MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2021

AS OF MAY 12, 2021

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 months ended March 31, 2021, the Company's Annual Information Form dated March 31, 2021 (the "AIF"), the Company's 2020 audited consolidated financial statements and accompanying 2020 MD&A, 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 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 (Costerfield gold-antimony mine) and Sweden (Björkdal gold mine), with projects in Chile and Canada under care and maintenance or development statuses. The Company is focused on growing its production and reducing costs to generate significant positive cashflow.

Mandalay's mission is to create shareholder value through the profitable operation of both its Costerfield and Björkdal mines. Currently, the Company's main objective is to continue mining the high-grade Youle vein at Costerfield, which continues to supply high-grade ore, and also focus on extending Youle's Mineral Reserves at depth. 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 FINANCIAL AND OPERATING SUMMARY

First Quarter 2021 Highlights:

- **Consolidated gold equivalent production of 28,676 ounces** compared to 27,351 ounces in Q4 2020, and 25,677 ounces in Q1 2020. The increase in ounces produced in Q1 2021 as compared to Q1 2020 was due to higher tonnes processed and improved gold recoveries at Costerfield, higher grades processed at Björkdal and the commencement of trial processing of mineralized waste dump materials at Cerro Bayo.

- **Adjusted net income[1] of $5.6 million ($0.06 or C$0.08 income per share)** compared to adjusted net income of $12.1 million in Q4 2020 ($0.13 or C$0.17 income per share) and an adjusted net income of $5.2 million ($0.06 or C$0.08 income per share) in Q1 2020. **Consolidated net income in Q1 2021 was $25.5 million ($0.28 or C$0.35 income per share)**, mainly due to a $20.2 million mark-to-market gain in respect to the gold hedging arrangements, compared to a consolidated net income of $14.7 million ($0.16 or C$0.21 income per share) in Q4 2020 and a consolidated net loss of $3.6 million ($0.04 or C$0.05 loss per share) in Q1 2020.

- **Consolidated capital expenditures of $12.0 million** compared to $14.2 million in Q4 2020 and $10.0 million in Q1 2020.

- **Cash on hand was $29.9 million as of March 31, 2021,** compared to $34.2 million as at December 31, 2020, and $21.5 million as at March 31, 2020.

- **Free cash outflow[1] of $1.8 million** compared to inflow of $6.4 million in Q4 2020, and an outflow of $2.2 million in Q1 2020. The decrease from Q4 2020 to Q1 2021 were mainly due to changes in payment terms with our principal customer at Costerfield of approximately $4.1 million and costs associated with the start of the trial processing project at Cerro Bayo. As compared to Q1 2020, the higher free cash flow in the current quarter was the result of increased revenue from increased production.

- **Consolidated cash cost[1] of $883 and all-in sustaining cost[1] of $1,212 per ounce of saleable gold equivalent production** compared to $929 and $1,350 per ounce, respectively in Q4 2020. This decrease in consolidated unit cash costs was mainly due to higher saleable gold equivalent produced. In Q1 2020, these costs were $846 and $1,191 per ounce, respectively. The higher unit costs in Q1 2021 as compared to Q1 2020 were driven by higher costs of sales, the increase in hauled underground tonnes coupled with the relative strengthening of the local currencies against the U.S. Dollar, and higher sustaining capital expenditures.

- **Revenue of $52.6 million on gold equivalent sales of 29,713 ounces** compared to $45.3 million on 24,742 ounces in Q4 2020. This increase can be attributed to higher gold equivalent ounces sold relative to Q4 2020. In Q1 2020, revenue was $41.6 million from 24,276 ounces of gold equivalent sold. This increase in Q1 2021 as compared to Q1 2020 was the result of a 22% increase in gold equivalent ounces sold and the support from higher realized metal prices. The Company's realized gold and antimony prices in Q1 2021 were $1,763 and $9,478, respectively, while in Q1 2020 realized prices were $1,726 and $6,314, respectively.

- **Adjusted EBITDA[1] of $26.1 million** compared to $25.3 million in Q4 2020 and $20.9 million in Q1 2020. Q1 2021 adjusted EBITDA included a strong contribution from Costerfield with $21.5 million of adjusted EBITDA generated (the Company's highest result), as compared to $20.0 million during Q4 2020. The increase in Q1 2021 adjusted EBITDA compared to Q1 2020 relates mainly to increased revenue and lower administrative costs.

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 Q1 2021 and 2020:

	Three months ended March 31	
	2021	**2020**
Björkdal		
Gold produced (oz)	11,855	10,750
Gold sold (oz)	12,076	11,765
Cash cost per oz gold produced ($)(1)	1,187	1,052
All-in sustaining cost[1] per oz gold produced ($)	1,533	1,479
Costerfield		
Gold produced (oz)	11,082	10,620
Antimony produced (t)	832	1,108
Gold equivalent produced (oz)(2)	15,458	14,927
Gold sold (oz)(3)	12,524	9,167
Antimony sold (t)(3)	972	860
Gold equivalent sold (oz)(2,3)	17,637	12,511
Cash cost[1] per oz gold eq. produced ($)	640	577
All-in sustaining cost[1] per oz gold eq. produced ($)	937	854
Cerro Bayo		
Gold produced (oz)	724	-
Silver produced (oz)	43,699	-
Gold equivalent produced (oz)(2)	1,363	-
Cash cost[1] and all-in sustaining cost per oz gold eq. produced ($)	995	-
Consolidated		
Gold equivalent produced (oz)(2)	28,676	25,677
Gold equivalent sold (oz)(2,3)	29,713	24,276
Cash cost[1] per oz gold eq. ($)	883	846
All-in sustaining cost[1] per oz gold eq. ($)	1,212	1,191
Average gold price ($/oz)	1,795	1,582
Average silver price ($/oz)	26.23	16.95
Average antimony price ($/t)	9,442	6,152

