

Condensed consolidated interim financial statements of

# **Mandalay Resources Corporation**

September 30, 2022  
(Unaudited)

# Mandalay Resources Corporation

September 30, 2022

## Table of contents

Condensed consolidated interim statements of income and comprehensive (loss) income .....	2
Condensed consolidated interim statements of financial position .....	3
Condensed consolidated interim statements of changes in equity .....	4
Condensed consolidated interim statements of cash flows .....	5
Notes to the condensed consolidated interim financial statements .....	6-22

# Mandalay Resources Corporation

## Condensed consolidated interim statements of income and comprehensive (loss) income Three and nine months ended September 30, 2022 and 2021

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue (Note 8)	46,048	52,567	150,318	156,492
Cost of operations				
Cost of sales, excluding depletion and depreciation	24,690	25,695	74,932	78,244
Depletion and depreciation	8,775	10,358	25,667	30,129
	33,465	36,053	100,599	108,373
Income from mining operations	12,583	16,514	49,719	48,119
Expenses				
Administration	1,950	1,757	4,344	3,936
Share-based compensation (Note 7(a))	209	95	974	532
(Gain) loss on disposal of property, plant and equipment	(16)	(31)	302	(602)
Revision of reclamation liability	-	-	7,092	-
Care and maintenance expenses	-	-	-	383
	2,143	1,821	12,712	4,249
Income from operations	10,440	14,693	37,007	43,870
Other expense (income)				
Finance costs (Note 10)	2,305	2,163	8,962	6,333
(Gain) loss on financial instruments (Note 9)	(4,935)	835	(5,958)	(12,717)
Gain on sale of subsidiary (Note 4)	(1,828)	-	(1,828)	-
Interest and other income	(258)	(102)	(468)	(280)
Foreign exchange loss (gain)	539	(1,085)	(1,080)	(3,647)
	(4,177)	1,811	(372)	(10,311)
Income before income taxes	14,617	12,882	37,379	54,181
Income tax expense				
Current	3,309	3,276	12,749	10,910
Deferred	2,033	351	2,167	3,726
Income tax expense	5,342	3,627	14,916	14,636
<b>Net income for the period</b>	<b>9,275</b>	<b>9,255</b>	<b>22,463</b>	<b>39,545</b>
Other comprehensive income, net of tax Item that may subsequently be reclassified to net income				
Foreign currency translation	(10,873)	(3,793)	(26,912)	(11,365)
Comprehensive (loss) income for the period	(1,598)	5,462	(4,449)	28,180
<b>Net income per share</b>				
Basic	0.10	0.10	0.24	0.43
Diluted	0.10	0.10	0.24	0.42
<b>Weighted average number of common shares outstanding (Note 11)</b>				
Basic ('000)	92,242	91,573	92,084	91,387
Diluted ('000)	94,099	93,562	94,200	93,343

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Condensed consolidated interim statements of financial position

As at September 30, 2022 and 2021

(Expressed in U.S. dollars)

(Unaudited)

	September 30, 2022	December 31, 2021
	(\$'000)	(\$'000)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	42,646	30,738
Reclamation deposits	6,036	11,202
Trade receivables and other assets	18,382	43,046
Marketable securities	2,691	3,403
Inventories	22,239	23,363
Prepaid expenses	2,746	1,677
Assets held for sale	-	906
	<b>94,740</b>	<b>114,335</b>
Non-current assets		
Reclamation and other deposits	9,108	8,414
Trade receivables and other assets	1,570	1,363
Property, plant and equipment, net (Note 4)	172,941	193,731
	<b>183,619</b>	<b>203,508</b>
	<b>278,359</b>	<b>317,843</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	19,338	23,786
Borrowings (Note 5)	32,326	15,659
Lease liabilities	2,114	2,506
Reclamation and site closure costs provision (Note 6)	6,036	7,333
Other provisions	3,158	3,874
Income taxes payable	3,774	17,200
Financial instruments (Note 5)	4,696	7,569
Liabilities associated with assets held for sale	-	478
	<b>71,442</b>	<b>78,405</b>
Non-current liabilities		
Borrowings (Note 5)	279	28,019
Lease liabilities	1,974	3,603
Reclamation and site closure costs provision (Note 6)	19,594	15,807
Other provisions	292	281
Deferred tax liability	11,457	10,330
Financial instruments (Note 5)	-	4,711
	<b>33,596</b>	<b>62,751</b>
	<b>105,038</b>	<b>141,156</b>
<b>Equity</b>		
Share capital (Note 7)	230,933	230,405
Share option reserve (Note 7)	4,489	3,934
Foreign currency translation reserve	(67,787)	(40,875)
Retained earnings (accumulated deficit)	5,686	(16,777)
	<b>173,321</b>	<b>176,687</b>
	<b>278,359</b>	<b>317,843</b>

