

Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2023
(Unaudited)

Mandalay Resources Corporation

September 30, 2023

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Mandalay Resources Corporation

Condensed consolidated interim statements of income and comprehensive income (loss) Three and nine months ended September 30, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023 (\$'000)	2022 (\$'000)	2023 (\$'000)	2022 (\$'000)
Revenue (Note 8)	40,907	46,048	122,756	150,318
Cost of operations				
Cost of sales, excluding depletion and depreciation	24,245	24,690	80,087	74,932
Depletion and depreciation	8,425	8,775	24,224	25,667
	32,670	33,465	104,311	100,599
Income from mining operations	8,237	12,583	18,445	49,719
Expenses				
Administration	1,240	1,950	5,412	4,344
Share-based compensation (Note 7(a))	414	209	1,061	974
(Gain) loss on disposal of property, plant and equipment	(125)	(16)	(132)	302
Write-down of assets	24	-	518	-
Revision of reclamation liability	-	-	-	7,092
	1,553	2,143	6,859	12,712
Income from operations	6,684	10,440	11,586	37,007
Other expense (income)				
Finance costs (Note 10)	1,418	2,305	10,400	8,962
Gain on financial instruments (Note 9)	(438)	(4,935)	(4,721)	(5,958)
Interest and other income	(367)	(258)	(1,177)	(468)
Foreign exchange loss (gain)	201	539	(907)	(1,080)
Gain on sale of subsidiary	-	(1,828)	-	(1,828)
	814	(4,177)	3,595	(372)
Income before income taxes	5,870	14,617	7,991	37,379
Income tax (recovery) expense				
Current	(808)	3,309	1,504	12,749
Deferred	2,610	2,033	1,341	2,167
Income tax expense	1,802	5,342	2,845	14,916
Net income for the period	4,068	9,275	5,146	22,463
Other comprehensive loss, net of tax				
Item that may subsequently be reclassified to net income				
Foreign currency translation	(2,863)	(10,873)	(8,137)	(26,912)
Comprehensive income (loss) for the period	1,205	(1,598)	(2,991)	(4,449)
Net income per share				
Basic	0.04	0.10	0.06	0.24
Diluted	0.04	0.10	0.05	0.24
Weighted average number of common shares outstanding (Note 11)				
Basic ('000)	92,884	92,242	92,784	92,084
Diluted ('000)	94,962	94,099	94,979	94,200

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)

	September 30, 2023	December 31, 2022
	(\$'000)	(\$'000)
Assets		
Current assets		
Cash and cash equivalents	21,746	38,377
Trade receivables and other assets	24,080	13,211
Marketable securities	1,497	2,749
Inventories	20,787	26,704
Prepaid expenses	2,253	1,209
Reclamation deposits	-	2,035
	70,363	84,285
Non-current assets		
Reclamation and other deposits	18,805	13,672
Trade receivables and other assets	358	359
Property, plant and equipment, net (Note 4)	184,022	183,908
	203,185	197,939
	273,548	282,224
Liabilities		
Current liabilities		
Trade and other payables	23,090	20,815
Borrowings (Note 5)	867	348
Lease liabilities	1,356	1,391
Reclamation and site closure costs provision (Note 6)	8,461	2,035
Other provisions	3,185	3,370
Income taxes payable	-	3,526
Financial instruments (Note 5)	-	5,740
	36,959	37,225
Non-current liabilities		
Borrowings (Note 5)	20,484	19,776
Lease liabilities	1,400	2,504
Reclamation and site closure costs provision (Note 6)	20,563	27,108
Other provisions	163	256
Deferred tax liability	12,100	11,201
	54,710	60,845
	91,669	98,070
Equity		
Share capital (Note 7)	231,519	231,166
Share option reserve (Note 7)	4,924	4,621
Foreign currency translation reserve	(66,499)	(58,362)
Retained earnings	11,935	6,729
	181,879	184,154
	273,548	282,224

