

Condensed consolidated interim financial statements of

# **Mandalay Resources Corporation**

March 31, 2023  
(Unaudited)

# Mandalay Resources Corporation

March 31, 2023

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# Mandalay Resources Corporation

## Condensed consolidated interim statements of income and comprehensive income Three months ended March 31, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended March 31,	
	2023	2022
	(\$'000)	(\$'000)
Revenue (Note 8)	42,179	54,154
Cost of operations		
Cost of sales, excluding depletion and depreciation	26,606	21,716
Depletion and depreciation	8,037	9,196
	34,643	30,912
Income from mining operations	7,536	23,242
Expenses		
Administration	2,628	1,133
Share-based compensation (Note 7(a))	336	471
(Gain) loss on disposal of property, plant and equipment	(4)	321
	2,960	1,925
Income from operations	4,576	21,317
Other expense (income)		
Finance costs (Note 10)	3,605	3,126
(Gain) loss on financial instruments (Note 9)	(36)	3,402
Interest and other income	(301)	(73)
Foreign exchange (gain) loss	(504)	1,005
	2,764	7,460
Income before income taxes	1,812	13,857
Income tax expense		
Current	2,930	4,097
Deferred	(1,672)	(725)
Income tax expense	1,258	3,372
<b>Net income for the period</b>	<b>554</b>	<b>10,485</b>
Other comprehensive income, net of tax		
Item that may subsequently be reclassified to net income		
Foreign currency translation	(342)	(1,716)
Comprehensive income for the period	212	8,769
<b>Net income per share</b>		
Basic	0.01	0.11
Diluted	0.01	0.11
<b>Weighted average number of common shares outstanding (Note 11)</b>		
Basic ('000)	92,561	91,816
Diluted ('000)	94,581	94,085

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Condensed consolidated interim statements of financial position

(Expressed in U.S. dollars)

(Unaudited)

	March 31,	December 31,
	2023	2022
	(\$'000)	(\$'000)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	34,212	38,377
Reclamation deposits	-	2,035
Trade receivables and other assets	15,551	13,211
Marketable securities	2,253	2,749
Inventories	25,382	26,704
Prepaid expenses	1,601	1,209
	<b>78,999</b>	<b>84,285</b>
Non-current assets		
Reclamation and other deposits	15,717	13,672
Trade receivables and other assets	362	359
Property, plant and equipment, net (Note 4)	184,335	183,908
	<b>200,414</b>	<b>197,939</b>
	<b>279,413</b>	<b>282,224</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	20,354	20,815
Borrowings (Note 5)	284	348
Lease liabilities	1,939	1,391
Reclamation and site closure costs provision (Note 6)	2,091	2,035
Other provisions	3,247	3,370
Income taxes payable	3,644	3,526
Financial instruments (Note 9)	5,275	5,740
	<b>36,834</b>	<b>37,225</b>
Non-current liabilities		
Borrowings (Note 5)	19,645	19,776
Lease liabilities	1,591	2,504
Reclamation and site closure costs provision (Note 6)	27,159	27,108
Other provisions	273	256
Deferred tax liability	9,405	11,201
	<b>58,073</b>	<b>60,845</b>
	<b>94,907</b>	<b>98,070</b>
<b>Equity</b>		
Share capital (Note 7)	231,564	231,166
Share option reserve (Note 7)	4,336	4,621
Foreign currency translation reserve	(58,704)	(58,362)
Retained earnings	7,310	6,729
	<b>184,506</b>	<b>184,154</b>
	<b>279,413</b>	<b>282,224</b>

Approved by the Board of Directors and authorized for issuance on May 10, 2023.