Approved by the Board of Directors and authorized for issuance on November 9, 2022.

**(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, 2022 and 2021

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

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance, December 31, 2021</b>	<b>91,764</b>	<b>230,405</b>	<b>3,934</b>	<b>(40,875)</b>	<b>(16,777)</b>	<b>176,687</b>
Net income for the period	-	-	-	-	22,463	<b>22,463</b>
Other comprehensive loss for the period	-	-	-	(26,912)	-	<b>(26,912)</b>
<b>Total comprehensive loss</b>	-	-	-	(26,912)	22,463	<b>(4,449)</b>
Stock options exercised (Note 7(b))	156	287	(106)	-	-	<b>181</b>
Share-based compensation (Note 7(a))	-	-	902	-	-	<b>902</b>
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	323	241	(241)	-	-	-
<b>Balance, September 30, 2022</b>	<b>92,243</b>	<b>230,933</b>	<b>4,489</b>	<b>(67,787)</b>	<b>5,686</b>	<b>173,321</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, 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	<b>39,545</b>
Other comprehensive loss for the period	-	-	-	(11,365)	-	<b>(11,365)</b>
<b>Total comprehensive income</b>	-	-	-	(11,365)	39,545	<b>28,180</b>
Stock options exercised (Note 7(b))	68	74	(29)	-	-	<b>45</b>
Share-based compensation (Note 7(a))	-	-	736	-	-	<b>736</b>
Reversal of forfeited RSUs (Note 7(c))	-	-	(32)	-	-	<b>(32)</b>
Reclassified for expired and cancelled options	-	-	(23)	-	23	-
Redemption of RSU (Note 13(c))	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>

