine months ending September 30, 2020 was 33,044 ounces, a 18% decrease from the 40,508 ounces produced in the nine months ending September 30, 2019. The decrease can be attributed to a 16% decrease in mill feed gold grade.

- ***Revenue*** – Björkdal revenue for the nine months ending September 30, 2020 was $62.5 million, slightly higher than the $61.5 million in the same period of 2019. This was due to higher realized gold prices in the nine months ending September 30, 2020 compared to nine months ending September 30, 2019.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $37.0 million for the nine months ending September 30, 2020, lower than $40.3 million for the same period of 2019. The decrease in operating costs were mainly 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 nine months ending September 30, 2020 was $25.5 million, adjusted EBITDA was $25.5 million, adjusted net income was $11.0 million and net loss after tax was $8.9 million. Comparable results for the same period of 2019 were income from mine operations before depreciation and depletion of $21.2 million, adjusted EBITDA of $21.2 million and adjusted net income and net income after tax were both $6.5 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $11.3 million in the nine months ending September 30, 2020, compared to $10.6 million for the same period in 2019 due to increase in per unit depletion rate in current period as compared to previous period.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the nine months ending September 30, 2020 was $1,061, 19% higher than the cash cost per ounce of gold produced in the same period of 2019 of $891. All-in sustaining cost per ounce of gold produced for the nine months ending September 30, 2020 was $1,495, 25% higher than the all-in sustaining cost per ounce of gold produced in the same period of 2019 of $1,195. These per ounce costs were higher in the 2020 period compared to the 2019 period due primarily to lower metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the nine months ending September 30, 2020 totaled $15.5 million ($7.0 million in mine development costs, $1.3 million for exploration, and $7.1 in property, plant and equipment) compared with $13.0 million ($5.5 million in mine development costs, $0.7 million for exploration, and $6.8 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. As at September 30, 2020, Equus had not exercised their option. Cerro Bayo continues to be under care and maintenance. See announcement dated October 8, 2019 for further details.

During Q3 2020, the Company spent $0.5 million on care and maintenance activities at Cerro Bayo compared to $0.4 million in Q3 2019. For the nine months ending September 2020 the company spent $1.6 million as compared to $2.2 million during the same period of 2019. The decrease in the year to date 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 the Q3 2020, the Company spent $0.1 million on care and maintenance activities at Lupin, which was the same in the Q3 2019. Reclamation spending at Lupin was $0.5 million during the Q3 of 2020 and $5.8 million for nine months ending September 2020, compared to $0.8 million in Q3 2019 and $1.7 for the same period in 2019. 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 third quarter and nine month ending September 30, 2020, which was the same as the prior year quarter and period.

1.2 THIRD QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020[(4)]	2019
	$'000	$'000	$'000	$'000
Revenue	49,753	28,798	133,654	85,058
Cost of sales	21,418	21,610	59,984	65,755
Income from operations (excl. depr. and depletion)	28,335	7,188	73,670	19,303
Depreciation and depletion	9,101	5,510	26,507	18,831
Income from mining operations	19,234	1,678	47,163	472
General and administrative costs	1,608	1,633	4,769	4,397
Adjusted EBITDA[(1)]	26,727	5,555	68,901	14,906
Finance costs	3,478	1,824	12,086	5,017
Tax, forex and others[(2)]	8,619	469	24,300	5,859
Consolidated income (loss) before tax	5,529	(2,248)	6,008	(14,801)
Current tax expense	4,669	467	6,933	876
Deferred tax expense (recovery)	225	(1,312)	4,488	(3,190)
Adjusted net income (loss)[(1)]	9,823	(961)	22,639	(5,346)
Consolidated net income (loss)	635	(1,403)	(5,413)	(12,487)
Adjusted income (loss) per share[(1)]	0.11	(0.01)	0.25	(0.07)
Consolidated income (loss) per share	0.01	(0.02)	(0.06)	(0.16)
Total assets	283,379	252,042	283,379	252,042
Total liabilities	173,281	139,494	173,281	139,494
Total equity	110,098	112,548	110,098	112,548
Capital expenditures – Consolidated[(3)]				
Underground capital development & open pit pre-strip	6,481	5,396	17,636	15,689
Property, plant and equipment purchases	3,982	3,486	10,258	9,827
Capitalized exploration	1,620	1,212	4,790	2,228
Total capital expenditures	12,083	10,094	32,684	27,744

[1]Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share 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.

[4] Includes restated figures for the three months ended March 31, 2020 and June 30, 2020 related to a reduction in loss on financial instruments amounting to $1.5 million.