**(Signed) Frazer Bouchier**

Frazer Bouchier, Director, President and Chief Executive Officer

**(Signed) Robert Doyle**

Robert Doyle, Director

# Mandalay Resources Corporation

## Condensed consolidated interim statements of changes in equity

Three months ended March 31, 2023 and 2022

(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	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance, December 31, 2022</b>	<b>92,457</b>	<b>231,166</b>	<b>4,621</b>	<b>(58,362)</b>	<b>6,729</b>	<b>184,154</b>
Net income for the period	-	-	-	-	554	554
Other comprehensive loss for the period	-	-	-	(342)	-	(342)
<b>Total comprehensive income</b>	-	-	-	(342)	554	212
Stock options exercised (Note 7(b))	13	11	(5)	-	-	6
Share-based compensation (Note 7(a))	-	-	312	-	-	312
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	444	592	(592)	-	-	-
Share repurchase commitment under normal course issuer bid (Note 7(f))	(97)	(205)	-	-	27	(178)
<b>Balance, March 31, 2023</b>	<b>92,817</b>	<b>231,564</b>	<b>4,336</b>	<b>(58,704)</b>	<b>7,310</b>	<b>184,506</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, 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	-	-	-	-	10,485	10,485
Other comprehensive loss for the period	-	-	-	(1,716)	-	(1,716)
<b>Total comprehensive income</b>	-	-	-	(1,716)	10,485	8,769
Stock options exercised (Note 7(b))	59	152	(55)	-	-	97
Share-based compensation (Note 7(a))	-	-	271	-	-	271
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	186	149	(149)	-	-	-
<b>Balance, March 31, 2022</b>	<b>92,009</b>	<b>230,706</b>	<b>4,001</b>	<b>(42,591)</b>	<b>(6,292)</b>	<b>185,824</b>

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Condensed consolidated interim statements of cash flows

Three months ended March 31, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended	
	March 31,	
	2023	2022
	(\$'000)	(\$'000)
<b>Operating activities</b>		
Net income for the period	554	10,485
Adjustments to reconcile net income to net cash flows from operating activities		
Depletion and depreciation	8,037	9,196
Share-based compensation (Note 7(a))	336	471
(Gain) loss on disposal of property, plant and equipment	(4)	321
Finance costs (Note 10)	3,605	3,126
(Gain) loss on financial instruments (Note 9)	(36)	3,402
Interest and other income	(301)	(73)
Unrealized foreign exchange (gain) loss	(462)	718
Income tax expense	1,258	3,372
Reclamation expenditures (Note 6)	(64)	(2,737)
Changes in non-cash operating working capital items		
Trade receivables and other assets	(2,153)	16,961
Inventories	1,290	(3,808)
Prepaid expenses	(350)	(1,141)
Trade and other payables	(698)	(672)
Other provisions	(51)	(59)
Cash generated from operations	10,961	39,562
Interest and other income received	301	73
Interest and bank charges paid	(532)	(596)
Income tax paid	(2,855)	(3,542)
Net cash flows from operating activities	7,875	35,497
<b>Investing activities</b>		
Expenditures on property, plant and equipment	(8,624)	(9,472)
Proceeds from sale of marketable securities	77	-
Net cash flows used in investing activities	(8,547)	(9,472)
<b>Financing activities</b>		
Proceeds from borrowings (Note 5)	-	323
Repayments of borrowings	(110)	(3,778)
Lease payments	(466)	(756)
Payment of gold derivative contracts	(2,977)	(1,944)
Purchase of common shares for cancellation	(178)	-
Shares issued for cash	6	97
Net cash flows used in financing activities	(3,725)	(6,058)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	232	(302)
Net (decrease) increase in cash and cash equivalents	(4,165)	19,665
Cash and cash equivalents, beginning of the period	38,377	30,738
<b>Cash and cash equivalents, end of the period</b>	<b>34,212</b>	<b>50,403</b>
Cash and cash equivalents consist of		
Cash	34,212	50,403
	<b>34,212</b>	<b>50,403</b>

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

(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, 2022.

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

##### ***COVID-19 pandemic and Ukraine Conflict***

The COVID-19 pandemic continues to be present in all countries in which the Company operates, with cases being reported in Canada, Australia and Sweden. 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.

