

Condensed consolidated interim financial statements of

Mandalay Resources Corporation

June 30, 2023
(Unaudited)

Mandalay Resources Corporation

June 30, 2023

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Mandalay Resources Corporation

Condensed consolidated interim statements of income and comprehensive loss Three and six months ended June 30, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue (Note 8)	39,670	50,116	81,849	104,270
Cost of operations				
Cost of sales, excluding depletion and depreciation	29,236	28,526	55,842	50,242
Depletion and depreciation	7,762	7,696	15,799	16,892
	36,998	36,222	71,641	67,134
Income from mining operations	2,672	13,894	10,208	37,136
Expenses				
Administration	1,544	1,261	4,172	2,394
Share-based compensation (Note 7(a))	311	294	647	765
(Gain) loss on disposal of property, plant and equipment	(3)	(3)	(7)	318
Write-down of assets	494	-	494	-
Revision of reclamation liability	-	7,092	-	7,092
	2,346	8,644	5,306	10,569
Income from operations	326	5,250	4,902	26,567
Other expense (income)				
Finance costs (Note 10)	5,377	3,531	8,982	6,657
Gain on financial instruments (Note 9)	(4,247)	(4,425)	(4,283)	(1,023)
Interest and other income	(509)	(137)	(810)	(210)
Foreign exchange gain	(604)	(2,624)	(1,108)	(1,619)
	17	(3,655)	2,781	3,805
Income before income taxes	309	8,905	2,121	22,762
Income tax (recovery) expense				
Current	(618)	5,343	2,312	9,440
Deferred	403	859	(1,269)	134
Income tax (recovery) expense	(215)	6,202	1,043	9,574
Net income for the period	524	2,703	1,078	13,188
Other comprehensive loss, net of tax Item that may subsequently be reclassified to net income				
Foreign currency translation	(4,932)	(14,323)	(5,274)	(16,039)
Comprehensive loss for the period	(4,408)	(11,620)	(4,196)	(2,851)
Net income per share				
Basic	0.01	0.03	0.01	0.14
Diluted	0.01	0.03	0.01	0.14
Weighted average number of common shares outstanding (Note 11)				
Basic ('000)	92,905	92,188	92,734	92,003
Diluted ('000)	95,089	94,423	94,980	94,175

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)

	June 30, 2023	December 31, 2022
	(\$'000)	(\$'000)
Assets		
Current assets		
Cash and cash equivalents	32,766	38,377
Reclamation deposits	-	2,035
Trade receivables and other assets	12,531	13,211
Marketable securities	1,908	2,749
Inventories	20,918	26,704
Prepaid expenses	1,215	1,209
	69,338	84,285
Non-current assets		
Reclamation and other deposits	15,719	13,672
Trade receivables and other assets	358	359
Property, plant and equipment, net (Note 4)	185,909	183,908
	201,986	197,939
	271,324	282,224
Liabilities		
Current liabilities		
Trade and other payables	22,919	20,815
Borrowings (Note 5)	410	348
Lease liabilities	2,134	1,391
Reclamation and site closure costs provision (Note 6)	6,433	2,035
Other provisions	3,252	3,370
Income taxes payable	-	3,526
Financial instruments (Note 5)	702	5,740
	35,850	37,225
Non-current liabilities		
Borrowings (Note 5)	19,937	19,776
Lease liabilities	2,098	2,504
Reclamation and site closure costs provision (Note 6)	23,156	27,108
Other provisions	139	256
Deferred tax liability	9,821	11,201
	55,151	60,845
	91,001	98,070
Equity		
Share capital (Note 7)	231,519	231,166
Share option reserve (Note 7)	4,573	4,621
Foreign currency translation reserve	(63,636)	(58,362)
Retained earnings	7,867	6,729
	180,323	184,154
	271,324	282,224

Approved by the Board of Directors and authorized for issuance on August 9, 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 and six months ended June 30, 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)
Balance, December 31, 2022	92,457	231,166	4,621	(58,362)	6,729	184,154
Net income for the period	-	-	-	-	1,078	1,078
Other comprehensive loss for the period	-	-	-	(5,274)	-	(5,274)
Total comprehensive income (loss)	-	-	-	(5,274)	1,078	(4,196)
Stock options exercised (Note 7(b))	13	11	(5)	-	-	6
Share-based compensation (Note 7(a))	-	-	619	-	-	619
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	581	662	(662)	-	-	-
Share repurchase commitment under normal course issuer bid (Note 7(f))	(167)	(320)	-	-	60	(260)
Balance, June 30, 2023	92,884	231,519	4,573	(63,636)	7,867	180,323