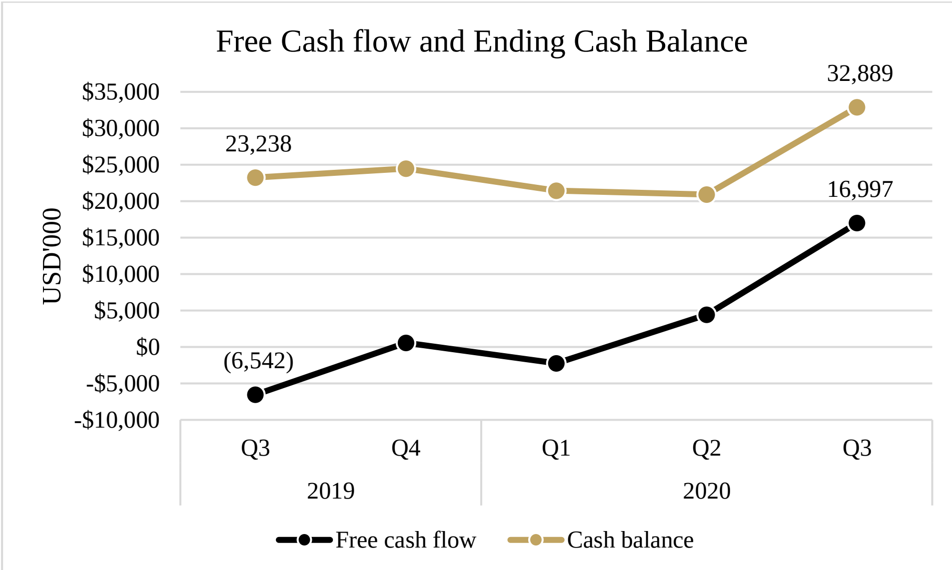
Summary Balance Sheet

	As at September 30, 2020	As at December 31, 2019
	$'000	**$'000**
Cash and cash equivalents	32,889	24,462
Inventories, accounts rec. and other current assets	41,980	37,166
Total current assets	**74,869**	**61,628**
Property, plant and equipment	186,422	176,355
Reclamation deposits and other non-current assets	22,088	20,609
Total assets	**283,379**	**258,592**
Syndicated Facility – *current*	14,333	-
Other current liabilities	60,182	41,439
Five-year exchangeable loan	-	22,562
Revolver Facility	-	40,000
Total current liabilities	**74,515**	**104,001**
Syndicated Facility – *non-current*	45,433	-
Non-current liabilities	53,333	42,839
Equity attributable to common shareholders	110,098	111,752
Total equity and liability	**283,379**	**258,592**

Summary Cash flow

The table below summarizes the Company's cash flow for the three and nine months ended September 30, 2020 and 2019 and reconciles free cash flow to reported net cash flows from (used in) operating activities for those periods. See Section 1.14 "Non-IFRS Measures" for more information.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	$'000	**$'000**	**$'000**	**$'000**
Net cash flows from (used in) operating activities	**29,433**	**3,342**	**52,300**	**(1,327)**
Capital expenditures	(11,709)	(9.269)	(31,685)	(26,616)
Lease payments	(727)	(615)	(1,427)	(995)
Free cash flow	**16,997**	**(6,542)**	**19,188**	**(28,938)**
Net (payment) receipt from reclamation deposits	(497)	(828)	50	(3,868)
Proceeds from sale of non-core assets	-	-	-	2,148
Net (repayment) drawn on borrowings	(3,233)	4,791	(8,668)	14,924
Payment of gold derivative contracts	(2,085)	-	(2085)	-
Shares issued for cash	-	-	16	32,273
Share issuance cost	-	-	-	(2,664)
Effects of exchange rate changes	792	115	(74)	968
Net cash flow	11,974	(2,464)	8,427	14,843
Cash/cash equivalents, end of period	**32,889**	**23,238**	**32,889**	**23,238**