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, 2022 and 2021

(Expressed in U.S. dollars)  
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Operating activities</b>				
Net income for the period	9,275	9,255	22,463	39,545
Adjustments to reconcile net income to net cash flows from operating activities				
Depletion and depreciation	8,775	10,358	25,667	30,129
Share-based compensation (Note 7(a))	209	95	974	532
(Gain) loss on disposal of property, plant and equipment	(16)	(31)	302	(602)
Finance costs (Note 10)	2,305	2,163	8,962	6,333
Gain on sale of subsidiary (Note 4)	(1,828)	-	(1,828)	-
(Gain) loss on financial instruments (Note 9)	(4,935)	835	(5,958)	(12,717)
Interest and other income	(258)	(102)	(468)	(280)
Unrealized foreign exchange loss (gain)	773	(1,098)	(692)	(3,688)
Income tax expense	5,342	3,627	14,916	14,636
Reclamation expenditures (Note 6)	(1,207)	(5,007)	(6,472)	(6,082)
Revision of reclamation liability	-	-	7,092	-
Changes in non-cash operating working capital items				
Trade receivables and other assets	7,448	(238)	20,866	(6,370)
Inventories	711	(2,472)	335	(4,619)
Prepaid expenses	(946)	(654)	(1,515)	(958)
Trade and other payables	(2,870)	(1,072)	(1,578)	(2,339)
Other provisions	(135)	65	(245)	96
Cash generated from operations	22,643	15,724	82,821	53,616
Interest and other income received	258	102	468	280
Interest and bank charges paid	(696)	(635)	(1,945)	(2,484)
Income tax paid	(14,711)	(7,002)	(22,230)	(7,002)
Net cash flows from operating activities	7,494	8,189	59,114	44,410
<b>Investing activities</b>				
Expenditure for property, plant and equipment	(8,900)	(11,543)	(28,825)	(36,891)
Proceeds from sale of non-core assets (Note 4)	-	-	-	1,847
Receipt from reclamation deposits (Note 6)	2,376	-	2,376	2,145
Net cash flows used in investing activities	(6,524)	(11,543)	(26,449)	(32,899)
<b>Financing activities</b>				
Proceeds from borrowings (Note 5)	-	-	367	1,112
Repayments of borrowings	(3,919)	(4,118)	(11,475)	(12,073)
Lease payments	(735)	(333)	(2,175)	(1,369)
Payment of gold derivative contracts	(1,730)	(1,352)	(6,572)	(3,411)
Shares issued for cash	-	22	181	46
Net cash flows used in financing activities	(6,384)	(5,781)	(19,675)	(15,695)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	112	(214)	(1,082)	(258)
Net (decrease) increase in cash and cash equivalents	(5,302)	(9,349)	11,908	(4,442)
Cash and cash equivalents, beginning of the period	47,948	39,113	30,738	34,206
<b>Cash and cash equivalents, end of the period</b>	<b>42,646</b>	<b>29,764</b>	<b>42,646</b>	<b>29,764</b>
Cash and cash equivalents consist of				
Cash	42,646	29,764	42,646	29,764
	42,646	29,764	42,646	29,764

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, 2022 and December 31, 2021

(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, 2021.

#### **Risks and uncertainties**

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

The COVID-19 pandemic continues to be 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. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary.

The ongoing conflict in Ukraine continued to disrupt supply chains and caused instability in the global economy. The conflict resulted in imposition of economic sanctions, which have had an adverse effect on economic markets, including global supply and pricing of energy, precious metals, raw materials and other commodities and components. The short and long-term implications of the conflict are difficult to predict at this time.

Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic and conflict in Ukraine may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates and assumptions made by management during the preparation of the Company’s unaudited interim condensed consolidated financial statements related to potential impacts of the COVID-19 pandemic and conflict in Ukraine on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected in future periods.

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.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2022 and December 31, 2021

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

(Unaudited)

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### 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, 2021. 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, 2021.



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2022 and December 31, 2021

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

### 4. Property, plant and equipment

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cost</b>				
As at January 1, 2021	289,738	160,202	45,510	495,450
Additions	21,022	21,747	8,943	51,712
Disposals	-	(2,127)	(695)	(2,822)
Write-down of assets	-	(261)	(1,842)	(2,103)
Reclassification to assets held for sale	-	-	(230)	(230)
Reclassification to mining interest	4,392	-	(4,392)	-
Sale of subsidiary	(55,844)	(38,343)	-	(94,187)
Foreign exchange	(18,646)	(11,285)	(1,833)	(31,764)
<b>As at December 31, 2021</b>	<b>240,662</b>	<b>129,933</b>	<b>45,461</b>	<b>416,056</b>
Additions	10,813	12,869	8,335	32,017
Disposals	-	(1,191)	-	(1,191)
Reclassification to mining interest	689	-	(689)	-
Sale of subsidiary	-	(107)	(52)	(159)
Foreign exchange	(38,231)	(23,975)	(4,023)	(66,229)
<b>As at September 30, 2022</b>	<b>213,933</b>	<b>117,529</b>	<b>49,032</b>	<b>380,494</b>
<b>Accumulated depreciation</b>				
As at January 1, 2021	198,962	98,874	-	297,836
Expense	24,435	13,615	-	38,050
Disposals	-	(1,412)	-	(1,412)
Sale of subsidiary	(55,844)	(37,901)	-	(93,745)
Foreign exchange	(12,550)	(5,854)	-	(18,404)
<b>As at December 31, 2021</b>	<b>155,003</b>	<b>67,322</b>	<b>-</b>	<b>222,325</b>
Expense	13,754	11,228	-	24,982
Disposals	-	(385)	-	(385)
Sale of subsidiary	-	(107)	-	(107)
Foreign exchange	(26,191)	(13,071)	-	(39,262)
<b>As at September 30, 2022</b>	<b>142,566</b>	<b>64,987</b>	<b>-</b>	<b>207,553</b>
<b>Net book value</b>				
As at January 1, 2021	90,776	61,328	45,510	197,614
As at December 31, 2021	85,659	62,611	45,461	193,731
<b>As at September 30, 2022</b>	<b>71,367</b>	<b>52,542</b>	<b>49,032</b>	<b>172,941</b>