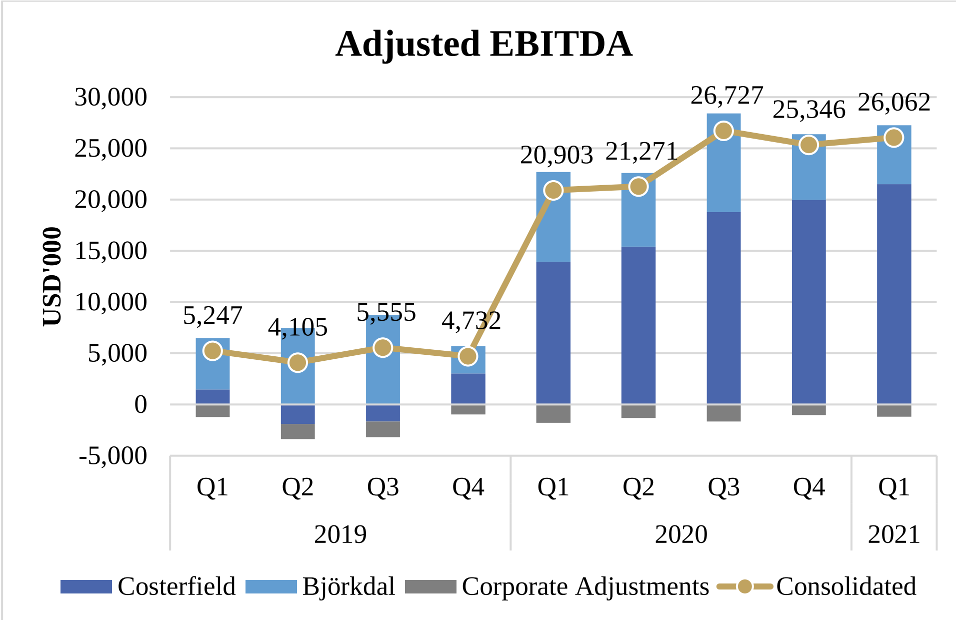
1. Cash and all-in sustaining costs are non-IFRS measures. The Company has restated consolidated cash cost to exclude corporate level general and administrative expenses in the current and comparative periods. Refer to Section 1.14 "Non-IFRS Measures" for further information.
2. Gold equivalent ounces (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 Au and Ag prices is www.transamine.com and Sb price is www.metalbulletin.com.
3. Updated Au oz and Sb t sold subsequent to the press release dated April 13, 2021.

Financial Summary

The following table sets forth a summary of the Company's financial results for Q1 2021 and 2020:

	Three months ended March 31	
	2021	2020
	$'000	$'000
Revenue	52,573	41,566
Cost of sales	25,414	18,832
Income from operations (excl. depr. & depletion)(1)	27,159	22,734
General and administrative costs	1,097	1,831
Adjusted EBITDA(1)	26,062	20,903
Depreciation and depletion	10,816	8,595
Adjusted EBIT(1)	15,246	12,308
Finance costs	2,354	5,619
Unrealized (gain) loss on hedges	(20,237)	5,229
Tax, forex and others(2)	7,629	5,068
Adjusted net income(1)	5,646	5,186
Consolidated net income (loss)	25,500	(3,608)
Adjusted income per share(1)	0.06	0.06
Consolidated income (loss) per share	0.28	(0.04)
Total assets	297,219	251,067
Total liabilities	143,434	153,356
Total equity	153,785	97,711
Consolidated capital expenditures		
Capital development	5,372	5,407
Property, plant and equipment purchases	4,746	3,108
Capitalized exploration	1,910	1,522
Total	12,028	10,037

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 write down of assets.



Exploration

At Costerfield, two programs continued into Q1 2021. The Youle plunge drilling program consisted of underground drilling resources extending the Youle orebody at depth. The Browns drilling program looked at following up on early success within the program while testing a Youle style environment at depth. Beginning late in Q2 2021, the Fox Fault drilling will focus on testing another Youle analogue target below the Cuffley orebody. The Cuffley Deeps drilling will also begin in Q2 2021, with a focus on investigating the upgrade potential of an Indicated Resource below Cuffley.

The Youle plunge drilling was successful with the discovery of the newly named Shepard Zone. As a result, several additional drill rigs have been diverted to the program in Q2 2021 to focus on understanding the significance of this discovery.

At Björkdal, two drilling programs were undertaken simultaneously during Q1 2021. The Lake Zone conversion drilling was undertaken with the intent to gain resolution on multiple mineralized horizons located in the Björkdal Deeps testing program. This program is expected to be completed by early Q2 2021. The Main Zone Extension program began in early Q1 2021 and focused on the extension of currently mined veins to the east and at depth while also investigating the interaction of the veins with skarnified marble. This program is also expected to be completed by early Q2 2021. The Aurora Upper Extension drilling commenced in Q2 2021 and is likely to be complete by quarter end. Drilling on the Central Zone extension and Aurora Eastern infill and extension programs will commence in Q2 2021. In addition, a Base of Till drilling program aimed at sampling bedrock in a number of locations within Mandalay's tenements surrounding the mine is expected to start in Q2 2021.

As at December 31, 2020, Mandalay's total Proven and Probable Mineral Reserves totalled 799,000 ounces of gold and 21,900 tonnes of antimony, compared to 752,000 ounces of gold and 17,800 tonnes of antimony at year-end 2019, a 6% and 12% increase, respectively year-on-year. These Mineral Reserves were added at an exploration cost of $23.24 per gold equivalent ounce.

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. 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 in 2021. At Costerfield, the Company expects production increases throughout 2021 as it increases production from the high-grade Youle vein. Mandalay also expects production and cost improvements at Björkdal in 2021, as the higher-grade Aurora zone and surrounding veins increase production allowing for a higher feed grade to be processed.

The Company currently expects its strong operating performance to continue, however, the COVID-19 pandemic creates uncertainties as experienced across the mining industry. At this time, the Company is maintaining its 2021 production guidance, but will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, as necessary.

The Company's 2021 production and cost guidance are below (please see press release dated January 14, 2021), and it should be noted these figures do not include amounts from Cerro Bayo:

	Björkdal	Costerfield	Consolidated(1)
	2021E		
Gold production (oz)	52,000-57,000	44,000-49,000	96,000-106,000
Antimony production (t)	-	2,700-3,300	2,700-3,300
Gold eq. production (oz)(1)	52,000-57,000	53,000-60,000	105,000-117,000
Cash cost, $/oz gold eq.(2)	900-1,050	675-825	800-1,000
All-in sustaining $/oz gold eq.(2,3)	1,200-1,350	950-1,100	1,100-1,350
Capex, $/million	32-36	16-20	48-56

1. Assumes average metal prices of: Au $1,860/oz, Sb $6,600/t
2. Cash cost and all-in sustaining costs are non-IFRS measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
3. Consolidated costs per Au Eq. oz includes corporate overhead spending, costs associated with the trial processing of waste dumps at Cerro Bayo and total care and maintenance costs.