### 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, 2022. 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, 2022.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

(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, 2022	240,662	129,933	45,461	416,056
Additions	13,906	17,720	11,280	42,906
Disposals	-	(3,808)	-	(3,808)
Write-down of assets	-	(651)	-	(651)
Reclassification to mining interest	2,946	(1,991)	(689)	266
Sale of subsidiary	-	(107)	(52)	(159)
Foreign exchange	(24,619)	(15,990)	(2,411)	(43,020)
<b>As at December 31, 2022</b>	<b>232,895</b>	<b>125,106</b>	<b>53,589</b>	<b>411,590</b>
Additions	2,762	3,143	3,011	8,916
Reclassification to mining interest	67	-	(67)	-
Foreign exchange	(1,246)	(377)	(134)	(1,757)
<b>As at March 31, 2023</b>	<b>234,478</b>	<b>127,872</b>	<b>56,399</b>	<b>418,749</b>
<b>Accumulated depreciation</b>				
As at January 1, 2022	155,003	67,322	-	222,325
Expense	18,056	15,496	-	33,552
Disposals	-	(2,969)	-	(2,969)
Sale of subsidiary	-	(107)	-	(107)
Foreign exchange	(16,770)	(8,349)	-	(25,119)
<b>As at December 31, 2022</b>	<b>156,289</b>	<b>71,393</b>	<b>-</b>	<b>227,682</b>
Expense	3,796	4,152	-	7,948
Foreign exchange	(937)	(279)	-	(1,216)
<b>As at March 31, 2023</b>	<b>159,148</b>	<b>75,266</b>	<b>-</b>	<b>234,414</b>
<b>Net book value</b>				
As at January 1, 2022	85,659	62,611	45,461	193,731
As at December 31, 2022	76,606	53,713	53,589	183,908
<b>As at March 31, 2023</b>	<b>75,330</b>	<b>52,606</b>	<b>56,399</b>	<b>184,335</b>

### Carrying amount by sites

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at March 31, 2023</b>				
Costerfield	30,882	13,554	17,040	61,476
Björkdal	44,448	39,052	28,527	112,027
La Quebrada	-	-	10,832	10,832
	<b>75,330</b>	<b>52,606</b>	<b>56,399</b>	<b>184,335</b>

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at December 31, 2022</b>				
Costerfield	32,332	14,604	15,240	62,176
Björkdal	44,274	39,109	27,678	111,061
La Quebrada	-	-	10,671	10,671
	<b>76,606</b>	<b>53,713</b>	<b>53,589</b>	<b>183,908</b>



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

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

(Unaudited)

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

For the three months ended March 31, 2023, there was \$91,000 of plant and equipment depreciation capitalized to mining interests (three months ended March 31, 2022 – \$89,000).

As at March 31, 2023, the Company had right-of-use assets of \$3,436,000 (as at December 31, 2022 – \$4,126,000) included in property, plant and equipment, of which \$938,000 is at Costerfield and \$2,498,000 is at Björkdal (as at December 31, 2022 – Costerfield: \$1,168,000 and Björkdal: \$2,958,000).

### 5. Borrowings

	March 31, 2023	December 31, 2022
	(\$'000)	(\$'000)
Revolving Credit Facility	19,473	19,562
Equipment Facilities	455	562
	<u>19,929</u>	<u>20,124</u>
Less: current portion of total borrowings	284	348
Non-current portion of total borrowings	<u>19,645</u>	<u>19,776</u>

#### **Revolving Credit Facility**

As at March 31, 2023, the Company was in compliance with all financial covenants under the Revolving Credit Facility.

The Revolving Credit Facility has an effective interest rate of 8.73%. Nominal interest rate of SOFR as at March 31, 2023 was 4.66% plus 2.85% margin.

As at March 31, 2023, the outstanding principal value was \$20,000,000 for the Revolving Credit Facility.

#### **Gold Derivative Contracts**

On March 17, 2020, Mandalay entered into two separate gold derivative programs with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("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 \$5,275,000 as at March 31, 2023, which specifically includes \$3,019,000 for the Australian dollar forward contract and \$2,256,000 for the US dollar collar contract (see Note 9). The amounts as at March 31, 2023 include a credit adjustment that considers market participant assumptions, taking into account the impact of the Company's credit risk.

