

Condensed consolidated interim financial statements of

# **Mandalay Resources Corporation**

September 30, 2021  
(Unaudited)

# Mandalay Resources Corporation

September 30, 2021

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# Mandalay Resources Corporation

## Condensed consolidated interim statements of income (loss) and comprehensive income (loss) Three and nine months ended September 30, 2021 and 2020

(Expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue (Note 8)	52,567	49,753	156,492	133,654
Cost of operations				
Cost of sales, excluding depletion and depreciation	25,695	21,418	78,244	59,984
Depletion and depreciation	10,358	9,101	30,129	26,507
	36,053	30,519	108,373	86,491
Income from mining operations	16,514	19,234	48,119	47,163
Expenses				
Administration	1,757	1,608	3,936	4,769
Care and maintenance expenses	-	511	383	1,604
Share-based compensation (Note 7(a))	95	196	532	563
(Gain) loss on disposal of property, plant and equipment	(31)	(5)	(602)	3
Revision of reclamation liability (Note 6)	-	-	-	(5,783)
	1,821	2,310	4,249	1,156
Income from operations	14,693	16,924	43,870	46,007
Other expense (income)				
Finance costs (Note 10)	2,163	3,478	6,333	12,086
Loss (gain) on financial instruments (Note 9)	835	8,677	(12,717)	28,155
Interest and other income	(102)	(114)	(280)	(464)
Foreign exchange (gain) loss	(1,085)	(646)	(3,647)	222
	1,811	11,395	(10,311)	39,999
Income before income taxes	12,882	5,529	54,181	6,008
Income tax expense				
Current	3,276	4,669	10,910	6,933
Deferred	351	225	3,726	4,488
Income tax expense	3,627	4,894	14,636	11,421
<b>Net income (loss) for the period</b>	<b>9,255</b>	<b>635</b>	<b>39,545</b>	<b>(5,413)</b>
Other comprehensive income (loss), net of tax Item that may subsequently be reclassified to net income (loss)				
Foreign currency translation	(3,793)	4,079	(11,365)	3,404
Comprehensive income (loss) for the period	5,462	4,714	28,180	(2,009)
<b>Net income (loss) per share</b>				
Basic	0.10	0.01	0.43	(0.06)
Diluted	0.10	0.01	0.42	(0.06)
<b>Weighted average number of common shares outstanding (Note 11)</b>				
Basic ('000)	91,573	91,196	91,387	91,144
Diluted ('000)	93,562	92,693	93,343	91,144

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at September 30, 2021 and 2020

(Expressed in U.S. dollars)

	September 30, 2021 (\$'000)	December 31, 2020 (\$'000)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	29,764	34,206
Reclamation deposits (Note 6)	1,912	7,319
Trade receivables and other assets	18,918	17,320
Inventories	26,384	24,291
Prepaid expenses	3,019	2,473
Assets held for sale (Note 14)	7,524	-
	<b>87,521</b>	<b>85,609</b>
Non-current assets		
Reclamation and other deposits (Note 6)	17,800	14,993
Trade receivables and other assets	1,396	3,068
Property, plant and equipment, net (Note 4)	194,552	197,614
	<b>213,748</b>	<b>215,675</b>
	<b>301,269</b>	<b>301,284</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	24,039	25,969
Borrowings (Note 5)	15,792	15,991
Lease liabilities	2,374	1,991
Reclamation and site closure costs provision (Note 6)	1,912	7,319
Other provisions	3,665	3,942
Income taxes payable	11,958	10,716
Financial instruments (Note 9)	4,371	8,351
Liabilities associated with assets held for sale (Note 14)	13,174	-
	<b>77,285</b>	<b>74,279</b>
Non-current liabilities		
Borrowings (Note 5)	31,693	42,387
Lease liabilities	3,295	3,577
Reclamation and site closure costs provision (Note 6)	9,718	24,610
Other provisions	281	316
Financial instruments (Note 9)	3,829	13,124
Deferred tax liability	10,460	7,212
	<b>59,276</b>	<b>91,226</b>
	<b>136,561</b>	<b>165,505</b>
<b>Equity</b>		
Share capital (Note 7)	230,239	229,970
Share option reserve (Note 7)	3,785	3,328
Foreign currency translation reserve	(37,206)	(25,841)
Accumulated deficit	(32,110)	(71,678)
	<b>164,708</b>	<b>135,779</b>
	<b>301,269</b>	<b>301,284</b>

Approved by the Board of Directors and authorized for issuance on November 9, 2021.