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance, December 31, 2021	91,764	230,405	3,934	(40,875)	(16,777)	176,687
Net income for the period	-	-	-	-	13,188	13,188
Other comprehensive loss for the period	-	-	-	(16,039)	-	(16,039)
Total comprehensive income (loss)	-	-	-	(16,039)	13,188	(2,851)
Stock options exercised (Note 7(b))	156	287	(106)	-	-	181
Share-based compensation (Note 7(a))	-	-	593	-	-	593
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	314	233	(233)	-	-	-
Balance, June 30, 2022	92,234	230,925	4,188	(56,914)	(3,589)	174,610

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows

Three and six months ended June 30, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Operating activities				
Net income for the period	524	2,703	1,078	13,188
Adjustments to reconcile net income to net cash flows from operating activities				
Depletion and depreciation	7,762	7,696	15,799	16,892
Share-based compensation (Note 7(a))	311	294	647	765
(Gain) loss on disposal of property, plant and equipment	(3)	(3)	(7)	318
Finance costs (Note 10)	5,377	3,531	8,982	6,657
Gain on financial instruments (Note 9)	(4,247)	(4,425)	(4,283)	(1,023)
Interest and other income	(509)	(137)	(810)	(210)
Unrealized foreign exchange gain	(752)	(2,184)	(1,214)	(1,465)
Income tax (recovery) expense	(215)	6,202	1,043	9,574
Reclamation expenditures (Note 6)	(1)	(2,528)	(65)	(5,265)
Revision of reclamation liability	-	7,092	-	7,092
Write-down of assets	494	-	494	-
Changes in non-cash operating working capital items				
Trade receivables and other assets	2,482	(3,542)	329	13,418
Inventories	4,347	3,432	5,637	(376)
Prepaid expenses	375	572	25	(568)
Trade and other payables	3,396	1,964	2,698	1,292
Other provisions	(111)	(52)	(162)	(111)
Cash generated from operations	19,230	20,615	30,191	60,178
Interest and other income received	509	137	810	210
Interest and bank charges paid	(460)	(653)	(992)	(1,249)
Income tax paid	(3,118)	(3,977)	(5,973)	(7,519)
Net cash flows from operating activities	16,161	16,122	24,036	51,620
Investing activities				
Expenditures on property, plant and equipment	(12,805)	(10,451)	(21,429)	(19,923)
Proceeds from sale of marketable securities	44	-	121	-
Net cash flows used in investing activities	(12,761)	(10,451)	(21,308)	(19,923)
Financing activities				
Proceeds from borrowings	556	44	589	367
Repayments of borrowings	(160)	(3,778)	(270)	(7,556)
Lease payments	(451)	(685)	(950)	(1,441)
Payment of gold derivative contracts	(4,448)	(2,898)	(7,425)	(4,842)
Purchase of common shares for cancellation	(115)	-	(293)	-
Shares issued for cash	-	84	6	181
Net cash flows used in financing activities	(4,618)	(7,233)	(8,343)	(13,291)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(228)	(893)	4	(1,196)
Net (decrease) increase in cash and cash equivalents	(1,446)	(2,455)	(5,611)	17,210
Cash and cash equivalents, beginning of the period	34,212	50,403	38,377	30,738
Cash and cash equivalents, end of the period	32,766	47,948	32,766	47,948
Cash and cash equivalents consist of				
Cash	32,766	47,948	32,766	47,948
	32,766	47,948	32,766	47,948

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 2023 and December 31, 2022

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

(Unaudited)

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

Ukraine conflict

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 and new accounting standards issued but not effective

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.

Certain pronouncements have been issued by the International Accounting Standards Board ("IASB") that are mandatory for accounting periods after June 30, 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) effective for annual periods beginning on or after January 1, 2024.
- International Tax Reform – Pillar Two Model Rules. Amendments to IAS 12 Income Taxes were issued to give entities temporary mandatory relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's international tax reform.