During the three months ended March 31, 2023, the Company paid \$2,977,000 as settlement of expired gold derivatives contracts (Three months ended March 31, 2022 – \$1,944,000).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

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

(Unaudited)

### 5. Borrowings (continued)

#### Equipment Facilities

As at March 31, 2023, the Company's Björkdal mine in Sweden had a balance of \$454,000 (December 31, 2022 – \$562,000) for the equipment loan facilities (the "Equipment Facilities") with several Swedish banks to finance mining equipment. The Equipment Facilities bear variable interest at the 90 days Stockholm Interbank Offered Rate ("STIBOR") plus 1.94% - 3.25% 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, 2021	23,140
Expenditure for reclamation	(4,965)
Change in estimated future cash outflows	12,284
Accretion	403
Foreign exchange	(1,719)
<b>Balance at December 31, 2022</b>	<b>29,143</b>
Expenditure for reclamation	(17)
Change in estimated future cash outflows	49
Accretion	110
Foreign exchange	(35)
<b>Balance at March 31, 2023</b>	<b>29,250</b>
Less: current portion	2,091
<b>Total non-current portion</b>	<b>27,159</b>

During the three months ended March 31, 2023, the Company spent \$17,000 (2022 – \$205,000) on reclamation work at the Lupin site in Canada.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

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

### 7. Share capital

As at March 31, 2023, the Company had an unlimited number of authorized common shares without par value and 92,817,011 common shares outstanding (2022 – 92,456,701 common shares). All outstanding common shares are fully paid.

#### (a) Share-based compensation

	Three months ended	
	2023	March 31, 2022
	(\$'000)	(\$'000)
Share-based compensation on options	102	108
Change in fair value for cash election option	1	179
Share unit amortization	233	184
	<b>336</b>	471

#### (b) Stock options

The number of options outstanding as at March 31, 2023 is as follows:

	Number of options	Weighted average exercise price
		C\$
Balance, December 31, 2021	1,874,007	1.58
Granted	295,175	2.65
Exercised	(231,760)	1.36
<b>Balance, December 31, 2022</b>	<b>1,937,422</b>	<b>1.77</b>
Granted	252,688	2.63
Exercised	(13,334)	0.61
<b>Balance, March 31, 2023</b>	<b>2,176,776</b>	<b>1.88</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

(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 March 31, 2023:

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	1.25	6.00	140,000	6.00
199,500	2.25	2.00	199,500	2.00
280,000	3.25	1.10	280,000	1.10
714,666	4.25	0.61	714,666	0.61
294,747	5.25	2.14	196,498	2.14
295,175	6.25	2.65	98,392	2.65
252,688	7.25	2.63	-	-
<b>2,176,776</b>	<b>4.50</b>	<b>1.88</b>	<b>1,629,056</b>	<b>1.64</b>

#### (c) Restricted stock units ("RSUs")

The number of RSUs outstanding as at March 31, 2023 is as follows:

	Number of RSU awards
Balance, December 31, 2021	475,958
Granted	118,337
Redeemed	(240,664)
<b>Balance, December 31, 2022</b>	<b>353,631</b>
Granted	95,425
Redeemed	(88,728)
<b>Balance, March 31, 2023</b>	<b>360,329</b>

For the three months ended March 31, 2023, the Company recorded \$56,000 (three months ended March 31, 2022 – \$62,000) as a share-based compensation expense relating to RSUs.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

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

### 7. Share capital (continued)

#### (d) Performance stock units ("PSUs")

The number of PSUs outstanding as at March 31, 2023 is as follows:

	Number of PSU awards
Balance, December 31, 2021	296,049
Granted	236,673
Redeemed	(98,683)
<b>Balance, December 31, 2022</b>	<b>434,039</b>
Granted	190,850
Redeemed	(177,574)
<b>Balance, March 31, 2023</b>	<b>447,315</b>

For the three months ended March 31, 2023, the Company recorded \$93,000 (three months ended March 31, 2022 – \$87,000) as a share-based compensation expense relating to PSUs. While 117,574 PSUs (three months ended March 31, 2022 – 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) Deferred stock units ("DSUs")

The number of DSUs outstanding as at March 31, 2023 is as follows:

	Number of DSU awards
Balance, December 31, 2021	150,148
Granted	136,044
Redeemed	(23,364)
<b>Balance, December 31, 2022</b>	<b>262,828</b>
Granted	159,999
<b>Balance, March 31, 2023</b>	<b>422,827</b>

For the three months ended March 31, 2023, the Company recorded \$50,000 (three months ended March 31, 2022 – \$34,000) as a share-based compensation expense relating to DSUs.