Approved by the Board of Directors and authorized for issuance on November 8, 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 nine months ended September 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	-	-	-	-	5,146	5,146
Other comprehensive loss for the period	-	-	-	(8,137)	-	(8,137)
Total comprehensive income (loss)	-	-	-	(8,137)	5,146	(2,991)
Stock options exercised (Note 7(b))	13	11	(5)	-	-	6
Share-based compensation (Note 7(a))	-	-	970	-	-	970
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, September 30, 2023	92,884	231,519	4,924	(66,499)	11,935	181,879

	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)
Balance, December 31, 2021	91,764	230,405	3,934	(40,875)	(16,777)	176,687
Net income for the period	-	-	-	-	22,463	22,463
Other comprehensive loss for the period	-	-	-	(26,912)	-	(26,912)
Total comprehensive income (loss)	-	-	-	(26,912)	22,463	(4,449)
Stock options exercised (Note 7(b))	156	287	(106)	-	-	181
Share-based compensation (Note 7(a))	-	-	902	-	-	902
Redemption of RSUs, PSUs and DSUs (Notes 7(c), (d) and (e))	323	241	(241)	-	-	-
Balance, September 30, 2022	92,243	230,933	4,489	(67,787)	5,686	173,321

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, 2023 and 2022

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Operating activities				
Net income for the period	4,068	9,275	5,146	22,463
Adjustments to reconcile net income to net cash flows from operating activities				
Depletion and depreciation	8,425	8,775	24,224	25,667
Share-based compensation (Note 7(a))	414	209	1,061	974
(Gain) loss on disposal of property, plant and equipment	(125)	(16)	(132)	302
Finance costs (Note 10)	1,418	2,305	10,400	8,962
Gain on sale of subsidiary	-	(1,828)	-	(1,828)
Gain on financial instruments (Note 9)	(438)	(4,935)	(4,721)	(5,958)
Interest and other income	(367)	(258)	(1,177)	(468)
Unrealized foreign exchange loss (gain)	276	773	(939)	(692)
Income tax expense	1,802	5,342	2,845	14,916
Reclamation expenditures (Note 6)	(121)	(1,207)	(186)	(6,472)
Revision of reclamation liability	-	-	-	7,092
Write-down of assets	24	-	518	-
Changes in non-cash operating working capital items				
Trade receivables and other assets	(11,856)	7,448	(11,527)	20,866
Inventories	2	711	5,639	335
Prepaid expenses	(1,059)	(946)	(1,035)	(1,515)
Trade and other payables	7,106	(2,870)	9,804	(1,578)
Other provisions	79	(135)	(83)	(245)
Cash generated from operations	9,648	22,643	39,837	82,821
Interest and other income received	367	258	1,177	468
Interest and bank charges paid	(503)	(696)	(1,496)	(1,945)
Income tax paid	(5,108)	(14,711)	(11,081)	(22,230)
Net cash flows from operating activities	4,404	7,494	28,437	59,114
Investing activities				
Expenditures on property, plant and equipment	(10,018)	(8,900)	(32,227)	(28,825)
Proceeds from sale of assets (Note 4)	222	-	222	-
(Deposit) receipt from reclamation deposits (Note 6)	(3,533)	2,376	(3,533)	2,376
Proceeds from sale of marketable securities	132	-	253	-
Net cash flows used in investing activities	(13,197)	(6,524)	(35,285)	(26,449)
Financing activities				
Proceeds from borrowings	281	-	1,651	366
Repayments of borrowings	(60)	(3,919)	(330)	(11,475)
Lease payments	(658)	(735)	(1,608)	(2,175)
Payment of gold derivative contracts	(1,351)	(1,730)	(8,776)	(6,572)
Purchase of common shares for cancellation	-	-	(293)	-
Shares issued for cash	-	-	6	181
Net cash flows used in financing activities	(1,788)	(6,384)	(9,350)	(19,675)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(439)	112	(433)	(1,082)
Net (decrease) increase in cash and cash equivalents	(11,020)	(5,302)	(16,631)	11,908
Cash and cash equivalents, beginning of the period	32,766	47,948	38,377	30,738
Cash and cash equivalents, end of the period	21,746	42,646	21,746	42,646
Cash and cash equivalents consist of				
Cash	21,746	42,646	21,746	42,646
	21,746	42,646	21,746	42,646

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, 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 and Middle East conflicts

The ongoing conflicts in Ukraine and the Middle East have disrupted supply chains and caused instability in the global economy. The conflicts have resulted in the 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 conflicts 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 September 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.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2023 and December 31, 2022

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

(Unaudited)

3. Summary of significant accounting policies and new accounting standards issued but not effective (continued)

- 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 amendments became effective upon issuance, except for certain disclosure requirements which become effective for annual reporting periods beginning on or after January 1, 2023.