### Carrying amount by segment

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at September 30, 2022</b>				
Costerfield	31,732	13,749	12,613	58,094
Björkdal	39,635	38,722	25,748	104,105
La Quebrada	-	-	10,671	10,671
Other	-	71	-	71
	<b>71,367</b>	<b>52,542</b>	<b>49,032</b>	<b>172,941</b>

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at December 31, 2021</b>				
Costerfield	37,894	14,642	9,362	61,898
Björkdal	47,765	47,889	25,440	121,094
La Quebrada	-	-	10,622	10,622
Other	-	80	37	117
	<b>85,659</b>	<b>62,611</b>	<b>45,461</b>	<b>193,731</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2022 and December 31, 2021

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

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

For the three months ended September 30, 2022, there was \$86,000 of plant and equipment depreciation capitalized to mining interests (three months ended September 30, 2021 – \$262,000).

As at September 30, 2022, the Company had right-of-use assets of \$4,890,000 (as at December 31, 2021 – \$7,664,000) included in property, plant and equipment, of which \$1,305,000 is at Costerfield and \$3,585,000 is at Björkdal (as at December 31, 2021 – Costerfield: \$1,693,000 and Björkdal: \$5,971,000).

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

##### 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\$11,000,000. 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.

On August 10, 2022, the Company completed the sale of Challacollo to Aftermath and received a payment of C\$1,000,000 in cash and 6,122,448 Aftermath shares with a fair value of C\$0.245 per share and will receive a final payment of C\$500,000 plus interest in cash on or before December 31, 2022. The Company is also entitled to receive a 3% net smelter returns royalty on production at Challacollo, capped at US\$3,000,000. The Company recognised a gain of US\$1,828,000 related to sale of Challacollo.

### 5. Borrowings

	September 30, 2022 (\$'000)	December 31, 2021 (\$'000)
Syndicated Facility	31,944	42,769
Equipment Facilities	661	909
	<b>32,605</b>	43,678
Less: current portion of total borrowings	<b>32,326</b>	15,659
Non-current portion of total borrowings	<b>279</b>	28,019

#### **Syndicated Facility**

As at September 30, 2022, the Company was in compliance with all financial covenants under the Syndicated Facility.

The Syndicated Facility has an effective interest rate of 8.82% and a nominal rate of 4.25% + LIBOR as at September 30, 2022.

During the three and nine months ended September 30, 2022, the Company paid \$3,778,000 and \$11,334,000 respectively against the loan, leaving the outstanding cash principal of the Syndicated Facility of \$32,555,000.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 5. Borrowings (continued)

#### **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 \$4,696,000 as at September 30, 2022, which specifically includes \$3,020,000 for the Australian dollar forward contract and \$1,676,000 for the US dollar collar contract (see Note 9). The amounts as at September 30, 2022 include a credit adjustment that considers market participant assumptions, taking into account the impact of the Company's credit risk.

During the three and nine months ended September 30, 2022, the Company paid \$1,730,000 and \$6,572,000 respectively as settlement of expired gold derivatives contracts (Three and nine months ended September 30, 2021 – \$1,352,000 and \$3,411,000 respectively).