**(Signed) Dominic Duffy**

Dominic Duffy, President and Chief Executive Officer

**(Signed) Robert Doyle**

Robert Doyle, Director

# Mandalay Resources Corporation

Condensed consolidated interim statements of changes in equity

Three and nine months ended September 30, 2021 and 2020

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

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance, December 31, 2020</b>	<b>91,236</b>	<b>229,970</b>	<b>3,328</b>	<b>(25,841)</b>	<b>(71,678)</b>	<b>135,779</b>
Net income for the period	-	-	-	-	39,545	39,545
Other comprehensive loss for the period	-	-	-	(11,365)	-	(11,365)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,365)</b>	<b>39,545</b>	<b>28,180</b>
Stock options exercised (Note 7(b))	68	74	(29)	-	-	45
Share-based compensation (Note 7(a))	-	-	736	-	-	736
Reversal of forfeited RSUs (Note 7(c))	-	-	(32)	-	-	(32)
Reclassified for expired and cancelled options	-	-	(23)	-	23	-
Redemption of RSUs and PSUs (Note 7(c) & (d))	304	195	(195)	-	-	-
<b>Balance, September 30, 2021</b>	<b>91,608</b>	<b>230,239</b>	<b>3,785</b>	<b>(37,206)</b>	<b>(32,110)</b>	<b>164,708</b>

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

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows

Three and nine months ended September 30, 2021 and 2020

(Expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Operating activities</b>				
Net income (loss) for the period	9,255	635	39,545	(5,413)
Adjustments to reconcile net income (loss) to net cash flows from operating activities				
Depletion and depreciation	10,358	9,101	30,129	26,507
Share-based compensation (Note 7(a))	95	196	532	563
(Gain) loss on disposal of property, plant and equipment	(31)	(5)	(602)	3
Finance cost (Note 10)	2,163	3,478	6,333	12,086
Loss (gain) on financial instruments (Note 9)	835	8,677	(12,717)	28,155
Interest and other income	(102)	(114)	(280)	(464)
Unrealized foreign exchange gain	(1,098)	(1,425)	(3,688)	(523)
Income tax expense	3,627	4,894	14,636	11,421
Reclamation expenditures (Note 6)	(5,007)	(497)	(6,082)	(5,796)
Reversal of reclamation liability (Note 6)	-	-	-	(5,783)
Changes in non-cash operating working capital items				
Trade receivables and other assets	(238)	1,467	(6,370)	(6,280)
Inventories	(2,472)	(556)	(4,619)	(3,982)
Prepaid expenses	(654)	(2,205)	(958)	(1,601)
Trade and other payables	(1,072)	5,565	(2,339)	(406)
Other provisions	65	415	96	730
Cash generated from operations	15,724	29,626	53,616	49,217
Interest and other income received	102	114	280	464
Interest and bank charges paid	(635)	(804)	(2,484)	(3,177)
Income tax paid	(7,002)	-	(7,002)	-
Net cash flows from operating activities	8,189	28,936	44,410	46,504
<b>Investing activities</b>				
Expenditure for property, plant and equipment	(11,543)	(11,709)	(36,891)	(31,685)
Proceeds from sale of non-core assets	-	-	1,847	-
Receipt from reclamation deposits (Note 6)	-	-	2,145	5,846
Net cash flows used in investing activities	(11,543)	(11,709)	(32,899)	(25,839)
<b>Financing activities</b>				
Proceeds from borrowings	-	-	1,112	63,111
Repayments of borrowings	(4,118)	(3,233)	(12,073)	(71,779)
Lease payments	(333)	(727)	(1,369)	(1,427)
Payment of gold derivative contracts	(1,352)	(2,085)	(3,411)	(2,085)
Shares issued for cash	22	-	46	16
Net cash flows used in financing activities	(5,781)	(6,045)	(15,695)	(12,164)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(214)	792	(258)	(74)
Net increase (decrease) in cash and cash equivalents	(9,349)	11,974	(4,442)	8,427
Cash and cash equivalents, beginning of the period	39,113	20,915	34,206	24,462
<b>Cash and cash equivalents, end of the period</b>	<b>29,764</b>	<b>32,889</b>	<b>29,764</b>	<b>32,889</b>
Cash and cash equivalents consist of				
Cash	29,764	32,889	29,764	32,889
	<b>29,764</b>	<b>32,889</b>	<b>29,764</b>	<b>32,889</b>

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

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### 1. Description of business and nature of operations

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

Mandalay is incorporated in the province of British Columbia, Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). The head office and principal address of the Company is 76 Richmond Street East, Suite 330, Toronto, Canada, M5C 1P1. The Company’s registered office is located at 1900-355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

### 2. Basis of preparation

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

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

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

Judgments made by management in the application of International Financial Reporting Standards (“IFRS”) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2020.

#### ***Risks and uncertainties***

##### ***COVID-19***

The COVID-19 pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary.

The Company is not able to estimate the duration of the pandemic and potential impact on its business if disruptions or delays in operations occur or its 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 interim financial statements, there have been no other significant impacts, including impairments, to the Company’s operations and financial statements.