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 September 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	9,074	14,570	9,427	33,071
Disposals	-	(554)	-	(554)
Write-down of assets	-	-	(518)	(518)
Reclassification to mining interest	74	-	(74)	-
Foreign exchange	(12,317)	(7,118)	(1,782)	(21,217)
As at September 30, 2023	229,726	132,004	60,642	422,372
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	12,184	12,219	-	24,403
Disposals	-	(465)	-	(465)
Foreign exchange	(8,837)	(4,433)	-	(13,270)
As at September 30, 2023	159,636	78,714	-	238,350
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 September 30, 2023	70,090	53,290	60,642	184,022

Carrying amount by sites

	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
As at September 30, 2023				
Costerfield	28,324	12,476	19,676	60,476
Björkdal	41,766	40,814	30,229	112,809
La Quebrada	-	-	10,737	10,737
	70,090	53,290	60,642	184,022

	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 September 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 September 30, 2023, there was \$71,000 of plant and equipment depreciation capitalized to mining interests (three months ended September 30, 2022 – \$86,000).

As at September 30, 2023, the Company had right-of-use assets of \$2,690,000 (as at December 31, 2022 – \$4,126,000) included in property, plant and equipment, of which \$317,000 were at Costerfield and \$2,373,000 were at Björkdal (as at December 31, 2022 – Costerfield: \$1,168,000 and Björkdal: \$2,958,000).

5. Borrowings

	September 30, 2023	December 31, 2022
	(\$'000)	(\$'000)
Revolving Credit Facility	19,565	19,562
Equipment Facilities	1,786	562
	21,351	20,124
Less: current portion of total borrowings	867	348
Non-current portion of total borrowings	20,484	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 September 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 9.40%. The nominal interest rate of SOFR as at September 30, 2023 was 5.33% plus 2.85% margin.

As at September 30, 2023, the outstanding principal value was \$20,000,000 for the Revolving Credit Facility, with \$15,000,000 undrawn.

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 and The Australian dollar contract with Macquarie were completed and settled as on June 30, 2023 and July 4, 2023 respectively. There were no contracts open as on September 30, 2023.

During the three and nine months ended September 30, 2023, the Company paid \$1,351,000 and \$8,776,000 as settlement of expired gold derivatives contracts (Three and nine months ended September 30, 2022 – \$1,730,000 and \$6,572,000 respectively).

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2023 and December 31, 2022

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

5. Borrowings (continued)

Equipment Facilities

As at September 30, 2023, the Company's Björkdal mine in Sweden had a balance of \$1,786,000 (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 2.49% - 5.97% per annum and are repayable in monthly instalments plus interest and are due to be repaid by August, 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	(141)
Change in estimated future cash outflows	46
Accretion	553
Foreign exchange	(577)
Balance at September 30, 2023	29,024
Less: current portion	8,461
Total non-current portion	20,563

During the three and nine months ended September 30, 2023, the Company has incurred reclamation expenditure for \$122,000 (2022 – \$1,355,000) and \$141,000 (2022 – \$4,856,000) respectively, on reclamation work at the Lupin site in Canada.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 30, 2023 and December 31, 2022

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

7. Share capital

As at September 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		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share-based compensation on options	116	106	324	322
Change in fair value for cash election option	36	(122)	18	4
Share unit amortization	262	225	719	648
	414	209	1,061	974

(b) Stock options

The number of options outstanding as at September 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, September 30, 2023	2,264,819	1.90

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 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 September 30, 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	1.00	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 September 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, September 30, 2023	282,040

For the three and nine months ended September 30, 2023, the Company recorded \$68,000 (2022 – \$55,000) and \$184,000 (2022 – \$179,000) as a share-based compensation expense relating to RSUs.