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 nine months ended September 30, 2020 and 2019. See Section 1.14 "Non-IFRS Measures" for more information.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	$'000	**$'000**	**$'000**	**$'000**
Consolidated net income (loss)	635	(1,403)	(5,413)	(12,487)
Add: Special items				
Write down of assets	-	-	-	4,985
Reversal of Cerro Bayo reclamation liability	-	-	(5,783)	-
Care and maintenance costs	511	442	1,604	-
Fair value loss on fin. instruments – hedging	8,677	-	32,231	2,156
Adjusted net income (loss)	**9,823**	**(961)**	**22,639**	**(5,346)**
Add/less: Non-cash and finance costs				
Depletion and depreciation	9,101	5,510	26,507	18,831
Loss (gain) on disposal of PPE	(5)	-	3	(1,854)
Share based compensation expense	196	122	563	431
Interest and finance charges	3,478	1,824	12,086	5,017
Fair value adjustments loss (gain)	-	(103)	(4,076)	753
Current tax expense	4,669	467	6,933	876
Deferred tax expense (recovery)	225	(1,312)	4,488	(3,190)
Foreign exchange loss (gain)	(646)	183	222	(115)
Interest and other income	(114)	(175)	(464)	(497)
Adjusted EBITDA	**26,727**	**5,555**	**68,901**	**14,906**
Depletion and depreciation	9,101	5,510	26,507	18,831
Adjusted EBIT	**17,626**	**45**	**42,394**	**(3,925)**

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 nine months ended September 30, 2020 and 2019. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended September 30, 2020	**Three months ended September 30, 2019**	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
	$'000	**$'000**	**$'000**	**$'000**
Cost of sales, excluding depletion and depreciation	**21,418**	**21,610**	**59,984**	**65,755**
Add:				
General and administrative costs	(66)	111	(19)	197
Less:				
Change in inventory	654	(1,926)	3,792	(4,741)
Royalties	(799)	(79)	(1,951)	(323)
Total cash cost	**21,207**	**19,716**	**61,806**	**60,888**
Saleable Au equivalent produced (oz)	25,664	16,625	76,093	58,065
Cash cost per oz gold produced ($)	**826**	**1,186**	**812**	**1,049**

	Three months ended September 30, 2020	**Three months ended September 30, 2019**	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
	$'000	**$'000**	**$'000**	**$'000**
Total Cash cost	**21,207**	**19,716**	**61,806**	**60,888**
Add:				
General and administrative costs	2,186	1,964	6,389	6,356
Capital development	6,481	5,396	17,637	15,689
Capital purchases – sustaining	3,982	3,486	10,284	9,827
Capital exploration – infill drilling	58	-	216	77
Royalties	799	79	1,951	323
Accretion on rehabilitation provisions	53	255	284	423
All-in sustaining cost	**34,766**	**30,896**	**98,567**	**93,583**
Saleable Au equivalent produced (oz)	25,664	16,625	76,093	58,065
All-in sustaining cost per oz gold produced ($)	**1,355**	**1,858**	**1,295**	**1,612**

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

- ***Revenue*** – Consolidated revenue for Q3 2020 was $49.8 million, higher than $28.8 million in the Q3 2019. Consolidated gold equivalent ounces sold increased by 46% to 26,001 ounces in Q3 2020 compared to 17,814 ounces in Q3 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 $21.4 million for Q3 2020 compared to $21.6 million for Q3 2019. The 1% decrease in costs was mainly due to favorable changes in foreign exchange rates.

- ***Income from Operations*** **–** Consolidated income from mine operations before depreciation and depletion for Q3 2020 was $28.3 million, adjusted EBITDA was $26.7 million, adjusted net income was $9.8 million and net income after tax was $0.6 million. Comparable results for Q3 2019 were income from mine operations before depreciation and depletion of $7.2 million, adjusted EBITDA of $5.6 million, adjusted net loss of $1.0 million and net loss after tax of $1.4 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company increased to $9.1 million in Q3 2020 compared to $5.5 million for Q3 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for Q3 2020 was $826, 30% lower than Q3 2019 of $1,186. Consolidated all-in sustaining cost per ounce of gold equivalent produced for Q3 2020 was $1,355, 27% lower than Q3 2019 of $1,858. These per ounce cash cost was lower in Q3 2020 as compared to Q3 2019 due to lower cost of sales and higher production at Costerfield.

- ***Capital Expenditures*** – Consolidated capital expenditures for Q3 2020, totaled $12.1 million ($6.8 million occurred at Costerfield and $5.3 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q3 2019 were $10.1 million ($5.0 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 - Nine Months Ended September 30, 2020 and 2019

- ***Revenue*** – Consolidated revenue for the nine months ending September 30, 2020 was $133.7 million, a 57% increase from $85.1 million in the nine months ending September 30, 2019, mainly due to increase in gold ounces sold along with higher gold prices. Consolidated gold equivalent ounces sold increased by 24% to 75,193 ounces in the nine months ending September 30, 2020 compared to 60,815 ounces in the nine months ending September 30, 2019.

- ***Operating Costs*** **–** Consolidated cost of sales excluding depletion and amortization was $60.0 million for the nine months ending September 30, 2020, compared to $65.8 million for the same period of 2019. The 9% improvement was primarily due to cost savings at Costerfield and a favourable change in foreign exchange rate.