Mandalay's 2021 production guidance is based on:

- The strengthening Australian dollar and Swedish krona relative to the US dollar has had a negative impact on the above guidance as compared to the rates during 2020. This has resulted in an approximate 9% increase in 2021 USD guidance costs compared to 2020 average costs.
  - Average 2020 rates: AUD/USD 0.691 and USD/SEK 9.21
  - Guidance 2021 rates: AUD/USD 0.754 and USD/SEK 8.36
- The expected high capital spend at Björkdal includes $10.8 million of capital works being carried out at the tailings storage facility. This project will allow for tailings capacity through to 2029.
- Capital exploration spend forecast for both sites are:
  - Costerfield: $6.2 million
  - Björkdal: $4.0 million

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

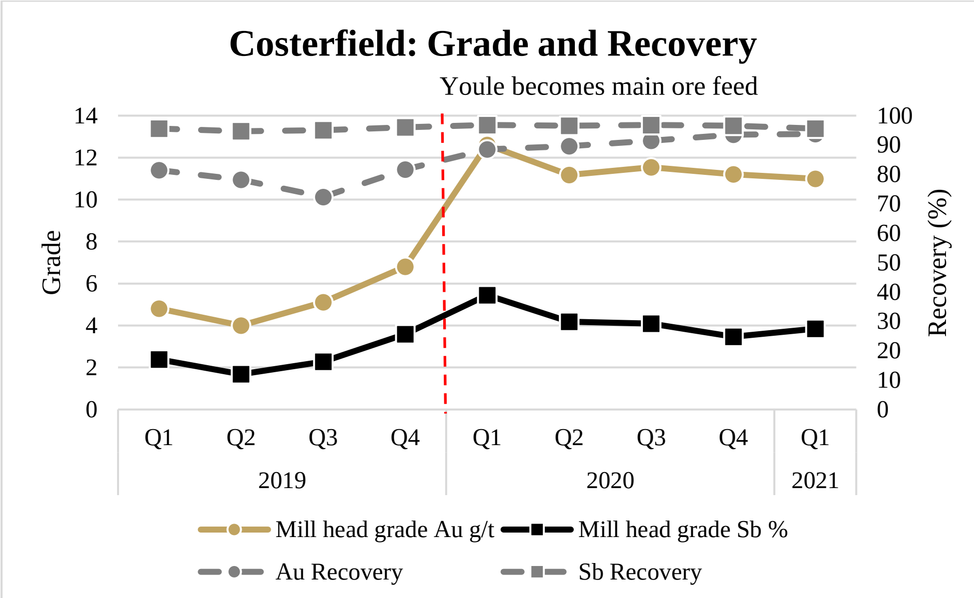
	Three months ended March 31	
	2021	**2020**
	$'000	**$'000**
Revenue	31,757	20,385
Cost of sales	10,244	6,404
Income from operations (excl. depr. & depletion)	21,513	13,981
General and administrative costs(1)	204	273
Adjusted EBITDA(2,3)	21,494	13,945
Depreciation & depletion	5,829	4,948
Adjusted EBIT(3)	15,480	8,760
Unrealized (gain) loss on hedge	(9,134)	7,895
Finance costs, forex and others(4)	58	1,666
Income (loss) before tax	24,556	(801)
Current tax expense	3,211	-
Deferred tax expense	4,230	2,235
Adjusted net income(3)	7,981	4,859
Consolidated net income (loss) after tax	17,115	(3,036)
Capital development	2,978	3,197
Property, plant and equipment purchases	901	781
Capitalized exploration	1,225	732
Total capital expenditures	5,104	4,710

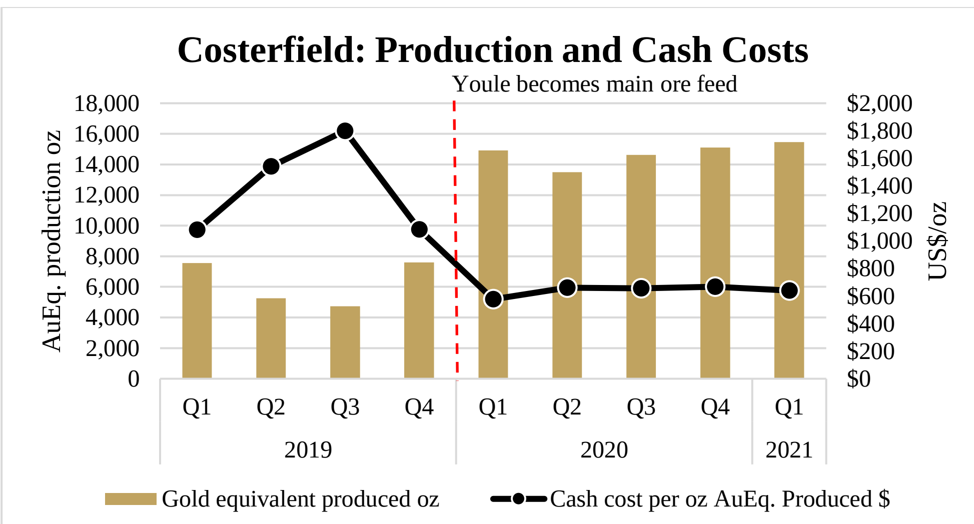
1. Includes intercompany transfer pricing costs of $185,000 in Q1 2021, and $237,000 in the corresponding period of 2020.
2. Does not include intercompany transfer pricing recharge costs.
3. Adjusted EBITDA, Adjusted EBIT and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
4. Finance costs includes realized loss on gold hedge of $78,000 million in Q1 2021, and nil in Q1 2020. Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $576,000 in Q1 2021 and $416,000 for the corresponding period in 2020.

Costerfield Operating Results

		Three months ended March 31	
		2021	2020
Operating development	m	1,281	1,535
Mined ore	t	44,477	36,374
Mined ore Au grade	g/t	10.94	13.86
Mined ore Sb grade	%	3.98	5.89
Mined contained Au	oz	15,641	16,213
Mined contained Sb	t	1,768	2,142
Mining cost per tonne ore	$/t	139	145
Processed ore	t	36,061	33,526
Processed ore mill head grade Au	g/t	11.00	12.61
Processed ore mill head grade Sb	%	3.85	5.45
Recovery Au	%	93.76	88.54
Recovery Sb	%	95.59	96.82
Saleable Au produced	oz	11,082	10,620
Saleable Sb produced	t	832	1,108
Saleable Au equivalent produced	oz	15,458	14,927
Processing cost per tonne ore	$/t	42.73	36
Au sold in gravity concentrate	oz	7,048	5,141
Au sold in floatation concentrate[3]	oz	5,476	4,026
Au sold (total) [3]	oz	12,524	9,167
Sb sold[3]	t	972	860
Capital development metres	m	690	690
Capital development cost per metre	$/m	4,316	4,635
Cash cost per tonne ore processed [1,2]	$/t	274	257
Adjusted EBITDA per tonne ore processed [1,2]	$/t	596	416
Cash cost per oz Au equivalent produced [1,2]	$/oz	640	577
Site all-in sustaining cost per oz Au equivalent produced [1,2]	$/oz	937	854

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.
3. Updated Au oz and Sb t sold subsequent to the press release dated April 13, 2021.