### 3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at and for the year ended December 31, 2020. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2020.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 4. Property, plant and equipment

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cost</b>				
As at January 1, 2020	240,223	133,543	43,968	417,734
Additions	22,872	17,875	6,288	47,035
Disposals	-	(1,858)	(2,546)	(4,404)
Write-down of assets	-	(1,645)	-	(1,645)
Reclassification to mining interest	2,581	(124)	(2,457)	-
Reversal of reclamation liability	-	(1,360)	(785)	(2,145)
Foreign exchange	24,062	13,770	1,042	38,874
<b>As at December 31, 2020</b>	<b>289,738</b>	<b>160,201</b>	<b>45,510</b>	<b>495,449</b>
Additions	16,576	15,986	6,075	38,637
Disposals	-	(484)	(695)	(1,179)
Reclassification to assets held for sale	-	(228)	(45)	(273)
Foreign exchange	(15,904)	(8,897)	(1,196)	(25,997)
<b>As at September 30, 2021</b>	<b>290,410</b>	<b>166,578</b>	<b>49,649</b>	<b>506,637</b>
<b>Accumulated depreciation</b>				
As at January 1, 2020	159,078	82,301	-	241,379
Expense	24,499	11,456	-	35,955
Disposals	-	(2,246)	-	(2,246)
Foreign exchange	15,385	7,362	-	22,747
<b>As at December 31, 2020</b>	<b>198,962</b>	<b>98,873</b>	<b>-</b>	<b>297,835</b>
Expense	19,859	10,435	-	30,294
Disposals	-	(421)	-	(421)
Foreign exchange	(10,800)	(4,823)	-	(15,623)
<b>As at September 30, 2021</b>	<b>208,021</b>	<b>104,064</b>	<b>-</b>	<b>312,085</b>
<b>Net book value</b>				
As at January 1, 2020	81,145	51,242	43,968	176,355
As at December 31, 2020	90,776	61,328	45,510	197,614
<b>As at September 30, 2021</b>	<b>82,389</b>	<b>62,514</b>	<b>49,649</b>	<b>194,552</b>

### Carrying amount by segment

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at September 30, 2021</b>				
Costerfield	33,633	15,112	12,071	60,816
Björkdal	48,756	47,063	25,082	120,901
La Quebrada	-	-	10,621	10,621
Other	-	339	1,875	2,214
	<b>82,389</b>	<b>62,514</b>	<b>49,649</b>	<b>194,552</b>

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at December 31, 2020</b>				
Costerfield	38,653	16,000	8,301	62,954
Björkdal	52,123	44,983	24,250	121,356
La Quebrada	-	-	10,546	10,546
Challacollo	-	-	540	540
Other	-	345	1,873	2,218
	<b>90,776</b>	<b>61,328</b>	<b>45,510</b>	<b>197,614</b>



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 4. Property, plant and equipment (continued)

For the three months ended September 30, 2021, there was \$262,000 of plant and equipment depreciation capitalized to mining interests (three months ended September 30, 2020 – \$262,000).

As at September 30, 2021, the Company had right-of-use assets of \$6,532,000 (as at December 31, 2020 – \$6,334,000) included in property, plant and equipment, of which \$1,923,000 is at Costerfield and \$4,609,000 is at Björkdal (as at December 31, 2020 – Costerfield: \$1,430,000 and Björkdal: \$4,904,000).

#### **Details of exploration and evaluation assets – others**

##### (i) Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the potential sale of the Cerro Bayo mine in Chile. On October 12, 2021, Equus Mining Ltd. exercised its option to purchase the Cerro Bayo mine. This transaction is scheduled to close on December 1, 2021. As at September 30, 2021, the Company is holding this asset as held for sale (see Note 14). On February 21, 2021, Cerro Bayo resumed production of gold and silver by processing waste ore which has continued since then.

##### (ii) Challacollo

On November 12, 2019, the Company entered into a definitive agreement with Aftermath Silver Ltd. (“Aftermath”) pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly owned subsidiary of the Company that owns the Challacollo project, in exchange for total consideration of up to C\$10,500,000. As required by the agreement with Aftermath, the Company has received a total of C\$2,000,000 as at December 31, 2020. As per the agreement, the Company has received additional C\$1,500,000 in cash on April 19, 2021 and 2,054,794 Aftermath shares with a fair value of C\$0.73 per share were received on May 5, 2021 as part of the compensation. Representing the final payment for Challacollo, Aftermath will compensate the Company C\$3,000,000, half in Aftermath shares and half in cash payable on or before April 30, 2022. As at September 30, 2021, the Company is holding this asset as held for sale (see Note 14).

##### (iii) La Quebrada

The Company considers this asset non-core, and is not exploring on site as at September 30, 2021.

### 5. Borrowings

	September 30, 2021	December 31, 2020
	(\$'000)	(\$'000)
Syndicated Facility	46,289	56,758
Equipment Facilities	1,196	1,620
	47,486	58,378
Less: current portion of total borrowings	15,792	15,991
Non-current portion of total borrowings	31,693	42,387

#### **Syndicated Facility**

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

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

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

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### 5. Borrowings (continued)

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

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of:
  - I. not less than 1.25:1:00 for the rolling periods (two quarters) ending March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020; and
  - II. not less than 1.50:1:00 for the rolling periods (two quarters) ending March 31, 2021 and thereafter;
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Adjusted Tangible Net Worth of not less than \$95,000,000 plus 50% of net income (cumulative) earned after the Closing Date, less any write-downs related to non-core assets and add/less any fair value loss/gain related to the gold derivative contracts; and
- The aggregate of the Company's unrestricted cash shall not be less than \$10,000,000 at any time.

As at September 30, 2021, the Company was in compliance with all financial covenants under the Syndicated Facility.