The Company is currently in the process of assessing the impact of changes to the accounting pronouncements. The Company does not intend to early adopt these standards.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 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)
Cost				
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)
As at December 31, 2022	232,895	125,106	53,589	411,590
Additions	6,228	10,402	6,531	23,161
Disposals	-	(64)	-	(64)
Write-down of assets	-	-	(494)	(494)
Reclassification to mining interest	69	-	(69)	-
Foreign exchange	(6,649)	(4,106)	(825)	(11,580)
As at June 30, 2023	232,543	131,338	58,732	422,613
Accumulated depreciation				
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)
As at December 31, 2022	156,289	71,393	-	227,682
Expense	7,765	8,275	-	16,040
Disposals	-	(64)	-	(64)
Foreign exchange	(4,542)	(2,412)	-	(6,954)
As at June 30, 2023	159,512	77,192	-	236,704
Net book value				
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
As at June 30, 2023	73,031	54,146	58,732	185,909

Carrying amount by sites

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
As at June 30, 2023				
Costerfield	30,014	13,246	18,426	61,686
Björkdal	43,017	40,900	29,504	113,421
La Quebrada	-	-	10,802	10,802
	73,031	54,146	58,732	185,909

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

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 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 June 30, 2023, there was \$328,000 of plant and equipment depreciation capitalized to mining interests (three months ended June 30, 2022 – \$58,000).

As at June 30, 2023, the Company had right-of-use assets of \$4,134,000 (as at December 31, 2022 – \$4,126,000) included in property, plant and equipment, of which \$723,000 is at Costerfield and \$3,411,000 is at Björkdal (as at December 31, 2022 – Costerfield: \$1,168,000 and Björkdal: \$2,958,000).

5. Borrowings

	June 30, 2023	December 31, 2022
	(\$'000)	(\$'000)
Revolving Credit Facility	19,523	19,562
Equipment Facilities	824	562
	20,347	20,124
Less: current portion of total borrowings	410	348
Non-current portion of total borrowings	19,937	19,776

Revolving Credit Facility

On December 1, 2022, the Company entered into a credit agreement with the Bank of Nova Scotia (“Scotia”), providing for a senior secured Revolving Credit Facility in an aggregated amount up to \$35,000,000 (the “Revolving Credit Facility”). As at June 30, 2023, the Company was in compliance with all financial covenants under the Revolving Credit Facility.

The Revolving Credit Facility has an effective annual interest rate of 9.22%. The nominal interest rate of SOFR as at June 30, 2023 was 5.17% plus 2.85% margin.

As at June 30, 2023, the outstanding principal value was \$20,000,000 for the Revolving Credit Facility.

Gold Derivative Contracts

On March 17, 2020, Mandalay entered into a Syndicated Facility with HSBC Bank Canada (“HSBC”) and Macquarie Bank Limited (“Macquarie”) for \$65,000,000. As part of this facility, the Company entered into two separate gold derivative programs with 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 US dollar collar contracts with HSBC were completed and settled as on June 30, 2023 hence there were no contracts open as on June 30, 2023. The outstanding underlying contract with Macquarie had a fair value liability of \$702,000 as at June 30, 2023 for the Australian dollar forward contract (see Note 9), however this was settled on July 4, 2023. The amounts as at June 30, 2023 include a credit adjustment that considers market participant assumptions, taking into account the impact of the Company’s credit risk.

During the three and six months ended June 30, 2023, the Company paid \$4,448,000 and \$7,425,000 as settlement of expired gold derivatives contracts (Three and six months ended June 30, 2022 – \$2,898,000 and \$4,842,000 respectively).

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 2023 and December 31, 2022

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

(Unaudited)

5. Borrowings (continued)

Equipment Facilities

As at June 30, 2023, the Company's Björkdal mine in Sweden had a balance of \$824,000 (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 2.39% - 5.97% per annum and are repayable in monthly instalments plus interest and are due to be repaid by June 30, 2027. 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)
Balance at December 31, 2022	29,143
Expenditure for reclamation	(16)
Change in estimated future cash outflows	48
Accretion	366
Foreign exchange	48
Balance at June 30, 2023	29,589
Less: current portion	6,433
Total non-current portion	23,156

During the three and six months ended June 30, 2023, the Company has incurred reclamation expenditure for \$1,000 (2022 – \$3,297,000) and \$16,000 (2022 – \$3,501,000) respectively, on reclamation work at the Lupin site in Canada.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 2023 and December 31, 2022

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

(Unaudited)

7. Share capital

As at June 30, 2023, the Company had an unlimited number of authorized common shares without par value and 92,883,925 common shares outstanding (2022 – 92,456,701 common shares). All outstanding common shares are fully paid.