Costerfield – Three Months Ended March 31, 2021 and 2020

- ***Production*** — Saleable gold production for Q1 2021 was 11,082 ounces, a 4% increase from the 10,620 ounces produced in Q1 2020. Saleable antimony production for Q1 2021 was 832 tonnes, a decrease from the 1,108 tonnes produced in Q1 2020. Gold equivalent production for Q1 2021 was 15,458 ounces, a 4% increase from the 14,927 gold equivalent ounces produced in Q1 2020. Processed gold grades were lower during Q1 2021 at 11.00 g/t gold as compared to 12.61 g/t gold in Q1 2020, however, an increase in tonnes processed and improved recoveries were able to offset the slight drop in gold grades. Processed antimony grades were 3.85% during Q1 2021 as compared to 5.45% in Q1 2020.

- ***Revenue*** – Costerfield's revenue for Q1 2021 was $31.8 million, a 56% increase from $20.4 million in Q1 2020. This was mainly due to an increase in gold equivalent ounces sold and the support from higher realized gold and antimony prices. Gold equivalent ounces sold increased by 41% to 17,637 ounces in Q1 2021, as compared to 12,511 ounces in Q1 2020.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $10.2 million for Q1 2021, compared to $6.4 million during Q1 2020. This increase is mainly due to the decrease in the value of inventory build-up during Q1 2021, as compared to Q1 2020.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during Q1 2021 was $21.5 million, adjusted EBITDA was $21.5 million (the Company's highest result till date), adjusted net income was $8.0 million and net income after tax was $17.1 million. Comparable results for Q1 2020 were income from mine operations before depreciation and depletion of $14.0 million, adjusted EBITDA was $13.9 million, adjusted net income was $4.9 million and net loss after tax of $3.0 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $5.8 million in Q1 2021, compared to $4.9 million for Q1 2020 mainly due to higher unit depletion in Q1 2021.

- ***Cost per Ounce*** – Cash cost per ounce of saleable gold equivalent produced at Costerfield in Q1 2021 was $640 compared to $577 in Q1 2020. All-in sustaining cost per ounce of saleable gold equivalent produced in Q1 2021 was $937 compared to $854 in Q1 2020. These per ounce costs were higher as compared to Q1 2020 were due to higher cash costs and sustaining capital expenditures.

- ***Capital Expenditures*** – Capital expenditures in Q1 2021 totaled $5.1 million ($3.0 million in capital development costs, $1.2 million for exploration, and $0.9 million in property, plant and equipment) as compared to the $4.7 million ($3.2 million in capital development costs, $0.7 million for exploration, and $0.8 million for property, plant and equipment) during Q1 2020. The increased capital expenditures in Q1 2021 was due to an increase in exploration activities and the purchase of mining equipment in Q1 2021.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

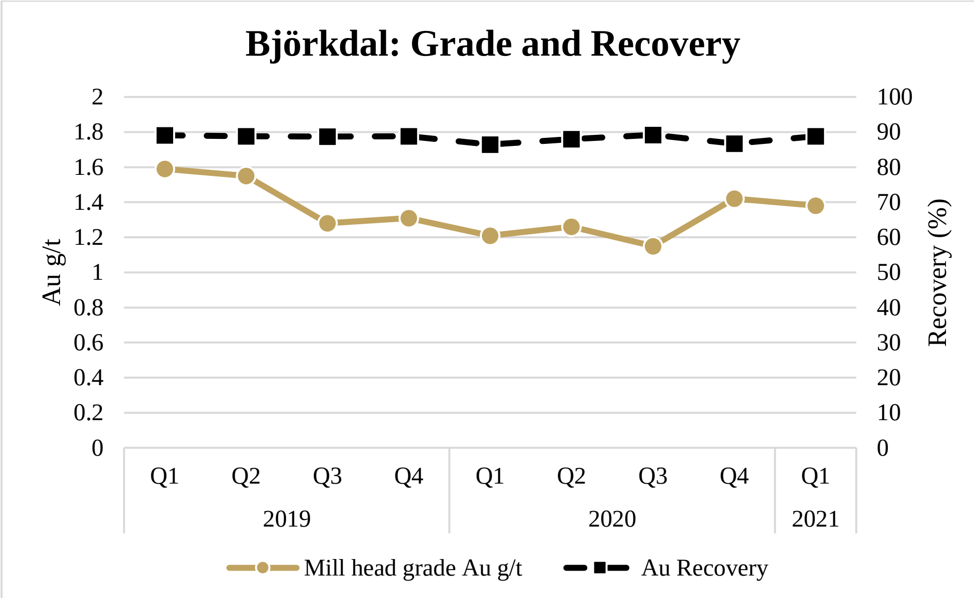
	Three months ended March 31	
	2021	2020
	$'000	$'000
Revenue	20,816	21,181
Cost of sales	15,052	12,428
Income from operations (excl. depr. & depletion)(3)	5,764	8,753
General and administrative costs(1)	168	237
Adjusted EBITDA(2,3)	5,764	8,753
Depreciation & depletion	4,987	3,442
Adjusted EBIT(3)	609	5,074
Unrealized (gain) loss on hedge	(11,103)	294
Finance costs, forex and others(4)	4,252	578
Income before tax	7,460	4,202
Current tax expense	-	466
Deferred tax expense	1,455	78
Adjusted net income (loss)(3)	(5,088)	3,952
Consolidated net income after tax	6,015	3,658
Capital development	2,394	2,210
Property, plant and equipment purchases	3,845	2,327
Capitalized exploration	457	646
Total capital expenditures(5)	6,696	5,183