The Syndicated Facility has a three-year term and the Term Credit Facility was reduced by \$3,000,000 on September 30, 2020 and by the same amount on December 31, 2020, and thereafter repaid in eight equal quarterly instalments of \$3,778,000 starting March 31, 2021, with the final payment of \$28,778,000 on the maturity date, March 16, 2023, which includes repayment of the Revolver Credit Facility in full. The Syndicated Facility allows for early repayments with no associated penalties and holds security over the majority of the Company's material assets. The Syndicated Facility has an effective interest rate of 6.81% and a nominal rate of 4.25% + LIBOR as at September 30, 2021.

On September 30, 2021, the Company paid \$3,778,000 against the loan, leaving the outstanding principal of the Syndicated Facility of \$47,666,000.

#### ***Syndicated Facility – Gold Derivative Contracts***

In conjunction with the Syndicated Facility, Mandalay entered into two separate gold derivative programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold per year. These programs consist of a zero-cost collar contract for 75,000 ounces of saleable gold with a floor price of US\$1,550 per ounce and a ceiling of US\$1,617 per ounce; and an Australian dollar gold forward contract for the remaining 75,000 ounces of saleable gold at AU\$2,390 per ounce. The underlying contracts within these two programs have a fair value liability of \$8,200,000 as at September 30, 2021, which specifically includes \$1,393,000 for the Australian dollar forward contract and \$6,807,000 for the US dollar collar contract (see Note 9). The amounts as at September 30, 2021 include a credit adjustment that considers market participant assumptions, taking into account the impact of the Company's credit risk.

During the three months and nine months ended September 30, 2021, the Company paid \$1,352,000 and \$3,411,000 respectively as settlement of expired gold derivatives contracts (Three months ended September 30, 2020 – \$2,084,000).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 5. Borrowings (continued)

#### *Equipment Facilities*

As at September 30, 2021, the Company's Björkdal mine in Sweden had a balance of \$1,196,000 (December 31, 2020 – \$1,620,000) for the equipment loan facilities (the "Equipment Facilities") with several Swedish banks to finance mining equipment. The Equipment Facilities bear variable interest at the three-month Stockholm Interbank Offered Rate ("STIBOR") plus 2.26% per annum and are repayable in monthly instalments plus interest and are due to be repaid by March 31, 2025. The Equipment Facilities are secured by the underlying equipment.

### 6. Reclamation and site closure costs

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

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

	(\$'000)
Balance at December 31, 2019	42,347
Expenditure for reclamations	(10,506)
Change in estimated cash outflows	(2,218)
Accretion	101
Foreign exchange	2,205
<b>Balance at December 31, 2020</b>	<b>31,929</b>
Expenditure for reclamations	(7,465)
Change in estimated cash outflows	156
Accretion	29
Transferred to liabilities held for sale	(11,522)
Foreign exchange	(1,497)
<b>Balance at September 30, 2021</b>	<b>11,630</b>
Less: current portion	1,912
<b>Total non-current portion</b>	<b>9,718</b>

During the three and nine months ended September 30, 2021, the Company spent \$6,386,000 (2020 – \$497,000) and \$7,465,000 (2020 – \$5,779,000) respectively, on reclamation work at the Lupin site in Canada.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 7. Share capital

As at September 30, 2021, the Company had an unlimited number of authorized common shares without par value and 91,608,049 common shares outstanding (2020 – 91,236,167 common shares). All outstanding common shares are fully paid.

#### (a) Share-based compensation

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share-based compensation on options	99	79	305	242
Change in fair value for cash election option	(159)	60	(166)	159
Share unit amortization	155	57	393	162
	95	196	532	563

#### (b) Stock options

##### Stock options – equity based

328,173 stock options were granted at an exercise price of C\$2.14 during the nine months ended September 30, 2021 (nine months ended September 30, 2020 – 917,000 at C\$0.61). The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C\$1.68 (nine months ended September 30, 2020 – C\$0.46) was calculated using the following weighted average assumptions. Expected stock price volatility and option life are based on the Company's historical share price volatility and option life.

	Three months ended	
	June 30,	
	2021	2020
Risk free interest rate	0.75%	1.25%
Expected dividend yield	0.00%	0.00%
Expected life of options in years	7.00	7.00
Expected stock price volatility	92.46%	87.09%
Expected forfeiture rate	0.00%	0.00%

On May 20, 2020, the shareholders of the Company approved an Omnibus Equity Incentive Plan (the "Omnibus Plan") which provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units, performance share units and deferred share units as described in the Company's Management Information Circular dated April 3, 2020. The Omnibus Plan replaced the Company's Stock Option Plan and RSU Plan which remain in effect with respect to stock options and RSUs issued prior to the adoption of the Omnibus Plan, but no further stock options and RSUs will be issued thereunder. The total number of common shares reserved for issuance pursuant to awards granted under the Omnibus Plan and all other security-based compensation outstanding under the Stock Option Plan and RSU Plan shall not exceed 10% of the issued and outstanding common shares from time to time.