#### **Equipment Facilities**

As at September 30, 2022, the Company's Björkdal mine in Sweden had a balance of \$661,000 (December 31, 2021 – \$908,000) 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 2.28% per annum and are repayable in monthly instalments plus interest and are due to be repaid by December 31, 2026. 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, 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, 2020	31,929
Expenditure for reclamations	(8,699)
Change in estimated cash outflows	7,262
Accretion	83
Sale of subsidiary	(11,314)
Liability payable to Equus Mining Ltd	5,710
Foreign exchange	(1,831)
<b>Balance at December 31, 2021</b>	<b>23,140</b>
Expenditure for reclamations	(4,856)
Change in estimated cash outflows	9,503
Accretion	179
Foreign exchange	(2,336)
<b>Balance at September 30, 2022</b>	<b>25,630</b>
Less: current portion	6,036
<b>Total non-current portion</b>	<b>19,594</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 6. Reclamation and site closure costs (continued)

During the three and nine months ended September 30, 2022, the Company spent \$1,355,000 (2021 – \$6,386,000) and \$4,856,000 (2021 – \$7,465,000) respectively, on reclamation work at the Lupin site in Canada. As a result of a review of the remaining reclamation costs at Lupin, the reclamation liability was revised by \$7,092,000 as at June 30, 2022. As at September 30, 2022, the Company has recognized \$6,036,000 as current for the bond deposit and liability for reclamation spend, which represents the value of expected work during the twelve months from September 30, 2022 with the remaining liability amount considered non-current.

During the three months ended September 30, 2022, the Company has increased the reclamation liability at Costerfield by \$2,566,000.

### 7. Share capital

As at September 30, 2022, the Company had an unlimited number of authorized common shares without par value and 92,242,836 common shares outstanding (2021 – 91,763,548 common shares). All outstanding common shares are fully paid.

#### (a) Share-based compensation

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share-based compensation on options	106	99	322	305
Change in fair value for cash election option	(122)	(159)	4	(166)
Share unit amortization	225	155	648	393
	209	95	974	532

#### (b) Stock options

The number of options outstanding as at September 30, 2022 is as follows:

	Number of	Weighted
	options	average
		exercise
		price
		C\$
Balance, December 31, 2020	1,887,800	1.91
Granted	328,173	2.14
Expired	(126,300)	9.10
Exercised	(202,332)	0.80
Cancelled	(13,334)	1.10
<b>Balance, December 31, 2021</b>	<b>1,874,007</b>	<b>1.58</b>
Granted	295,175	2.65
Exercised	(155,667)	1.47
<b>Balance, September 30, 2022</b>	<b>2,013,515</b>	<b>1.75</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2022 and December 31, 2021

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

### 7. Share capital (continued)

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

The following table summarizes information about the stock options outstanding and exercisable as at September 30, 2022:

Number of stock options outstanding	Options outstanding		Options exercisable	
	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of options exercisable	Weighted average exercise price C\$
140,000	1.75	6.00	140,000	6.00
199,500	2.75	2.00	199,500	2.00
333,334	3.75	1.10	333,334	1.10
741,333	4.75	0.61	494,222	0.61
304,173	5.75	2.14	101,391	2.14
295,175	6.75	2.65	-	-
<b>2,013,515</b>	<b>4.62</b>	<b>1.75</b>	<b>1,268,447</b>	<b>1.67</b>

#### (c) RSUs

The number of RSUs outstanding as at September 30, 2022 is as follows:

	Number of RSU awards
Balance, December 31, 2020	673,192
Granted	168,025
Redeemed	(285,047)
Forfeited	(80,212)
<b>Balance, December 31, 2021</b>	<b>475,958</b>
Granted	118,337
Redeemed	(213,109)
<b>Balance, September 30, 2022</b>	<b>381,186</b>

For the three and nine months ended September 30, 2022, the Company recorded \$55,000 (2021 – \$66,000) and \$179,000 (2021 – \$175,000) 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, 2022 and December 31, 2021

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

### 7. Share capital (continued)

#### (d) PSUs

The number of PSUs outstanding as at September 30, 2022 is as follows:

	Number of PSU awards
Balance, December 31, 2020	-
Granted	336,049
Redeemed	(40,000)
<b>Balance, December 31, 2021</b>	<b>296,049</b>
Granted	236,673
Redeemed	(43,574)
<b>Balance, September 30, 2022</b>	<b>489,148</b>

For the three and nine months ended September 30, 2022, the Company recorded \$127,000 (2021 – \$69,000) and \$346,000 (2021 – \$170,000) respectively as a share-based compensation expense relating to PSUs. While 43,574 PSUs were redeemed, the payout in the Company's common shares was at 200% of award due to better performance of Mandalay shares relative to the VanEck Junior Gold Miners ETF (GDXJ).

#### (e) DSUs

The number of DSUs outstanding as at September 30, 2022 is as follows:

	Number of DSU awards
Balance, December 31, 2020	-
Granted	150,148
<b>Balance, December 31, 2021</b>	<b>150,148</b>
Granted	136,044
Redeemed	(23,364)
<b>Balance, September 30, 2022</b>	<b>262,828</b>

For the three and nine ended September 30, 2022, the Company recorded \$43,000 (2021 – \$20,000) and \$123,000 (2021 – \$48,000) 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, 2022 and December 31, 2021

(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. 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>								
Australia	28,993	26,951	-	-	-	-	28,993	26,951
Sweden	-	-	17,207	19,800	-	-	17,207	19,800
Chile	-	-	-	-	-	5,540	-	5,540
<b>Revenue from contracts with customers</b>	<b>28,993</b>	<b>26,951</b>	<b>17,207</b>	<b>19,800</b>	<b>-</b>	<b>5,540</b>	<b>46,200</b>	<b>52,291</b>
Provisional pricing adjustments	(805)	49	653	724	-	(497)	(152)	276
<b>Total revenue from mining operations</b>	<b>28,188</b>	<b>27,000</b>	<b>17,860</b>	<b>20,524</b>	<b>-</b>	<b>5,043</b>	<b>46,048</b>	<b>52,567</b>
<b>Commodities</b>								
Gold	21,364	20,106	17,207	19,800	-	3,354	38,571	43,260
Antimony	7,629	6,845	-	-	-	-	7,629	6,845
Silver	-	-	-	-	-	2,186	-	2,186
<b>Revenue from contracts with customers</b>	<b>28,993</b>	<b>26,951</b>	<b>17,207</b>	<b>19,800</b>	<b>-</b>	<b>5,540</b>	<b>46,200</b>	<b>52,291</b>
Provisional pricing adjustments	(805)	49	653	724	-	(497)	(152)	276
<b>Total revenue from mining operations</b>	<b>28,188</b>	<b>27,000</b>	<b>17,860</b>	<b>20,524</b>	<b>-</b>	<b>5,043</b>	<b>46,048</b>	<b>52,567</b>
<b>Reconciliation to reportable segments</b>								
Nine months ended September 30	Costerfield		Björkdal		Cerro Bayo		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>								
Australia	91,937	82,280	-	-	-	-	91,937	82,280
Sweden	-	-	56,178	64,694	-	-	56,178	64,694
Chile	-	-	-	-	-	11,029	-	11,029
<b>Revenue from contracts with customers</b>	<b>91,937</b>	<b>82,280</b>	<b>56,178</b>	<b>64,694</b>	<b>-</b>	<b>11,029</b>	<b>148,115</b>	<b>158,003</b>
Provisional pricing adjustments	(901)	(128)	3,104	(808)	-	(575)	2,203	(1,511)
<b>Total revenue from mining operations</b>	<b>91,036</b>	<b>82,152</b>	<b>59,282</b>	<b>63,886</b>	<b>-</b>	<b>10,454</b>	<b>150,318</b>	<b>156,492</b>
<b>Commodities</b>								
Gold	66,867	58,512	56,178	64,694	-	6,466	123,045	129,672
Antimony	25,070	23,768	-	-	-	-	25,070	23,768
Silver	-	-	-	-	-	4,563	-	4,563
<b>Revenue from contracts with customers</b>	<b>91,937</b>	<b>82,280</b>	<b>56,178</b>	<b>64,694</b>	<b>-</b>	<b>11,029</b>	<b>148,115</b>	<b>158,003</b>
Provisional pricing adjustments	(901)	(128)	3,104	(808)	-	(575)	2,203	(1,511)
<b>Total revenue from mining operations</b>	<b>91,036</b>	<b>82,152</b>	<b>59,282</b>	<b>63,886</b>	<b>-</b>	<b>10,454</b>	<b>150,318</b>	<b>156,492</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