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements as at September 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 September 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, September 30, 2023	788,968

For the three and nine months ended September 30, 2023, the Company recorded \$128,000 (2022 – \$127,000) and \$354,000 (2022 – \$346,000) respectively, as a share-based compensation expense relating to PSUs. While 177,574 PSUs (Nine months ended September 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 September 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, September 30, 2023	422,827

For the three and nine months ended September 30, 2023, the Company recorded \$66,000 (2022 – \$43,000) and \$181,000 (2022 – \$123,000) 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 nine months ended September 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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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 September 30, 2023			
2023 NCIB	-	-	-
	-	-	-
Nine months ended September 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 September 30	Costerfield		Björkdal		Total	
	2023	2022	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	19,136	28,993	-	-	19,136	28,993
Sweden	-	-	21,681	17,207	21,681	17,207
Revenue from contracts with customers	19,136	28,993	21,681	17,207	40,817	46,200
Provisional pricing adjustments	(62)	(805)	152	653	90	(152)
Total revenue from mining operations	19,074	28,188	21,833	17,860	40,907	46,048
Commodities						
Gold	14,280	21,364	21,681	17,207	35,961	38,571
Antimony	4,856	7,629	-	-	4,856	7,629
Revenue from contracts with customers	19,136	28,993	21,681	17,207	40,817	46,200
Provisional pricing adjustments	(62)	(805)	152	653	90	(152)
Total revenue from mining operations	19,074	28,188	21,833	17,860	40,907	46,048

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(Unaudited)

8. Revenue (continued)

Nine month ended September 30	Costerfield		Björkdal		Total	
	2023	2022	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Primary geographical markets						
Australia	62,407	91,937	-	-	62,407	91,937
Sweden	-	-	57,710	56,178	57,710	56,178
Revenue from contracts with customers	62,407	91,937	57,710	56,178	120,117	148,115
Provisional pricing adjustments	487	(901)	2,152	3,104	2,639	2,203
Total revenue from mining operations	62,894	91,036	59,862	59,282	122,756	150,318
Commodities						
Gold	44,719	66,867	57,710	56,178	102,429	123,045
Antimony	17,688	25,070	-	-	17,688	25,070
Revenue from contracts with customers	62,407	91,937	57,710	56,178	120,117	148,115
Provisional pricing adjustments	487	(901)	2,152	3,104	2,639	2,203
Total revenue from mining operations	62,894	91,036	59,862	59,282	122,756	150,318

9. Financial instruments

The Company has recognized a net change in liabilities related to financial instruments of \$438,000 and \$4,721,000 respectively, for the three and nine months ended September 30, 2023 (2022 – gain of \$4,935,000 and \$5,958,000). Details of these are given below:

(a) Gold derivative contracts

The US dollar collar contracts with HSBC and the Australia dollar contracts with Macquarie were completed and settled as on June 30, 2023 and July 4, 2023 respectively. There were no contracts open as on September 30, 2023.

The contracts were 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 nine months ended September 30, 2023, the Company sold 646,100 and 1,424,148 of its Aftermath Silver Ltd. shares at average price of C\$0.24 per share (2022 – Nil). The value of these securities as at September 30, 2023 is \$553,000 (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 \$246,000 and \$376,000 respectively for the three and nine months ended September 30, 2023, using Level 1 assumptions (2022 – loss of \$365,000 and \$549,000).

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

9. Financial instruments (continued)

(b) Marketable securities – assets (continued)

The value of Equus Mining Ltd. (“Equus”) securities as at September 30, 2023 is \$944,000 (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 \$9,000 and \$633,000 for the three and nine months ended September 30, 2023, using Level 1 assumptions (2022 – loss of \$169,000 and \$1,078,000).