(a) Share-based compensation

	Three months ended		Six months ended	
	2023	June 30, 2022	2023	June 30, 2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share-based compensation on options	107	107	209	215
Change in fair value for cash election option	(22)	(49)	(18)	129
Share unit amortization	226	236	456	421
	311	294	647	765

(b) Stock options

The number of options outstanding as at June 30, 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
Balance, December 31, 2022	1,937,422	1.77
Granted	340,731	2.58
Exercised	(13,334)	0.61
Balance, June 30, 2023	2,264,819	1.90

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 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 June 30, 2023:

	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	1.00	6.00	140,000	6.00
	199,500	2.00	2.00	199,500	2.00
	280,000	3.00	1.10	280,000	1.10
	714,666	4.00	0.61	714,666	0.61
	294,747	5.00	2.14	196,498	2.14
	295,175	6.00	2.65	98,392	2.65
	252,688	7.00	2.63	-	-
	88,043	7.00	2.43	-	-
	2,264,819	4.36	1.90	1,629,056	1.64

(c) Restricted stock units ("RSUs")

The number of RSUs outstanding as at June 30, 2023 is as follows:

	Number of RSU awards
Balance, December 31, 2021	475,958
Granted	118,337
Redeemed	(240,664)
Balance, December 31, 2022	353,631
Granted	153,752
Redeemed	(225,343)
Balance, June 30, 2023	282,040

For the three and six months ended June 30, 2023, the Company recorded \$60,000 (2022 – \$61,000) and \$116,000 (2022 – \$124,000) as a share-based compensation expense relating to RSUs.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements

as at June 30, 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 June 30, 2023 is as follows:

	Number of PSU awards
Balance, December 31, 2021	296,049
Granted	236,673
Redeemed	(98,683)
Balance, December 31, 2022	434,039
Granted	532,503
Redeemed	(177,574)
Balance, June 30, 2023	788,968

For the three and six months ended June 30, 2023, the Company recorded \$101,000 (2022 – \$130,000) and \$226,000 (2022 – \$217,000) respectively, as a share-based compensation expense relating to PSUs. While 177,574 PSUs (Six months ended June 30, 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 June 30, 2023 is as follows:

	Number of DSU awards
Balance, December 31, 2021	150,148
Granted	136,044
Redeemed	(23,364)
Balance, December 31, 2022	262,828
Granted	159,999
Balance, June 30, 2023	422,827

For the three and six months ended June 30, 2023, the Company recorded \$65,000 (2022 – \$45,000) and \$115,000 (2022 – \$79,000) respectively, 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 and six months ended June 30, 2023. Purchases will be made at the discretion of the Company and the shares acquired under the NCIB will be cancelled upon purchase.

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(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 June 30, 2023			
2023 NCIB	69,700	2.22	154,857
	69,700		154,857
Six months ended June 30, 2023			
2023 NCIB	166,600	2.37	395,433
	166,600		395,433

	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 June 30	Costerfield		Björkdal		Total	
	2023	2022	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	20,463	32,851	-	-	20,463	32,851
Sweden	-	-	18,372	16,464	18,372	16,464
Revenue from contracts with customers	20,463	32,851	18,372	16,464	38,835	49,315
Provisional pricing adjustments	81	(445)	754	1,246	835	801
Total revenue from mining operations	20,544	32,406	19,126	17,710	39,670	50,116
Commodities						
Gold	14,668	22,654	18,372	16,464	33,040	39,118
Antimony	5,795	10,197	-	-	5,795	10,197
Revenue from contracts with customers	20,463	32,851	18,372	16,464	38,835	49,315
Provisional pricing adjustments	81	(445)	754	1,246	835	801
Total revenue from mining operations	20,544	32,406	19,126	17,710	39,670	50,116

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(Unaudited)

8. Revenue (continued)

Six month ended June 30	Costerfield		Björkdal		Total	
	2023	2022	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	43,271	62,944	-	-	43,271	62,944
Sweden	-	-	36,029	38,971	36,029	38,971
Revenue from contracts with customers	43,271	62,944	36,029	38,971	79,300	101,915
Provisional pricing adjustments	549	(96)	2,000	2,451	2,549	2,355
Total revenue from mining operations	43,820	62,848	38,029	41,422	81,849	104,270
Commodities						
Gold	30,438	45,503	36,029	38,971	66,467	84,474
Antimony	12,833	17,441	-	-	12,833	17,441
Revenue from contracts with customers	43,271	62,944	36,029	38,971	79,300	101,915
Provisional pricing adjustments	549	(96)	2,000	2,451	2,549	2,355
Total revenue from mining operations	43,820	62,848	38,029	41,422	81,849	104,270