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### 9. Financial instruments

The Company has recognized a gain on financial instruments of \$4,935,000 and \$5,958,000 respectively, for the three and nine months ended September 30, 2022 (2021 – loss of \$835,000 and gain of \$12,717,000). Details of these are given below:

#### (a) Gold derivative contracts

The Company has recognized a fair value gain of \$5,469,000 and \$7,585,000 for the three and nine months ended September 30, 2022 (2021 – loss of \$646,000 and gain of \$13,274,000). The amounts as at September 30, 2022 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 May 5, 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 the Challacollo sale agreement. During the year ended months ended December 31, 2021, the Company sold 678,794 shares at an average of C\$0.57 per share.

On August 10, 2022, the Company received further 6,122,448 shares from Aftermath with a fair value of C\$0.245 per share as part of the compensation. For the nine months ended September 30, 2022, the Company had not sold any shares. The value of securities as at September 30, 2022 is \$952,000 (2021 – \$413,000).

These securities are stated at fair value with any resulting gain or loss recognised in the consolidated statements of income and comprehensive income under loss (gain) on financial instruments. The Company recorded an unrealized fair value loss of \$365,000 and \$549,000 respectively for the three and nine months ended September 30, 2022, using Level 1 assumptions (for the three and nine months ended September 30, 2021 – loss of \$189,000 and \$557,000 respectively).

On December 18, 2021, the Company received 29,375,121 shares (after consolidation of 20 shares into 1 share) of Equus Mining Ltd with a fair value of A\$0.18 per share as part of the compensation under the Cerro Bayo sale agreement. The value of securities as at September 30, 2022 is \$1,738,000 (2021 – \$2,990,000). Equus securities are stated at fair value with any resulting gain or loss recognised in the consolidated statements of income and comprehensive income under loss (gain) on financial instruments. The Company recorded an unrealized fair value loss of \$169,000 and \$1,078,000 for the three and nine months ended September 30, 2022, using Level 1 assumptions.



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at September 30, 2022 and December 31, 2021

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

### 10. Finance costs

The finance costs for the three and nine months ended September 30, 2022, and 2021 consist of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Syndicated Facility</b>				
Interest on Syndicated Facility	683	858	2,088	2,792
Realised loss on gold derivative contracts	1,434	1,231	6,458	3,293
<b>Other</b>				
Interest on other borrowings and other charges	75	72	237	219
Accretion of reclamation and site closure costs	113	2	179	29
	<b>2,305</b>	<b>2,163</b>	<b>8,962</b>	<b>6,333</b>

### 11. Net income per share

For the three and nine months ended September 30, 2022, the weighted average number of common shares of calculating diluted income per share is shown in the table below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(\$'000)	(\$'000)	('000)	('000)
<b>Net income for the period</b>	<b>9,275</b>	<b>9,255</b>	<b>22,463</b>	<b>39,545</b>
Basic weighted average number of shares outstanding	92,242	91,573	92,084	91,387
Effect of dilutive securities:				
Stock options	724	1,056	983	1,023
RSU	381	497	381	497
PSU	489	296	489	296
DSU	263	140	263	140
<b>Diluted weighted average number of shares outstanding</b>	<b>94,099</b>	<b>93,562</b>	<b>94,200</b>	<b>93,343</b>

The table below shows number of anti-dilutive securities which are excluded from the calculation of diluted weighted average number of shares:

	Nine months ended	
	September 30,	
	2022	2021
	('000)	('000)
<b>Anti-dilutive securities</b>		
Stock options	140	140