10. Finance costs

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Loan Facility				
Interest on Revolver Credit Facility	489	-	1,387	-
Realised loss on gold derivative contracts	690	1,434	8,291	6,458
Interest on Syndicated Facility	-	683	-	2,088
Other				
Interest on other borrowings and other charges	51	75	169	237
Accretion of reclamation and site closure costs	188	113	553	179
	1,418	2,305	10,400	8,962

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(Unaudited)

11. Net income per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	('000)	('000)
Net income for the period	4,068	9,275	5,146	22,463
Basic weighted average number of shares outstanding	92,884	92,242	92,784	92,084
Effect of dilutive securities:				
Stock options	584	724	701	983
RSU	282	381	282	381
PSU	789	489	789	489
DSU	423	263	423	263
Diluted weighted average number of shares outstanding	94,962	94,099	94,979	94,200

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	('000)	('000)	('000)	('000)
Anti-dilutive securities				
Stock options	1,270	435	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 September 30, 2023				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	19,074	21,833	-	-	40,907
Cost of sales, excluding depletion and depreciation	(11,399)	(12,846)	-	-	(24,245)
Depletion and depreciation	(2,937)	(5,488)	-	-	(8,425)
Income from mining operations	4,738	3,499	-	-	8,237
Other operating expenses	(522)	(527)	(41)	(439)	(1,529)
Write-off of assets	(24)	-	-	-	(24)
Other expenses, except for fair value adjustment	(35)	(414)	(167)	(636)	(1,252)
Gain (loss) on financial instruments	689	-	-	(251)	438
Income (loss) before income taxes	4,846	2,558	(208)	(1,326)	5,870
Current tax recovery	808	-	-	-	808
Deferred tax expense	(2,190)	(420)	-	-	(2,610)
Net income (loss) for the period	3,464	2,138	(208)	(1,326)	4,068
Net income per share					
Basic					\$0.04
Diluted					\$0.04
Cash expenditure for property, plant and equipment	3,935	6,083	-	-	10,018
Total non-current assets as at September 30, 2023	66,699	117,030	11,010	8,446	203,185
Total assets as at September 30, 2023	104,654	143,478	11,084	14,332	273,548
Total liabilities as at September 30, 2023	26,905	23,634	2	41,128	91,669

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

(Unaudited)

12. Segmented information (continued)

	Three Months ended on 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)
Revision of reclamation liability	-	-	-	-	-
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)
Net income (loss) for the period	11,731	(606)	(263)	(1,587)	9,275
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

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

(Unaudited)

12. Segmented information (continued)

	Nine months ended September 30, 2023				
	Australia	Sweden	Chile	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	62,894	59,862	-	-	122,756
Cost of sales, excluding depletion and depreciation	(38,633)	(41,454)	-	-	(80,087)
Depletion and depreciation	(9,211)	(15,013)	-	-	(24,224)
Income from mining operations	15,050	3,395	-	-	18,445
Other operating expenses	(2,709)	(2,384)	(127)	(1,121)	(6,341)
Write-off of assets	(518)	-	-	-	(518)
Other income (expenses), except for fair value adjustment	(2,610)	(8,245)	(473)	3,012	(8,316)
Gain (loss) on financial instruments	2,923	2,803	-	(1,005)	4,721
Income (loss) before income taxes	12,136	(4,431)	(600)	886	7,991
Current tax expense	(1,504)	-	-	-	(1,504)
Deferred tax recovery (expense)	(2,281)	940	-	-	(1,341)
Net income (loss) for the period	8,351	(3,491)	(600)	886	5,146
Net income per share					
Basic					\$0.06
Diluted					\$0.05
Cash expenditure for property, plant and equipment	11,499	20,662	66	-	32,227
Total non-current assets as at September 30, 2023	66,699	117,030	11,010	8,446	203,185
Total assets as at September 30, 2023	104,654	143,478	11,084	14,332	273,548
Total liabilities as at September 30, 2023	26,905	23,634	2	41,128	91,669

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(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)
Net income (loss) for the period	36,045	(4,518)	(746)	(8,318)	22,463
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

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(Expressed in U.S. dollars, except where otherwise noted)
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12. Segmented information (continued)

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

Revenue from these customers is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Costerfield (gold and antimony)				
Customer 1	4,963	10,871	16,272	36,131
Customer 2	10,479	14,692	30,203	44,825
	15,442	25,563	46,475	80,956
Björkdal (gold)				
Customer 3	17,265	13,984	47,369	46,475
Customer 4	4,568	-	12,493	-
	21,833	13,984	59,862	46,475
	37,275	39,547	106,337	127,431

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, 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.