9. Financial instruments

The Company has recognized a net change in liabilities related to financial instruments of \$4,247,000 and \$4,283,000 respectively, for the three and six months ended June 30, 2023 (2022 – gain of \$4,425,000 and \$1,023,000). Details of these are given below:

(a) Gold derivative contracts

The US dollar collar contracts with HSBC were completed and settled as on June 30, 2023 hence there were no contracts open as on June 30, 2023. The outstanding underlying contract with Macquarie had a fair value liability of \$702,000 as at June 30, 2023 for the Australian dollar forward contract, however this was settled on July 4, 2023. The amounts as at June 30, 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 and six months ended June 30, 2023, the Company sold 377,548 and 778,048 of its Aftermath Silver Ltd. shares at average price of C\$0.23 per share and C\$0.24 per share respectively (2022 – Nil). The value of these securities as at June 30, 2023 is \$929,000 (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 loss of \$299,000 and \$130,000 respectively for the three and six months ended June 30, 2023, using Level 1 assumptions (2022 – loss of \$162,000 and \$184,000).

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(Unaudited)

9. Financial instruments (continued)

(b) Marketable securities – assets (continued)

The value of Equus Mining Ltd. (“Equus”) securities as at June 30, 2023 is \$979,000 (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 \$26,000 and \$624,000 for the three and six months ended June 30, 2023, using Level 1 assumptions (2022 – loss of \$1,829,000 and \$909,000).

10. Finance costs

The finance costs for the three and six months ended June 30, 2023, and 2022 consist of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Loan Facility				
Interest on Revolver Credit Facility	448	-	898	-
Settlement of gold derivative contracts	4,610	2,704	7,601	5,024
Interest on Syndicated Facility	-	681	-	1,405
Other				
Interest on other borrowings and other charges	63	94	117	163
Accretion of reclamation and site closure costs	256	52	366	65
	5,377	3,531	8,982	6,657

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(Unaudited)

11. Net income per share

For the three and six months ended June 30, 2023, the weighted average number of common shares of calculating diluted income per share is shown in the table below:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	('000)	('000)
Net income for the period	524	2,703	1,078	13,188
Basic weighted average number of shares outstanding	92,905	92,188	92,734	92,003
Effect of dilutive securities:				
Stock options	690	1,093	752	1,030
RSU	282	390	282	390
PSU	789	489	789	489
DSU	423	263	423	263
Diluted weighted average number of shares outstanding	95,089	94,423	94,980	94,175

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		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	('000)	('000)	('000)	('000)
Anti-dilutive securities				
Stock options	776	140	776	140

Mandalay Resources Corporation

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(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 June 30, 2023				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	20,544	19,126	-	-	39,670
Cost of sales, excluding depletion and depreciation	(15,476)	(13,760)	-	-	(29,236)
Depletion and depreciation	(3,037)	(4,725)	-	-	(7,762)
Income from mining operations	2,031	641	-	-	2,672
Other operating expenses	(564)	(632)	(25)	(631)	(1,852)
Write-off of assets	(494)	-	-	-	(494)
Other income (expenses), except for fair value adjustment	(1,945)	(5,952)	(148)	3,781	(4,264)
Gain (loss) on financial instruments	2,316	2,257	-	(326)	4,247
Income (loss) before income taxes	1,344	(3,686)	(173)	2,824	309
Current tax recovery	618	-	-	-	618
Deferred tax recovery (expense)	(1,143)	740	-	-	(403)
Net income (loss) for the period	819	(2,946)	(173)	2,824	524
Net income per share					
Basic					\$0.01
Diluted					\$0.01
Cash expenditure for property, plant and equipment	4,040	8,765	-	-	12,805
Total non-current assets as at June 30, 2023	64,542	117,805	11,009	8,630	201,986
Total assets as at June 30, 2023	104,803	139,557	11,078	15,886	271,324
Total liabilities as at June 30, 2023	25,763	24,836	-	40,402	91,001

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

(Unaudited)