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

(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, 2022				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	28,188	17,860	-	-	46,048
Cost of sales, excluding depletion and depreciation	(12,846)	(11,844)	-	-	(24,690)
Depletion and depreciation	(4,107)	(4,667)	-	(1)	(8,775)
Income (loss) from mining operations	11,235	1,349	-	(1)	12,583
Other operating expenses	(808)	(543)	(126)	(666)	(2,143)
Other income (expenses), except for fair value adjustment	4,760	(4,995)	(137)	(2,214)	(2,586)
Gain on sale of subsidiary	-	-	-	1,828	1,828
Gain (loss) on financial instruments	1,704	3,765	-	(534)	4,935
Income (loss) before income taxes	16,891	(424)	(263)	(1,587)	14,617
Current tax expense	(3,309)	-	-	-	(3,309)
Deferred tax expense	(1,851)	(182)	-	-	(2,033)
<b>Net income (loss) for the period</b>	<b>11,731</b>	<b>(606)</b>	<b>(263)</b>	<b>(1,587)</b>	<b>9,275</b>
Net income per share					
Basic					\$0.10
Diluted					\$0.10
Cash expenditure for property, plant and equipment	3,790	5,110	-	-	8,900
Total non-current assets as at September 30, 2022	60,847	109,402	10,943	2,427	183,619
Total assets as at September 30, 2022	117,163	131,164	10,995	19,037	278,359
Total liabilities as at September 30, 2022	31,582	22,770	27	50,659	105,038

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 12. Segmented information (continued)

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

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 12. Segmented information (continued)

	Nine months ended September 30, 2022				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	91,036	59,282	-	-	150,318
Cost of sales, excluding depletion and depreciation	(33,475)	(41,457)	-	-	(74,932)
Depletion and depreciation	(11,371)	(14,295)	-	(1)	(25,667)
Income (loss) from mining operations	46,190	3,530	-	(1)	49,719
Other operating expenses	(2,864)	(1,725)	(268)	(763)	(5,620)
Revision of reclamation liability	-	-	-	(7,092)	(7,092)
Other income (expenses), except for fair value adjustment	7,693	(13,965)	(478)	(664)	(7,414)
Gain on sale of subsidiary	-	-	-	1,828	1,828
Gain (loss) on financial instruments	847	6,737	-	(1,626)	5,958
Income (loss) before income taxes	51,866	(5,423)	(746)	(8,318)	37,379
Current tax expense	(12,738)	(11)	-	-	(12,749)
Deferred tax recovery (expense)	(3,083)	916	-	-	(2,167)
<b>Net income (loss) for the period</b>	<b>36,045</b>	<b>(4,518)</b>	<b>(746)</b>	<b>(8,318)</b>	<b>22,463</b>
Net income per share					
Basic					\$0.24
Diluted					\$0.24
Cash expenditure for property, plant and equipment	12,629	15,881	315	-	28,825
Total non-current assets as at September 30, 2022	60,847	109,402	10,943	2,427	183,619
Total assets as at September 30, 2022	117,163	131,164	10,995	19,037	278,359
Total liabilities as at September 30, 2022	31,582	22,770	27	50,659	105,038

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 12. Segmented information (continued)

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

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at September 30, 2022 and December 31, 2021

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

(Unaudited)

### 12. Segmented information (continued)

For the three and nine months ended September 30, 2022, the Company had three customers from whom it earned more than 10% of its total revenue (2021 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	10,871	8,534	36,131	36,510
Customer 2	14,692	12,561	44,825	35,117
	25,563	21,095	80,956	71,627
Björkdal (gold)				
Customer 3	13,984	16,413	46,475	50,633
	13,984	16,413	46,475	50,633
Cerro Bayo (silver and gold)				
Customer 4	-	5,043	-	10,454
	-	5,043	-	10,454
	39,547	42,551	127,431	132,714

### 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, 2022, 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 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, 2022 and December 31, 2021

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

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### **14. 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.