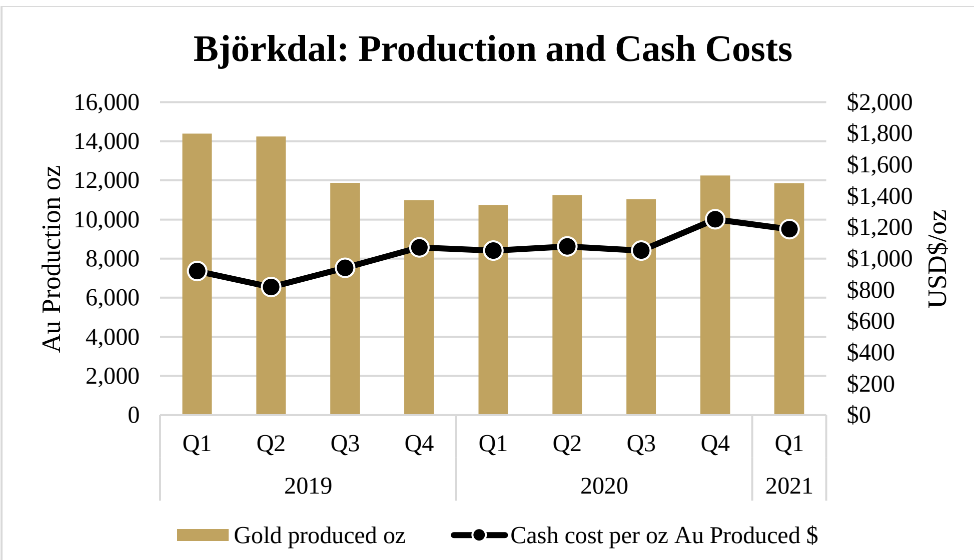
1. Includes intercompany transfer pricing recharge costs of $168,000 in Q1 2021 and $237,000 for the same period in 2020.
2. Does not include intercompany transfer pricing recharge costs.
3. Income from operations (excl. depreciation & depletion) and Adjusted EBITDA, Adjusted EBIT and Adjusted net income are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
4. Finance costs includes realized loss on gold hedge of $1,400,000 million for Q1 2021, compared to nil in 2020. Others includes such items as intercompany transfer pricing recharge for marketing fees and stock-based compensation of $423,000 in Q1 2021 and $424,000 for the corresponding period of 2020.
5. Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended March 31	
		2021	2020
Underground mining			
Operating development	m	1,490	1,223
Mined ore	t	268,761	218,969
Mined ore Au grade	g/t	1.52	1.49
Mined contained Au	oz	13,141	10,467
Mining cost per tonne ore	$/t	26.02	24.94
Processed ore	t	309,292	327,826
Processed ore mill head grade Au	g/t	1.38	1.21
Recovery Au	%	88.83	86.45
Saleable Au produced	oz	11,855	10,750
Processing cost per tonne ore	$/t	10.22	6.84
Au sold	oz	12,076	11,765
Capital development (underground)	m	775	840
Capital development cost per metre	$/m	2,976	2,515
Cash operating cost per tonne ore processed(1)	$/t	45.48	34.51
Adjusted EBITDA per tonne ore processed(1,2)	$/t	18.64	26.70
Cash cost per oz Au produced(1,2)	$/oz	1,187	1,052
Site all-in sustaining cost per oz Au produced(1,2)	$/oz	1,533	1,479

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





Björkdal - Three Months Ended March 31, 2021 and 2020

- ***Production*** – Saleable gold production at Björkdal in Q1 2021 was 11,855 ounces, 10% increase from the 10,750 ounces produced in Q1 2020 due to improved processed head grades and recoveries.

- ***Revenue*** – Björkdal's revenue for Q1 2021 was $20.8 million, a decrease of 2% from $21.2 million in Q1 2020. This decrease was due to price adjustments on open debtors from gold prices on March 31; for Q1 2021 there was a negative price adjustment of $0.2 million and for Q1 2020 it was positive $0.9 million. 12,076 gold ounces were sold in Q1 2021 as compared to 11,765 gold ounces in Q1 2020.

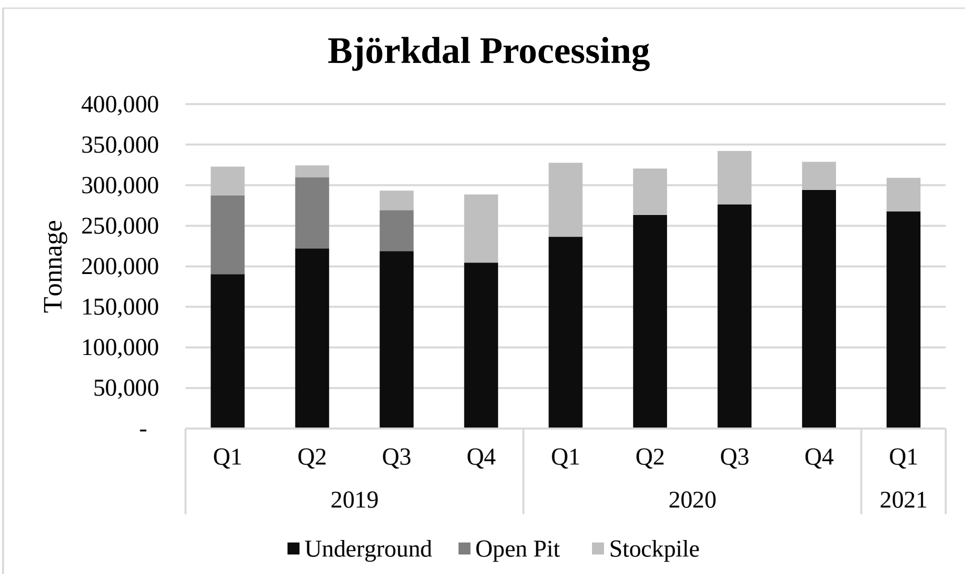
- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $15.1 million in Q1 2021, higher than $12.4 million for Q4 2020. The increase in operating costs was mainly due to increased tonnage hauled from the underground and strengthening of the Swedish Krona against the U.S. Dollar.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for Q1 2021 was $5.8 million, adjusted EBITDA was $5.8 million, adjusted net loss was $5.1 million and net income after tax was $6.0 million. Comparable results for Q1 2020 were income from mine operations before depreciation and depletion of $8.8 million, adjusted EBITDA of $8.8 million, adjusted net income was $3.9 million and net income after tax of $3.7 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased to $5.0 million in Q1 2021, compared to $3.4 million for the same period in 2020 mainly due to an increased unit cost in the current period.

- ***Cost per Ounce*** – Cash cost per ounce of saleable gold produced at Björkdal for Q1 2021 was $1,187, 13% higher as compared to Q1 2020 of $1,052. All-in sustaining cost per ounce of saleable gold produced for Q1 2021 was $1,533, 4% higher than the $1,479 during Q1 2020. These per ounce costs were higher in Q1 2021 as compared to Q1 2020, primarily due to higher costs of production and the strengthening Swedish Krona against the U.S Dollar.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for Q1 2021 totaled $6.7 million ($2.4 million in mine development costs, $0.5 million for exploration, and $3.8 million in property, plant and equipment) compared with $5.2 million ($2.2 million in mine development costs, $0.7 million for exploration, and $2.3 million for property, plant and equipment) during Q1 2020.



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. See press release dated October 8, 2019 for further details. As at March 31, 2021, Equus had not exercised their option. Cerro Bayo was under care and maintenance until February 20, 2021.