Options issued until December 31, 2016 had a maximum term of five years, and thereafter have a maximum term of up to seven years.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 7. Share capital (continued)

#### (b) Stock options (continued)

	Number of options	Weighted average exercise price C\$
Balance, December 31, 2019	1,808,800	4.42
Granted	917,000	0.61
Expired	(165,500)	9.10
Exercised	(20,000)	(1.10)
Cancelled	(652,500)	5.33
<b>Balance, December 31, 2020</b>	<b>1,887,800</b>	<b>1.91</b>
Granted	328,173	2.14
Expired	(126,300)	9.10
Exercised	(67,666)	0.84
<b>Balance, September 30, 2021</b>	<b>2,022,007</b>	<b>1.53</b>

The following table summarizes information about the stock options outstanding and exercisable as at September 30, 2021:

	Options outstanding		Options exercisable	
Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of options exercisable	Weighted average exercise price C\$
140,000	2.75	6.00	140,000	6.00
264,500	3.75	2.00	264,500	2.00
408,667	4.75	1.10	272,445	1.10
880,667	5.75	0.61	293,556	0.61
328,173	6.75	2.14	-	-
<b>2,022,007</b>	<b>5.24</b>	<b>1.53</b>	<b>970,501</b>	<b>1.90</b>

#### *Stock options – cash election based*

Option holders resident in Australia have a choice of receiving cash in the amount equal to the differences between the exercise price and the market price of the Company's shares at the date of exercise. The cash election option expires two days after the vesting date. The share purchase option remains exercisable until the end of the term, which is generally five years from the date of grant. The liability, recorded in trade and other payables, is remeasured at fair value at each reporting date. As at September 30, 2021, the liability was \$171,000 (2020 – \$335,000). For the three and nine months ended September 30, 2021, the Company recognized a fair value measurement gain of \$159,000 (2020 – loss of \$60,000) and gain of \$166,000 (2020 – loss of \$159,000) respectively, which is included in the share-based compensation expense.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 7. Share capital (continued)

#### (b) Stock options (continued)

The fair value of a cash election option is determined by using the Black-Scholes option pricing model using the following weighted average assumptions as at September 30, 2021. The fair value is determined based on Level 1 and 2 inputs as follows:

	Three months ended	
	September 30,	
	2021	2020
Risk free interest rate	0.52%	0.20%
Expected dividend yield	0.00%	0.00%
Expected life of options in years	2.41	2.21
Expected stock price volatility	70.26%	87.14%
Expected forfeiture rate	0.00%	0.00%

As at September 30, 2021, 439,506 (2020 – 367,500) stock options with the cash election option were outstanding.

#### (c) RSUs

The Company has an RSU Plan and has granted RSUs to certain directors and employees. Under the RSU Plan, those directors and officers granted RSUs will receive the Company's common shares at no cost at the end of the vesting period, which are based on graded vesting over three years. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The RSU value is determined based on the fair value of the Company's common shares at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve. Commencing in 2021, non-executive directors will be granted part of their compensation in the form of DSUs, rather than RSUs.

The number of RSUs outstanding as at September 30, 2021 is as follows:

	Number of RSU awards
Balance, December 31, 2019	316,883
Granted	491,802
Redeemed	(135,493)
<b>Balance, December 31, 2020</b>	<b>673,192</b>
Granted	168,025
Redeemed	(264,215)
Forfeited	(80,212)
<b>Balance, September 30, 2021</b>	<b>496,790</b>

For the three and nine months ended September 30, 2021, the Company recorded \$66,000 (2020 – \$57,000) and \$175,000 (2020 – \$162,000) respectively as a share-based compensation expense relating to RSUs.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 7. Share capital (continued)

#### (d) PSUs

The Company has granted PSUs to certain employees. Under 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 the specified vesting period. Each PSU entitles the holder to one common share. The number of granted PSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The PSU value is determined based on the fair value of the Company's common shares at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

The number of PSUs outstanding as at September 30, 2021 is as follows:

	<b>Number of PSU awards</b>
<b>Balance, December 31, 2020</b>	-
Granted	336,049
Redeemed	(40,000)
<b>Balance, September 30, 2021</b>	<b>296,049</b>

For the three and nine months ended September 30, 2021, the Company recorded \$69,000 (2020 – \$nil) and \$170,000 (2020 – \$nil) respectively as a share-based compensation expense relating to PSUs.

#### (e) DSUs

Commencing in 2021, non-executive directors will be granted part of their compensation in the form of DSUs, rather than RSUs. Under 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. The number of granted DSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The DSU value is determined based on the fair value of the Company's common shares at the grant date, which is recorded in share-based compensation and share option reserve.

The number of DSUs outstanding as at September 30, 2021 is as follows:

	<b>Number of DSU awards</b>
<b>Balance, December 31, 2020</b>	-
Granted	140,187
<b>Balance, September 30, 2021</b>	<b>140,187</b>

For the three and nine months ended September 30, 2021, the Company recorded \$20,000 (2020 – \$nil) and \$48,000 (2020 – \$nil) respectively as a share-based compensation expense relating to DSUs.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 8. Revenue

#### *Disaggregation of revenue*

In the following table, the Company's revenue is disaggregated by primary geographical market, major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 12).