12. Segmented information (continued)

	Three Months ended on June 30, 2022				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	32,406	17,710	-	-	50,116
Cost of sales, excluding depletion and depreciation	(13,186)	(15,340)	-	-	(28,526)
Depletion and depreciation	(3,308)	(4,388)	-	-	(7,696)
Income (loss) from mining operations	15,912	(2,018)	-	-	13,894
Other operating expenses	(879)	(527)	(78)	(68)	(1,552)
Revision of reclamation liability	-	-	-	(7,092)	(7,092)
Other income (expenses), except for fair value adjustment	5,809	(5,902)	(151)	(526)	(770)
Gain (loss) on financial instruments	962	5,453	-	(1,990)	4,425
Income (loss) before income taxes	21,804	(2,994)	(229)	(9,676)	8,905
Current tax recovery (expense)	(5,553)	210	-	-	(5,343)
Deferred tax recovery (expense)	(1,296)	437	-	-	(859)
Net income (loss) for the period	14,955	(2,347)	(229)	(9,676)	2,703
Net income per share					
Basic					\$0.03
Diluted					\$0.03
Cash expenditure for property, plant and equipment	4,595	5,824	32	-	10,451
Total non-current assets as at June 30, 2022	63,074	116,827	10,942	3,019	193,862
Total assets as at June 30, 2022	134,469	138,475	12,159	21,035	306,138
Total liabilities as at June 30, 2022	45,026	29,474	613	56,415	131,528

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(Unaudited)

12. Segmented information (continued)

	Six months ended June 30, 2023				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	43,820	38,029	-	-	81,849
Cost of sales, excluding depletion and depreciation	(27,234)	(28,608)	-	-	(55,842)
Depletion and depreciation	(6,274)	(9,525)	-	-	(15,799)
Income (loss) from mining operations	10,312	(104)	-	-	10,208
Other operating expenses	(2,187)	(1,857)	(86)	(682)	(4,812)
Write-off of assets	(494)	-	-	-	(494)
Other income (expenses), except for fair value adjustment	(2,574)	(7,832)	(306)	3,648	(7,064)
Gain (loss) on financial instruments	2,234	2,803	-	(754)	4,283
Income (loss) before income taxes	7,291	(6,990)	(392)	2,212	2,121
Current tax expense	(2,312)	-	-	-	(2,312)
Deferred tax recovery (expense)	(91)	1,360	-	-	1,269
Net income (loss) for the period	4,888	(5,630)	(392)	2,212	1,078
Net income per share					
Basic					\$0.01
Diluted					\$0.01
Cash expenditure for property, plant and equipment	7,565	13,798	66	-	21,429
Total non-current assets as at June 30, 2023	64,542	117,805	11,009	8,630	201,986
Total assets as at June 30, 2023	104,803	139,557	11,078	15,886	271,324
Total liabilities as at June 30, 2023	25,763	24,836	-	40,402	91,001

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(Unaudited)

12. Segmented information (continued)

	Six months ended June 30, 2022				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	62,848	41,422	-	-	104,270
Cost of sales, excluding depletion and depreciation	(20,629)	(29,613)	-	-	(50,242)
Depletion and depreciation	(7,265)	(9,627)	-	-	(16,892)
Income from mining operations	34,954	2,182	-	-	37,136
Other operating expenses	(2,056)	(1,182)	(142)	(97)	(3,477)
Revision of reclamation liability	-	-	-	(7,092)	(7,092)
Other income (expenses), except for fair value adjustment	2,932	(8,970)	(340)	1,550	(4,828)
Gain (loss) on financial instruments	(856)	2,972	-	(1,093)	1,023
Income (loss) before income taxes	34,974	(4,998)	(482)	(6,732)	22,762
Current tax expense	(9,429)	(11)	-	-	(9,440)
Deferred tax recovery (expense)	(1,232)	1,098	-	-	(134)
Net income (loss) for the period	24,313	(3,911)	(482)	(6,732)	13,188
Net income per share					
Basic					\$0.14
Diluted					\$0.14
Cash expenditure for property, plant and equipment	8,839	10,772	312	-	19,923
Total non-current assets as at June 30, 2022	63,074	116,827	10,942	3,019	193,862
Total assets as at June 30, 2022	134,469	138,475	12,159	21,035	306,138
Total liabilities as at June 30, 2022	45,026	29,474	613	56,415	131,528

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(Unaudited)

12. Segmented information (continued)

For the three and six months ended June 30, 2023, the Company had five customers from whom it earned more than 10% of its total revenue (2022 – five customers).

Revenue from these customers is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	6,392	11,503	11,308	25,260
Customer 2	9,484	13,770	19,724	30,133
Customer 3	2,698	3,985	8,630	3,985
	18,574	29,258	39,662	59,378
Björkdal (gold)				
Customer 4	15,390	14,401	30,104	32,491
Customer 5	3,736	3,309	7,925	8,931
	19,126	17,710	38,029	41,422
	37,700	46,968	77,691	100,800

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 June 30, 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.