In 2020, a sampling program was carried out to establish areas within the waste dumps that contain sufficiently graded mineralization that could be processed profitably. During Q1 2021, the Company restarted the processing facility at Cerro Bayo and commenced the trial processing of mineralized waste dump materials. The first sale of concentrate occurred at the start of April 2021, and the Company is considering extending the trial through to the end of 2021 if economically profitable.

Cerro Bayo Operating Results

		Three months ended March 31,	
		2021	**2020**
Processed ore	t	54,124	-
Processed ore mill head grade Au	g/t	0.50	-
Processed ore mill head grade Ag	g/t	32.54	-
Recovery Au	%	83.43	-
Recovery Ag	%	81.27	-
Saleable Au produced	oz	724	-
Saleable Ag produced	oz	43,699	-
Saleable Au equivalent produced	oz	1,363	-

The processing cost per tonne at Cerro Bayo for Q1 2021 was $19.79.

On January 19, 2021, the Company received a refund of $2.1 million from the Chilean mining authority, Sernageomin, representing the security previously paid to cover reclamation bonding requirements for its Cerro Bayo mine. The Company has replaced this with a bonding insurance policy to cover the bonding requirements.

During Q1 2021, the Company spent $0.4 million on care and maintenance activities at Cerro Bayo, compared to $0.6 million in Q1 2020.

Challacollo

On November 12, 2019, the Company announced that it had 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 C$10.5 million, consisting of C$7.5 million in non-contingent consideration (the "Non-Contingent Consideration") plus a 3% net smelter returns royalty on production at Challacollo, capped at C$3.0 million.

The Non-Contingent Consideration is payable as follows:

- C$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019);
- C$1.0 million in cash payable on or before December 30, 2020 (received in Q4 2020); and

- C$5.5 million in cash or shares payable on or before April 30, 2021, or, at Aftermath's option, an additional C$3.0 million in cash or shares payable on or before April 30, 2021 plus an additional C$3.0 million in cash or shares payable on or before April 30, 2022.

Aftermath exercised its option to pay C$3.0 million in cash and shares by April 30, 2021, with Mandalay receiving C$1.5 million in cash and 2,054,794 shares of Aftermath at a deemed price of C$0.73 per share. Aftermath is expected to complete the acquisition by April 30, 2022, by paying Mandalay C$3.0 million in cash or shares at their option.

Lupin

The Company had less than $0.1 million care and maintenance spending at Lupin during Q1 2021 and for Q1 2020. Reclamation spending at Lupin was $0.2 million during Q1 2021, the same as Q1 2020. Lupin is currently in the process of final closure and reclamation activities funded by progressive security reductions. Restricted cash as at March 31, 2021, of $11.7 million stands as a deposit against, and in excess of, the present value of reclamation cost obligations ($10.0 million).

La Quebrada

The Company continues to evaluate options for this non-core asset. Care and maintenance spending at La Quebrada was less than $0.1 million during Q1 2021, which was similar for the comparative period in 2020.

1.2 FIRST QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended March 31	
	2021	2020
	$'000	$'000
Revenue	52,573	41,566
Cost of sales	25,414	18,832
Income from operations (excl. depr. and depletion)	27,159	22,734
Depreciation and depletion	10,816	8,595
Income from mining operations	16,343	14,139
General and administrative costs	1,097	1,831
Adjusted EBITDA(1)	26,062	20,903
Finance costs	2,354	5,619
Unrealized (gain) loss on hedge	(20,237)	5,229
Tax, forex and others(2)	(1,257)	2,289
Consolidated income (loss) before tax	34,386	(829)
Current tax expense	3,211	466
Deferred tax expense	5,675	2,313
Adjusted net income (1)	5,646	5,186
Consolidated net income (loss)	25,500	(3,608)
Adjusted income per share(1)	0.06	0.06
Consolidated income (loss) per share	0.28	(0.04)
Total assets	297,219	251,067
Total liabilities	143,434	153,356
Total equity	153,785	97,711
Capital expenditures – Consolidated(3)		
Underground capital development & open pit pre-strip	5,372	5,407
Property, plant and equipment purchases	4,746	3,108
Capitalized exploration	1,910	1,522
Total capital expenditures	12,028	10,037

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.

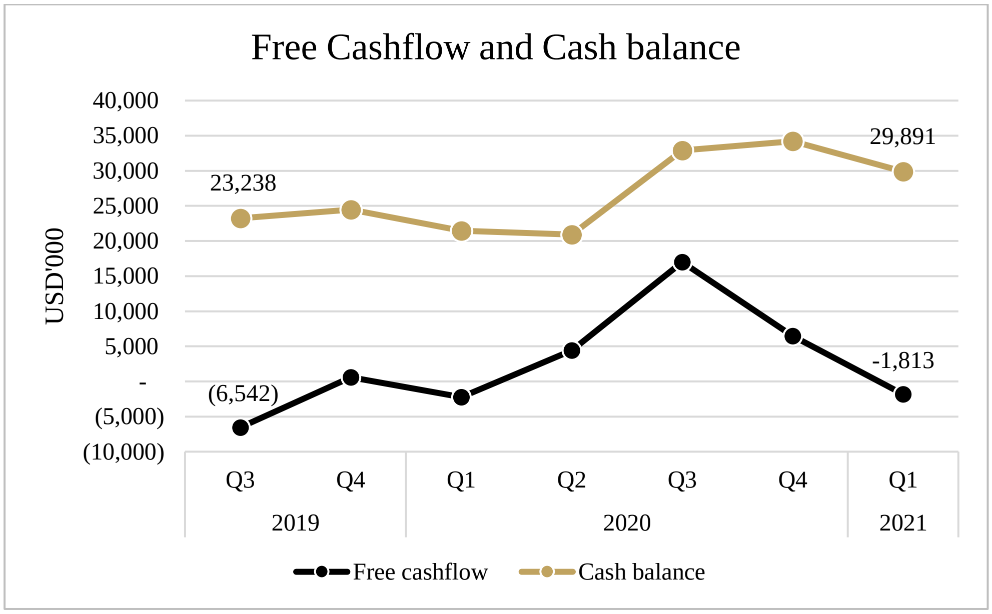
Summary Balance Sheet

	As at March 31, 2021	As at December 31, 2020
	$'000	$'000
Cash and cash equivalents	29,891	34,206
Inventories, accounts rec. and other current assets	60,940	51,403
Total current assets	**90,831**	**85,609**
Property, plant and equipment	192,324	197,614
Reclamation deposits and other non-current assets	14,064	18,061
Total assets	**297,219**	**301,284**
Syndicated Facility – *current*	15,111	15,111
Other current liabilities	49,654	59,168
Total current liabilities	**64,765**	**74,279**
Syndicated Facility – *non-current*	38,208	41,647
Non-current liabilities	40,461	49,579
Equity attributable to common shareholders	153,785	135,779
Total equity and liability	**297,219**	**301,284**