Three months ended September 30	Costerfield		Björkdal		Cerro Bayo		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>								
Australia	26,951	27,256	-	-	-	-	26,951	27,256
Sweden	-	-	19,800	22,204	-	-	19,800	22,204
Chile	-	-	-	-	5,540	-	5,540	-
<b>Revenue from contracts with customers</b>	<b>26,951</b>	<b>27,256</b>	<b>19,800</b>	<b>22,204</b>	<b>5,540</b>	<b>-</b>	<b>52,291</b>	<b>49,460</b>
Provisional pricing adjustments	49	627	724	(334)	(497)	-	276	293
<b>Total revenue from mining operations</b>	<b>27,000</b>	<b>27,883</b>	<b>20,524</b>	<b>21,870</b>	<b>5,043</b>	<b>-</b>	<b>52,567</b>	<b>49,753</b>
<b>Commodities</b>								
Gold	20,106	22,015	19,800	22,204	3,354	-	43,260	44,219
Antimony	6,845	5,241	-	-	-	-	6,845	5,241
Silver	-	-	-	-	2,186	-	2,186	-
<b>Revenue from contracts with customers</b>	<b>26,951</b>	<b>27,256</b>	<b>19,800</b>	<b>22,204</b>	<b>5,540</b>	<b>-</b>	<b>52,291</b>	<b>49,460</b>
Provisional pricing adjustments	49	627	724	(334)	(497)	-	276	293
<b>Total revenue from mining operations</b>	<b>27,000</b>	<b>27,883</b>	<b>20,524</b>	<b>21,870</b>	<b>5,043</b>	<b>-</b>	<b>52,567</b>	<b>49,753</b>
<b>Nine months ended September 30</b>								
	Costerfield		Björkdal		Cerro Bayo		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>								
Australia	82,280	70,549	-	-	-	-	82,280	70,549
Sweden	-	-	64,694	62,985	-	-	64,694	62,985
Chile	-	-	-	-	11,029	-	11,029	-
<b>Revenue from contracts with customers</b>	<b>82,280</b>	<b>70,549</b>	<b>64,694</b>	<b>62,985</b>	<b>11,029</b>	<b>-</b>	<b>158,003</b>	<b>133,534</b>
Provisional pricing adjustments	(128)	569	(808)	(449)	(575)	-	(1,511)	120
<b>Total revenue from mining operations</b>	<b>82,152</b>	<b>71,118</b>	<b>63,886</b>	<b>62,536</b>	<b>10,454</b>	<b>-</b>	<b>156,492</b>	<b>133,654</b>
<b>Commodities</b>								
Gold	58,512	54,637	64,694	62,985	6,466	-	129,672	117,622
Antimony	23,768	15,912	-	-	-	-	23,768	15,912
Silver	-	-	-	-	4,563	-	4,563	-
<b>Revenue from contracts with customers</b>	<b>82,280</b>	<b>70,549</b>	<b>64,694</b>	<b>62,985</b>	<b>11,029</b>	<b>-</b>	<b>158,003</b>	<b>133,534</b>
Provisional pricing adjustments	(128)	569	(808)	(449)	(575)	-	(1,511)	120
<b>Total revenue from mining operations</b>	<b>82,152</b>	<b>71,118</b>	<b>63,886</b>	<b>62,536</b>	<b>10,454</b>	<b>-</b>	<b>156,492</b>	<b>133,654</b>



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 9. Financial instruments

The Company has recognized a loss on financial instruments of \$835,000 and gain of \$12,717,000 respectively, for the three and nine months ended September 30, 2021 (2020 – loss of \$8,677,000 and \$28,155,000). Details of these are given below:

#### (a) Gold derivative contracts

The Company has recognized a fair value loss of \$646,000 and gain of \$13,274,000, respectively, for the three and nine months ended September 30, 2021 (2020 – loss of \$8,677,000 and \$32,231,000). The amounts as at September 30, 2021 include a credit adjustment that considers market participant assumptions, taking into account the impact of the Company's credit risk.

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

#### (b) Marketable securities – assets

On April 30, 2021, the Company received 2,054,794 shares of Aftermath with a fair value of C\$0.73 per share as part of the compensation under Challacollo sale agreement. During the three months ended September 30, 2021, the Company has sold 60,000 shares at an average of C\$0.57 per share. The value of securities as at September 30, 2021 is \$612,000, recorded in trade receivables and other assets. These securities are stated at fair value with any resulting gain or loss recognised in income statement. The Company recorded a fair value measurement loss of \$189,000 and \$557,000 (2020 – \$nil), respectively, for the three and nine months ended September 30, 2021, using Level 1 assumptions.

#### (c) Five-year exchangeable loan

The Company repaid this loan in 2020 and as a result, the derivative value of the conversion feature was nil at September 30, 2021 (2020 – \$nil). The Company recorded no fair value measurement for the three and nine months ended September 30, 2021 (2020 – \$nil and \$4,076,265, respectively).