- ***Income from Operations*** **–** Consolidated income from mine operations before depreciation and depletion for the nine months ending September 30, 2020 was $73.7 million, adjusted EBITDA was $68.9 million, adjusted net income was $22.6 million and net loss after tax was $5.4 million. Comparable results for the nine months ended September 30, 2019 were income from mine operations before depreciation and depletion of $19.3 million, adjusted EBITDA of $14.9 million, adjusted net loss of $5.3 million and net loss after tax of $12.5 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company increased to $26.5 million in the nine months ending September 30, 2020 compared to $18.8 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 nine months ending September 30, 2020 was $812, 23% lower than the cash cost per ounce of gold equivalent produced in the nine months ending September 30, 2019 of $1,049. Consolidated all-in sustaining cost per ounce of gold equivalent produced for the nine months ending September 30, 2020 was $1,295 lower than the all-in sustaining cost per ounce of gold equivalent produced in the nine months ending September 30, 2019 of $1,612. These per ounce costs were lower in the year to date 2020 compared to the same period in 2019 due to higher metal produced.

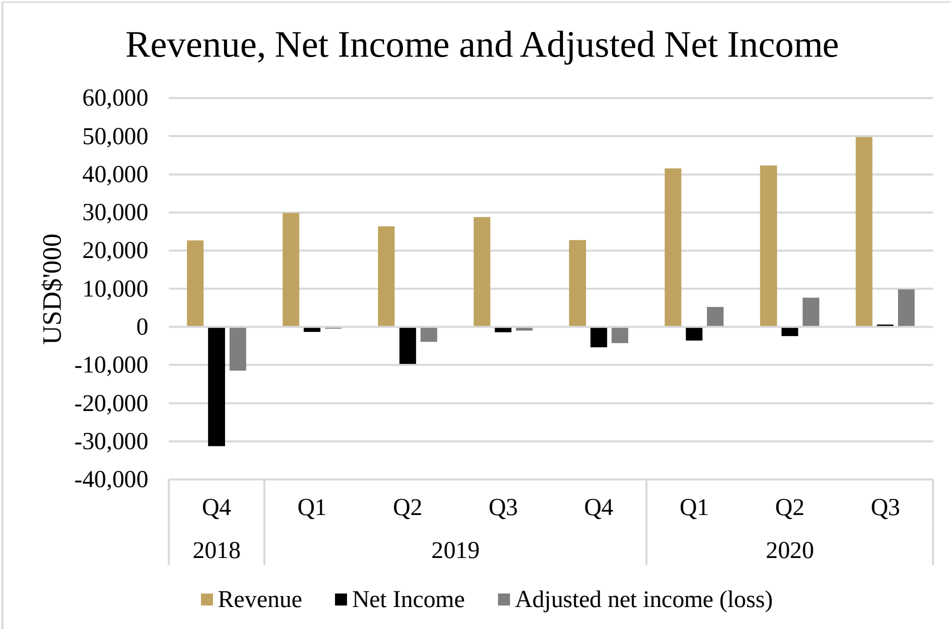
- ***Capital Expenditures*** – Consolidated capital expenditures for the nine months ending September 30, 2020, totaled $32.7 million ($17.0 million occurred at Costerfield and $15.5 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the nine months ending September 30, 2019, were $27.7 million ($14.6 million occurred at Costerfield, $13.0 million at Björkdal and $0.1 million at non-core assets). The increase in capital expenditures was primarily due to increased capital spending at Costerfield.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 3 2020	**Quarter 2 2020**	**Quarter 1 2020**	**Quarter 4 2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	49,753	42,335	41,566	22,737
Adjusted net income (loss)	9,823	7,632	5,186	(4,223)
Net income (loss)	635	(2,439)	(3,608)	(5,328)
Adjusted net income (loss) per share – Basic	0.11	0.08	0.06	(0.05)
Net income (loss) per share – Basic and diluted	0.01	(0.03)	(0.04)	(0.07)

	Quarter 3 2019	**Quarter 2 2019**	**Quarter 1 2019**	**Quarter 4 2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	28,798	26,344	29,916	22,711
Adjusted net loss	(961)	(3,926)	(459)	(11,475)
Net loss	(1,403)	(9,750)	(1,334)	(31,299)
Adjusted net loss per share – Basic	(0.01)	(0.04)	(0.01)	(0.25)
Net loss per share – Basic and diluted	(0.02)	(0.11)	(0.03)	(0.69)