Summary Cash flow

The table below summarizes the Company's cash flow for Q1 2021 and Q4 2020 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 March 31, 2021	Three months ended December 31, 2020
	$'000	$'000
Net cash flows from operating activities	**10,721**	**19,861**
Capital expenditures	(11,999)	(12,990)
Lease payments	(535)	(424)
Free cash flow	**(1,813)**	**6,447**
Net receipt (payment) from reclamation deposits	1,919	(2,674)
Proceeds from sale of non-core assets	444	2,344
Net repayment on borrowings	(3,224)	(3,160)
Payment of gold derivative contracts	(1,486)	(2,842)
Shares issued for cash	12	-
Effects of exchange rate changes	(167)	1,202
Net cash flow	(4,315)	1,317
Cash/cash equivalents, end of period	**29,891**	**34,206**



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 Q1 2021 and 2020. See Section 1.14 "Non-IFRS Measures" for more information.

	Three months ended March 31, 2021	**Three months ended March 31, 2020**
	$'000	**$'000**
Consolidated net income (loss)	25,500	(3,608)
Add: Special items		
Fair value (gain) loss on fin. instruments – hedging	(20,237)	8,189
Care and maintenance costs	383	605
Adjusted net income	**5,646**	**5,186**
Add/less: Non-cash and finance costs		
Depletion and depreciation	10,816	8,595
Gain on disposal of PPE	(444)	-
Share based compensation expense	260	112
Interest and finance charges	2,354	5,619
Fair value adjustments gain	-	(2,960)
Current tax expense	3,211	466
Deferred tax expense	5,675	2,313
Foreign exchange (gain) loss	(1,403)	1,783
Interest and other income	(53)	(211)
Adjusted EBITDA	**26,062**	**20,903**
Depletion and depreciation	10,816	8,595
Adjusted EBIT	**15,246**	**12,308**

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 Q1 2021 and 2020. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$'000	$'000
Cost of sales, excluding depletion and depreciation	**25,414**	**18,832**
Add:		
General and administrative costs	359	1,831
Less:		
Change in inventory	652	1,227
Royalties	(722)	(161)
Care and maintenance	(383)	-
Total cash cost	**25,320**	**21,729**
Saleable Au equivalent produced (oz)	28,676	25,677
Cash cost per oz gold produced ($)	**883**	**846**

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$'000	$'000
Total Cash cost	**25,320**	**21,729**
Add:		
General and administrative costs	739	-
Capital development	5,371	5,407
Capital purchases – sustaining	2,412	3,108
Capital exploration – infill drilling	182	33
Royalties	722	161
Accretion on rehabilitation provisions	2	141
All-in sustaining cost	**34,748**	**30,579**
Saleable Au equivalent produced (oz)	28,676	25,677
All-in sustaining cost per oz gold produced ($)	**1,212**	**1,191**

Consolidated Financial Results - Three Months Ended March 31, 2021 and 2020

- ***Revenue*** – Consolidated revenue for Q1 2020 was $52.6 million, 26% higher than the $41.6 million in Q1 2020. Consolidated gold equivalent ounces sold increased by 22% to 29,713 ounces in Q1 2021 compared to 24,276 ounces in Q1 2020. This increase in gold ounces sold supported by higher realized metal prices between the comparative quarters resulted in higher revenue.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $25.4 million for Q1 2021 compared to $18.8 million for Q1 2020. The increase in Q1 2021 costs was mainly due to foreign exchange movements ($2.5 million), increased mining rates at both sites and the commencement of processing at Cerro Bayo. In addition, there were increases of $0.3 million and $0.9 million in treatment plant costs at Costerfield and Björkdal, respectively. Lastly, Costerfield also experienced a reduction in its mining inventory, which increased its operating costs.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for Q1 2021 was $27.2 million, adjusted EBITDA was $26.1 million, adjusted net income was $5.6 million and net income after tax was $25.5 million. Comparable results for Q1 2020 were income from mine operations before depreciation and depletion of $22.7 million, adjusted EBITDA of $20.9 million, adjusted net profit of $5.2 million and a net loss after tax of $3.6 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense increased to $10.8 million Q1 2021 compared to $8.6 million for Q1 2020, mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of saleable gold equivalent produced for Q1 2021 was $883, 4% higher than Q1 2020 of $846. Consolidated all-in sustaining cost per ounce of saleable gold equivalent produced for Q1 2021 was $1,212, 2% higher than Q1 2020 of $1,191. These per ounce cash costs were higher in Q1 2021 as compared to Q1 2020 due to higher costs of production.

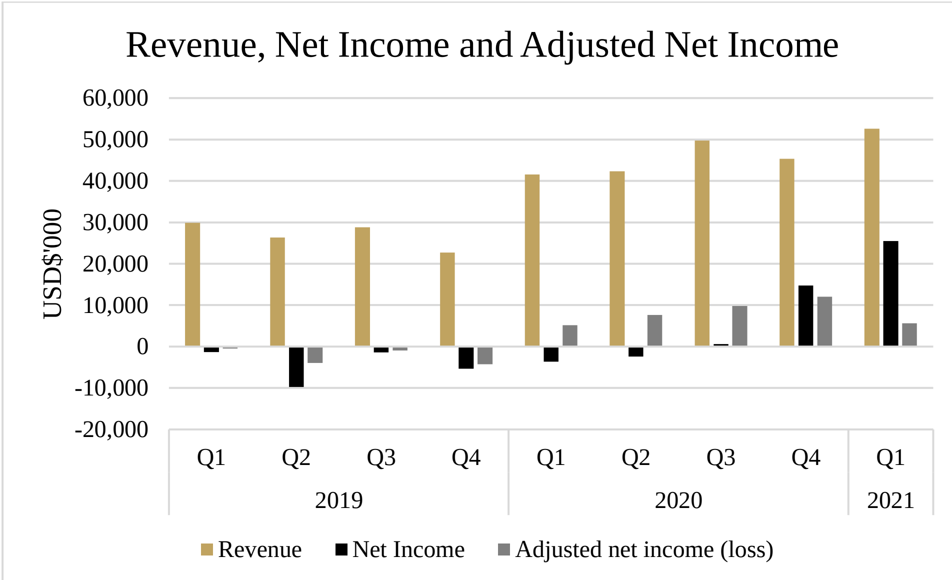
- ***Capital Expenditures*** – Consolidated capital expenditures for Q1 2021, totaled $12.0 million ($5.1 million occurred at Costerfield and $6.7 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q1 2020 were $10.0 million ($4.7 million at Costerfield, $5.2 million at Björkdal). The increase in capital expenditures was due to increased exploration at Costerfield and mining equipment at both sites.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020
	$'000	$'000	$'000	$'000
Revenue	52,573	45,320	49,753	42,335
Adjusted net income	5,646	12,065	9,823	7,632
Net income (loss)	25,500	14,722	635	(2,370)
Adjusted net income per share – Basic	0.06	0.13	0.11	0.08
Net income (loss) per share – Basic and diluted	0.28	0.16	0.01	(0.03)