### 10. Finance costs

The finance costs for the three and nine months ended September 30, 2021, and 2020 consist of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Syndicated Facility</b>				
Interest on Syndicated Facility	858	1,202	2,792	2,569
Realised loss on gold derivative contracts	1,231	2,085	3,293	2,085
<b>Other</b>				
Interest on other borrowings and other charges	72	138	219	643
Accretion of reclamation and site closure costs	2	53	29	284
<b>Five year exchangeable loan</b>				
Loss on repayment of loan	-	-	-	3,752
Accelerated finance cost for repayment of loan	-	-	-	1,506
Interest on five year exchangeable loan	-	-	-	587
<b>Revolver Facility</b>				
Interest on Revolver Facility	-	-	-	660
	<b>2,163</b>	<b>3,478</b>	<b>6,333</b>	<b>12,086</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 11. Net income (loss) per share

For the three and nine months ended September 30, 2021, the weighted average number of common shares of calculating diluted income (loss) per share is shown in the table below.

For the nine months ended September 30, 2020, the weighted average number of common shares for the purpose of calculating diluted income (loss) per share reconciles to the weighted average number of common shares used in the calculation of basic income (loss) per share as this period was in a net loss position:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	('000)	('000)
<b>Net income (loss) for the period</b>	<b>9,255</b>	635	<b>39,545</b>	(5,413)
Basic weighted average number of shares outstanding	<b>91,573</b>	91,196	<b>91,387</b>	91,144
Effect of dilutive securities:				
Stock options	<b>1,056</b>	783	<b>1,023</b>	-
RSU	<b>497</b>	714	<b>497</b>	-
PSU	<b>296</b>	-	<b>296</b>	-
DSU	<b>140</b>	-	<b>140</b>	-
<b>Diluted weighted average number of shares outstanding</b>	<b>93,562</b>	92,693	<b>93,343</b>	91,144

For the purposes of determining the diluted weighted average number of shares, for the three and nine months ended September 30, 2021, 140,000 options (2020 – 531,000 and 1,888,000) were considered anti-dilutive and therefore excluded from the calculation. For the nine months ended September 30, 2020, there was a loss position hence all the options and RSUs were anti-dilutive and therefore excluded from the calculation.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	('000)	('000)	('000)	('000)
<b>Anti-dilutive securities</b>				
Stock options	<b>140</b>	531	<b>140</b>	1,888

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

### 12. Segmented information

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

	Three months ended September 30, 2021				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	27,000	5,043	20,524	-	52,567
Cost of sales, excluding depletion and depreciation	(8,420)	(3,531)	(13,744)	-	(25,695)
Depletion and depreciation	(5,765)	-	(4,593)	-	(10,358)
Income from mining operations	12,815	1,512	2,187	-	16,514
Other operating expenses	(756)	(169)	(529)	(367)	(1,821)
Care and maintenance expenses	-	-	-	-	-
Other income (expenses), except for fair value adjustment	1,598	1,280	(2,599)	(1,255)	(976)
(Loss) gain on financial instruments	(2,371)	-	1,725	(189)	(835)
Income (loss) before income taxes	11,286	2,623	784	(1,811)	12,882
Current tax expense	(3,276)	-	-	-	(3,276)
Deferred tax expense	(210)	-	(141)	-	(351)
<b>Net income (loss) for the period</b>	<b>7,800</b>	<b>2,623</b>	<b>643</b>	<b>(1,811)</b>	<b>9,255</b>
Net income per share					
Basic					\$0.10
Diluted					\$0.10
Cash expenditure for property, plant and equipment	6,110	220	5,213	-	11,543
Total non-current assets as at September 30, 2021	63,766	10,883	127,306	11,793	213,748
Total assets as at September 30, 2021	110,902	18,567	151,986	19,814	301,269
Total liabilities as at September 30, 2021	33,041	13,131	36,365	54,024	136,561

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 12. Segmented information (continued)

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

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 12. Segmented information (continued)

	Nine months ended September 30, 2021				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	82,152	10,454	63,886	-	156,492
Cost of sales, excluding depletion and depreciation	(26,176)	(7,226)	(44,842)	-	(78,244)
Depletion and depreciation	(15,774)	-	(14,355)	-	(30,129)
Income from mining operations	40,202	3,228	4,689	-	48,119
Other operating income (expenses)	(2,486)	142	(1,720)	198	(3,866)
Care and maintenance expenses	-	(383)	-	-	(383)
Other income (expenses), except for fair value adjustment	3,395	1,030	(7,192)	361	(2,406)
Gain (loss) on financial instruments	2,050	-	11,224	(557)	12,717
Income before income taxes	43,161	4,017	7,001	2	54,181
Current tax expense	(10,910)	-	-	-	(10,910)
Deferred tax expense	(2,302)	-	(1,424)	-	(3,726)
<b>Net income for the period</b>	<b>29,949</b>	<b>4,017</b>	<b>5,577</b>	<b>2</b>	<b>39,545</b>
Net income per share					
Basic					\$0.43
Diluted					\$0.42
Cash expenditure for property, plant and equipment	16,933	701	19,257	-	36,891
Total non-current assets as at September 30, 2021	63,766	10,883	127,306	11,793	213,748
Total assets as at September 30, 2021	110,902	18,567	151,986	19,814	301,269
Total liabilities as at September 30, 2021	33,041	13,131	36,365	54,024	136,561

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 12. Segmented information (continued)