#### (f) Normal Course Issuer Bid

As on January 16, 2023, the Toronto Stock Exchange (the "TSX") has approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of the Company's common share. The NCIB will be made in accordance with the requirements of the TSX.

The following table summarizes the NCIB transactions during the three months ended March 31, 2023. Purchases will be made at the discretion of the Company and the shares acquired under the NCIB will be cancelled upon purchase.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

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

### 7. Share capital (continued)

(f) Normal Course Issuer Bid ("NCIB") (continued)

	Number of shares repurchased	Average price of repurchase	Cost of repurchase
		C\$	C\$
Three months ended March 31, 2023			
2023 NCIB	96,900	2.48	240,576
	96,900		240,576

	Life of plan		Maximum number of securities to be purchased over life of plan	Maximum number of securities to be purchased on a daily basis
	From	To		
2023 NCIB	January 18, 2023	January 17, 2024	4,622,835 common shares	6,723 common shares

### 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 March 31	Costerfield		Björkdal		Total	
	2023	2022	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>						
Australia	22,808	30,092	-	-	22,808	30,092
Sweden	-	-	17,657	22,506	17,657	22,506
<b>Revenue from contracts with customers</b>	<b>22,808</b>	<b>30,092</b>	<b>17,657</b>	<b>22,506</b>	<b>40,465</b>	<b>52,598</b>
Provisional pricing adjustments	468	351	1,246	1,205	1,714	1,556
<b>Total revenue from mining operations</b>	<b>23,276</b>	<b>30,443</b>	<b>18,903</b>	<b>23,711</b>	<b>42,179</b>	<b>54,154</b>
<b>Commodities</b>						
Gold	15,770	22,848	17,657	22,506	33,427	45,354
Antimony	7,038	7,244	-	-	7,038	7,244
<b>Revenue from contracts with customers</b>	<b>22,808</b>	<b>30,092</b>	<b>17,657</b>	<b>22,506</b>	<b>40,465</b>	<b>52,598</b>
Provisional pricing adjustments	468	351	1,246	1,205	1,714	1,556
<b>Total revenue from mining operations</b>	<b>23,276</b>	<b>30,443</b>	<b>18,903</b>	<b>23,711</b>	<b>42,179</b>	<b>54,154</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

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

(Unaudited)

### 9. Financial instruments

The Company has recognized a gain on financial instruments of \$36,000 for the three months ended March 31, 2023 (2022 – loss of \$3,402,000). Details of these are given below:

#### (a) Gold derivative contracts

The Company has recorded an unrealized fair value gain of \$464,000 for the three months ended March 31, 2023 (2022 – loss of \$4,300,000). The amounts as at March 31, 2023 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

For the three months ended March 31, 2023, the Company sold 400,500 of its Aftermath Silver Ltd. shares at average price of C\$0.27 per share (2022 – Nil). The value of these securities as at March 31, 2023 is \$1,269,000 (2022 – \$1,173,000).

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 gain of \$169,000 for the three months ended March 31, 2023, using Level 1 assumptions (for the three months ended March 31, 2022 – loss of \$22,000).

The value of Equus Mining Ltd. ("Equus") securities as at March 31, 2023 is \$984,000 (2022 – \$1,576,000). 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 \$597,000 for the three months ended March 31, 2023, using Level 1 assumptions (for the three months ended March 31, 2022 – gain of \$920,000).

### 10. Finance costs

The finance costs for the three months ended March 31, 2023, and 2022 consist of the following:

	Three months ended	
	March 31,	
	2023	2022
	(\$'000)	(\$'000)
<b>Loan Facility</b>		
Interest on Revolver Credit Facility	450	-
Realised loss on gold derivative contracts	2,991	2,320
Interest on Syndicated Facility	-	724
<b>Other</b>		
Interest on other borrowings and other charges	54	69
Accretion of reclamation and site closure costs	110	13
	<b>3,605</b>	<b>3,126</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

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

(Unaudited)

### 11. Net income per share

For the three months ended March 31, 2023, the weighted average number of common shares of calculating diluted income per share is shown in the table below:

	Three months ended	
	March 31,	
	2023	2022
	(\$'000)	(\$'000)
<b>Net income for the period</b>	<b>554</b>	10,485
Basic weighted average number of shares outstanding	<b>92,561</b>	91,816
Effect of dilutive securities:		
Stock options	<b>790</b>	999
RSU	<b>360</b>	518
PSU	<b>447</b>	489
DSU	<b>423</b>	263
<b>Diluted weighted average number of shares outstanding</b>	<b>94,581</b>	94,085

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

	Three months ended	
	March 31,	
	2023	2022
	('000)	('000)
<b>Anti-dilutive securities</b>		
Stock options	<b>688</b>	140



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2023 and December 31, 2022

(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 March 31, 2023				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	23,276	18,903	-	-	42,179
Cost of sales, excluding depletion and depreciation	(11,757)	(14,849)	-	-	(26,606)
Depletion and depreciation	(3,238)	(4,799)	-	-	(8,037)
Income (loss) from mining operations	8,281	(745)	-	-	7,536
Other operating expenses	(1,623)	(1,225)	(61)	(51)	(2,960)
Other expenses, except for fair value adjustment	(629)	(1,880)	(158)	(133)	(2,800)
Gain (loss) on financial instruments	(82)	546	-	(428)	36
Income (loss) before income taxes	5,947	(3,304)	(219)	(612)	1,812
Current tax expense	(2,930)	-	-	-	(2,930)
Deferred tax recovery	1,051	621	-	-	1,672
<b>Net income (loss) for the period</b>	<b>4,068</b>	<b>(2,683)</b>	<b>(219)</b>	<b>(612)</b>	<b>554</b>
Net income per share					
Basic					\$0.01
Diluted					\$0.01
Cash expenditure for property, plant and equipment	3,524	5,033	67	-	8,624
Total non-current assets as at March 31, 2023	64,354	116,572	11,009	8,479	200,414
Total assets as at March 31, 2023	113,237	138,844	11,061	16,271	279,413
Total liabilities as at March 31, 2023	31,094	24,463	-	39,350	94,907

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

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

(Unaudited)

### 12. Segmented information (continued)

	Three Months ended on March 31, 2022				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	30,443	23,711	-	-	54,154
Cost of sales, excluding depletion and depreciation	(7,443)	(14,273)	-	-	(21,716)
Depletion and depreciation	(3,957)	(5,239)	-	-	(9,196)
Income from mining operations	19,043	4,199	-	-	23,242
Other operating expenses	(1,179)	(654)	(64)	(28)	(1,925)
Other income (expenses), except for fair value adjustment	(2,877)	(3,068)	(189)	2,076	(4,058)
Loss (gain) on financial instruments	(1,818)	(2,481)	-	897	(3,402)
Income (loss) before income taxes	13,169	(2,004)	(253)	2,945	13,857
Current tax expense	(3,875)	(222)	-	-	(4,097)
Deferred tax recovery	63	662	-	-	725
<b>Net income (loss) for the period</b>	<b>9,357</b>	<b>(1,564)</b>	<b>(253)</b>	<b>2,945</b>	<b>10,485</b>
Net income per share					
Basic					\$0.11
Diluted					\$0.11
Cash expenditure for property, plant and equipment	4,244	4,948	280	-	9,472
Total non-current assets as at March 31, 2022	66,939	123,828	10,944	550	202,261
Total assets as at March 31, 2022	141,468	152,064	12,125	18,943	324,600
Total liabilities as at March 31, 2022	46,909	36,846	596	54,425	138,776

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2023 and December 31, 2022

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

(Unaudited)

### 12. Segmented information (continued)

For the three months ended March 31, 2023, the Company had five customers from whom it earned more than 10% of its total revenue (2022 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended	
	2023	2022
	(\$'000)	(\$'000)
Costerfield (gold and antimony)		
Customer 1	4,917	13,757
Customer 2	10,240	16,363
Customer 3	5,932	-
	21,089	30,120
Björkdal (gold)		
Customer 4	14,714	18,088
Customer 5	4,189	5,623
	18,903	23,711
	39,992	53,831

### 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 March 31, 2023, 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.