	Quarter 1 2020	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019
	$'000	$'000	$'000	$'000
Revenue	41,566	22,737	28,798	26,344
Adjusted net loss	5,186	(4,223)	(961)	(3,926)
Net loss	(3,608)	(5,328)	(1,403)	(9,750)
Adjusted net loss per share – Basic	0.06	(0.05)	(0.01)	(0.04)
Net loss per share – Basic and diluted	(0.04)	(0.07)	(0.02)	(0.11)



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 periods are summarized in the table below:

Currency	**Average Rate January 1, 2021 – March 31, 2021**	**Average Rate January 1, 2020 – March 31, 2020**
1A$ = C$	0.9533	0.8834
1 A$ = US$	0.7725	0.6582
1 US$ = C$	1.2663	1.3421
1 US$ = Chilean Peso	724	804
1 US$ = SEK	8.3977	9.6761

Markets – Commodity Prices

Realized and market prices of gold and antimony were higher in Q1 2021 as compared to Q1 2020. The average market and realized commodity prices for the reporting period are summarized in the table below:

Commodity	Prices January 1, 2021 March 31, 2021	Prices January 1, 2020 March 31, 2020
Realized gold US$/oz[1]	1,763	1,726
Average gold US$/oz – London PM close (Transamine)	1,795	1,582
Realized antimony US$/tonne[1]	9,478	6,314
Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	9,442	6,152

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

As at March 31, 2021, the Company's working capital was $26.1 million compared to $11.3 million at December 31, 2020. The Company had cash and cash equivalents of $29.9 million as at March 31, 2021, as compared to $34.2 million at December 31, 2020.

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 and the Company repaid $6.0 million of this facility in the second half of 2020, and $3.8 million in Q1 2021. 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 March 31, 2021, 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 Q1 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 consists of a zero-cost collar U.S Dollar hedge for 75,000 ounces of saleable gold with a floor price of $1,550 per ounce and a ceiling of $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. During Q1 2021 the Company paid $1.5 million as settlement of expired gold derivatives contracts as compared to nil in Q1 2020.

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, December 31, 2020, December 31, 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 March 31, 2021, 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, 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 holds security over the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%. The nominal interest rate at March 31, 2021, was 4.25%+LIBOR. On March 31, 2021, the Company made a $3.8 million debt repayment, the outstanding principal value of the Syndicated Facility was $55.2 million.

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 consists of a zero-cost U.S Dollar collar hedge for 75,000 ounces of saleable gold with a floor price of $1,550 per ounce and a ceiling of $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 an unrealized fair value gain of $20.2 million for Q1 2021 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 Q1 2021 the Company paid $1.5 million as settlement of expired gold derivatives contracts as compared to nil in Q1 2020. Depending on certain factors, mainly the price of gold, the Company may be required to settle gold derivative contracts in the future.

Contractual Obligations as at March 31, 2021

Contractual obligations	**Payments due by year ($ '000)**			**Total ($ '000)**
	Less than 1 year	**1-3 years**	**4-5 years**	
Syndicated Facility	15,111	40,111	-	**55,222**
Lease obligations	2,088	3,393	-	**5,481**
Other equipment loan obligations	718	881	-	**1,599**
Total contractual obligations	**17,917**	**44,385**	-	**62,302**

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 $25,000 during the year ended December 31, 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 March 31, 2021, 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 91,291,975 common shares issued and outstanding. The weighted average number of shares outstanding during Q1 2021 used for the calculation of per share results were 91,238,388.

In Q1 2021, the following events occurred with, or 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

Prior to the Omnibus Plan, 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 December 31, 2016, had a maximum term of five years, and thereafter have a maximum term of up to seven years.

The stock options issued and outstanding as at March 31, 2021, are as follows:

Exercise Price C$	As of March 31, 2021	As of May 12, 2021	Expiry Date
0.61	917,000	917,000	30 September, 2027
1.10	426,667	426,667	30 September, 2026
2.00	264,500	264,500	30 September, 2025
6.00	140,000	140,000	30 September, 2024
2.14	328,173	328,173	30 June, 2028
Total	**2,076,340**	**2,076,340**	

During Q1 2021, 13,333 options were exercised, while none were exercised in 2020. There were 2,076,340 options outstanding as of March 31, 2021, which could result in the issuance of shares.

Restricted Share Units

Prior to the Omnibus Plan, 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. Commencing in 2021, non-executive directors will be granted part of their compensation in the form of DSUs, rather than RSUs, pursuant to the Omnibus Plan.

The RSUs issued and outstanding as at March 31, 2021, are as follows:

	Number of RSU Awards
Balance, December 31, 2019	**316,883**
Granted	491,802
Redeemed	(135,493)
Balance, December 31, 2020	**673,192**
Granted	168,025
Balance, March 31, 2021	**841,217**
Redeemed	(42,475)
Outstanding as at May 12, 2021	**798,742**

PSUs

The Company grants PSUs to certain employees pursuant to the Omnibus Plan. Those employees granted PSUs will receive the Company's common shares at no cost upon the achievement of certain performance goals during such performance period. Each PSU entitles the holder to one common share.

The number of PSUs as at March 31, 2021 is as follows:

	Number of PSU Awards
Balance, December 31, 2020	**-**
Granted	336,049
Balance, March 31, 2021	**336,049**

DSUs

Commencing in 2021, non-executive directors will be granted part of their compensation in the form of DSUs, rather than RSUs, pursuant to the Omnibus Plan. Those directors granted DSUs will receive the Company's common shares at no cost following their departure from the board. Each DSU entitles the holder to one common share. Commencing in 2021, non-executive directors will be granted part of their compensation in the form of DSUs, rather than RSUs, pursuant to the Omnibus Plan.

The number of DSUs as at March 31, 2021 is as follows:

	Number of DSU Awards
Balance, December 31, 2020	**-**
Granted	140,187
Balance, March 31, 2021	**140,187**

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

As per the agreement with Aftermath for the sale of Challacollo, the Company received C$1.5 million in cash on April 19, 2021 and 2,054,794 Aftermath shares at deemed price of C$0.73 per share were received on May 5, 2021, in satisfaction of an instalment of the purchase price.

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 down 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.