	Nine months ended September 30, 2020				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	71,118	-	62,536	-	133,654
Cost of sales, excluding depletion and depreciation	(22,989)	-	(36,995)	-	(59,984)
Depletion and depreciation	(14,685)	(447)	(11,299)	(76)	(26,507)
Income (loss) from mining operations	33,444	(447)	14,242	(76)	47,163
Other operating expenses	(1,969)	(255)	(1,736)	(1,375)	(5,335)
Care and maintenance expenses	-	(1,604)	-	-	(1,604)
Reversal of reclamation liability (Note 10)	-	5,783	-	-	5,783
Other income (expenses), except for fair value adjustment	(2,682)	(1,164)	1,110	(9,108)	(11,844)
(Loss) gain on financial instruments	(12,372)	-	(19,860)	4,077	(28,155)
Income (loss) before income taxes	16,421	2,313	(6,244)	(6,482)	6,008
Current tax expense	(4,619)	(5)	(2,309)	-	(6,933)
Deferred tax expense	(4,136)	-	(352)	-	(4,488)
<b>Net Income (loss) for the period</b>	<b>7,666</b>	<b>2,308</b>	<b>(8,905)</b>	<b>(6,482)</b>	<b>(5,413)</b>
Net loss per share					
Basic and diluted					(\$0.06)
Cash expenditure for property, plant and equipment	17,005	138	14,542	-	31,685
Total non-current assets as at September 30, 2020	60,232	16,945	116,293	15,040	208,510
Total assets as at September 30, 2020	91,169	18,831	147,229	26,150	283,379
Total liabilities as at September 30, 2020	36,365	12,559	51,913	72,444	173,281

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2021 and December 31, 2020

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

(Unaudited)

### 12. Segmented information (continued)

For the three and nine months ended September 30, 2021, the Company had four customers from whom it earned more than 10% of its total revenue (2020 – three customers).

Revenue from these customers is summarized as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	8,534	16,173	36,510	40,359
Customer 2	12,561	9,402	35,117	23,638
	21,095	25,575	71,627	63,997
Björkdal (gold)				
Customer 3	16,413	18,207	50,633	50,469
	16,413	18,207	50,633	50,469
Cerro Bayo (silver and gold)				
Customer 4	5,043	-	10,454	-
	5,043	-	10,454	-
<b>Total</b>	<b>42,551</b>	<b>43,782</b>	<b>132,714</b>	<b>114,466</b>

### 13. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables (non-provisional pricing portion), reclamation and other deposits, and trade and other payables approximate their carrying values due to the nature of these items.

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

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

As at September 30, 2021, other receivables are based on Level 1 inputs. Provisional pricing feature included in trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, the five year-exchangeable loan and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances, which may cause transfers between the levels of the fair value hierarchy.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

(Expressed in U.S. dollars, except where otherwise noted)  
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### 14. Assets and liabilities held for sale

On November 12, 2019, the Company entered into a definitive agreement with Aftermath pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly owned subsidiary of the Company that owns the Challacollo project (see Note 4). The Company expects this sale to be completed by April 30, 2022. All assets related to Challacollo, amounting to \$704,000, are classified as held for sale, and liabilities of \$281,000 directly associated with Challacollo are classified as liabilities directly associated with assets held for sale.

On October 12, 2021, Equus exercised its option to purchase the Cerro Bayo mine (see Note 4). This transaction is scheduled to close on December 1, 2021. All assets related to Cerro Bayo, amounting to \$6,820,000, are classified as held for sale, and liabilities of \$12,893,000 directly associated with Cerro Bayo are classified as liabilities directly associated with assets held for sale.

The following table presents the assets and liabilities, classified as assets held for sale and liabilities directly associated with the assets held for sale in the consolidated balance sheet:

<b>As at September 30, 2021</b>	<b>Cerro Bayo</b>	<b>Challacollo</b>	<b>Total</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Assets</b>			
Current assets			
Trade receivables and other assets	4,159	-	4,159
Inventories	2,191	-	2,191
Prepaid expenses	242	30	272
Non-current assets			
Property, plant and equipment, net	228	44	272
Other non-current receivables	-	630	630
<b>Assets held for sale</b>	<b>6,820</b>	<b>704</b>	<b>7,524</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	1,189	281	1,470
Other provisions	142	-	142
Non-current liabilities			
Reclamation and site closure costs provision	11,522	-	11,522
Deferred tax liability	40	-	40
<b>Liabilities associated with assets held for sale</b>	<b>12,893</b>	<b>281</b>	<b>13,174</b>

### 15. Related party transactions

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



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2021 and December 31, 2020

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

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### 16. Commitments and contingencies

The Company is involved in legal proceedings from time to time arising in the ordinary course of business. The outcomes of proceedings are uncertain. However, based on information known it is not probable that the ultimate resolution will have a material effect on the Company's condensed consolidated interim financial position and financial performance.

The Company's Björkdal and Costerfield mines have entered into several equipment leases. The total lease liability as at September 30, 2021 was \$5,669,000 (December 31, 2020 – \$5,568,000).

### 17. Subsequent events

On October 12, 2021, Equus Mining Ltd. exercised its option to purchase Cerro Bayo mine. This transaction is scheduled to close on December 1, 2021.