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 July 1, 2020 – September 30, 2020	Average Rate July 1, 2019 – September 30, 2019	Average Rate January 1, 2020 – September 30, 2020	Average Rate January 1, 2019 – September 30, 2019
1A$ = C$	0.9526	0.9055	0.9196	0.9298
1 A$ = US$	0.715	0.6856	0.6767	0.6994
1 US$ = C$	1.3323	1.3208	1.3589	1.3294
1 US$ = Chilean Peso	781	706	802	686
1 US$ = SEK	8.8728	9.5901	9.2815	9.4047

Markets – Commodity Prices

Realized and market prices of gold on average were higher in Q3 2020, compared to Q3 2019. Realized and market prices of antimony were lower in Q3 2020, compared to Q3 2019. The average market and realized commodity prices for the reporting period are summarized in the table below:

Commodity	Prices July 1, 2020 September 30, 2020	Prices July 1, 2019 September 30, 2019	Prices January 1, 2020 September 30, 2020	Prices January 1, 2019 September 30, 2019
Realized gold US$/oz[1]	1,912	1,643	1,787	1,411
Average gold US$/oz – London PM close (Metal Bulletin)	1,907	1,473	1,734	1,362
Realized antimony US$/tonne[1]	5,571	5,570	5,712	6,512
Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	5,524	6,015	5,787	6,902

[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 September 30, 2020, the Company's working capital was $0.4 million compared to negative $42.4 million at December 31, 2019. The Company had cash and cash equivalents of $32.9 million at September 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. As at September 30, 2020, the Company was in compliance with all covenants of its Syndicated Facility. For more details, please refer to Section 1.6 "Contractual commitments and contingencies".

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.

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, September 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 September 30, 2020, the Company was in compliance with all financial covenants on 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 September 30, 2020, after the first $3,000,000 repayment, the outstanding principal value of the Syndicated Facility was $62,000,000.

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 $8.7 million and $32.2 million for the quarter and nine months ending September 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.

During the three months ended September 30, 2020, the Company has paid $2,084,000 as settlement of expired gold derivatives contracts. Depending on certain factors, mainly the price of gold, the Company may be required to settle gold derivative contracts in the future.

Fair-value Adjustments

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 $8.7 million and $32.2 million, respectively, relating to these hedging programs during the three and nine months ending September 30, 2020, as a result of the recent increase in the price of gold.

Contractual Obligations as at September 30, 2020

Contractual obligations	Payments due by year ($ '000)			Total ($ '000)
	Less than 1 year	1-3 years	4-5 years	
Syndicated Facility	14,333	47,667	-	**62,000**
Lease obligations	1,562	2,723	40	**4,325**
Other equipment loan obligations	785	735	-	**1,520**
Total contractual obligations	**16,680**	**51,125**	**40**	**67,845**

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 nine months ended September 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 September 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.

There has been no change in the Company's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

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 91,226,907 common shares issued and outstanding. The weighted average number of shares outstanding during the third quarter ended September 30, 2020 used for the calculation of per share results was 91,144,002.

So far in 2020, the following events added to the total amount of outstanding shares, stock options and restricted share units 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 Restricted Share Unit Plan which remain in effect with respect to stock options and restricted share units 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. 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 September 30, 2020, are as follows:

Exercise Price CAD$	As of September 30, 2020	As of November 10, 2020	Expiry Date
0.61	917,000	917,000	30 September, 2027
1.10	440,000	440,000	30 September, 2026
2.00	264,500	264,500	30 September, 2025
6.00	140,000	140,000	30 September, 2024
9.10	126,300	126,300	23 March, 2021
Total	**1,887,800**	**1,887,800**	

During the nine months ended September 30, 2020, 20,000 options were exercised, while none were exercised in the 2019 comparative period. There were 1,972,800 options outstanding as of September 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 RSUs issued and outstanding as at September 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	(126,233)
Outstanding at September 30, 2020	**682,452**

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, Chris Davis (VP of Operational Geology & Exploration, MAusIMM(VP)), and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 SUBSEQUENT EVENTS

On October 19, 2020, after approval from the Crown-Indigenous Relations and Northern Affairs Canada, the Company received $3,789,000 released from security that it 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.

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 free cash flow 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 with gold hedging programs. 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 operating site overhead expense in the period divided by the total saleable gold equivalent ounces produced in the period. The cash cost excludes royalty and corporate level general and administrative expenses. This definition was updated this quarter to exclude corporate G&A expenses to better align with industry standard.

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.

10. *Free cash flow* – The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. It is calculated starting with the net cash flows from operating activities (as per IFRS) and then adding capital expenditures and lease payments. Refer to Section 1.2 for a reconciliation between free cash flow and net cash flows from operating activities.