

## MANDALAY RESOURCES CORPORATION

### Management's Discussion and Analysis for the Three and Nine Months Ended September 30, 2018

#### Costerfield operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Costerfield.

	Unit	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended March 31, 2018	Three months ended June 30, 2018
<b>Mining Production and Mining Cost</b>							
Operating development	m	816	1,384	2,833	4,175	1,141	875
Mined ore	t	36,215	35,917	114,021	107,744	39,990	37,816
Ore mined Au grade	g/t	5.39	7.54	5.85	8.37	6.73	5.36
Ore mined Sb grade	%	2.23	3.05	2.37	3.30	2.52	2.35
Mined contained Au	oz	6,276	8,711	21,445	29,000	8,652	6,516
Mined contained Sb	t	808	1,097	2,702	3,558	1,006	888
Mining cost per tonne ore	\$/t	150	169	146	167	142	146
<b>Processing and Processing Cost</b>							
Processed ore	t	38,856	38,482	116,725	112,521	38,558	39,311
Mill head grade Au	g/t	5.11	7.74	5.75	8.48	6.72	5.44
Mill head grade Sb	%	2.16	3.19	2.33	3.36	2.64	2.18
Recovery Au	%	87.86	89.13	87.80	89.75	88.51	86.89
Recovery Sb	%	94.75	94.60	93.08	95.61	92.61	92.00
Concentrate produced	dry t	1,513	2,254	4,869	6,921	1,832	1,524
Concentrate grade Au	g/t	64.73	66.05	74.22	67.86	81.67	74.67
Concentrate grade Sb	%	52.61	51.60	51.88	52.26	51.50	51.61
Au produced in gravity concentrate	oz	2,438	3,713	7,263	12,300	2,532	2,294
Au produced in sulfide concentrate	oz	2,500	3,657	9,398	11,990	4,055	2,843
Saleable Au produced	oz	4,938	7,370	16,661	24,290	6,587	5,137
Saleable Sb produced	t	505	804	1,613	2,310	605	503
Saleable Au equivalent produced	oz	8,370	12,586	27,157	39,778	10,456	8,331
Processing cost per tonne ore	\$/t	39.62	37.85	38.36	37.69	36.67	38.75
<b>Sales</b>							
Concentrate sold	dry t	1,488	2,161	5,209	6,764	2,077	1,645
Concentrate Au grade	g/t	66.43	69.21	76.98	68.55	81.83	80.38
Concentrate Sb grade	%	52.26	51.58	51.97	52.30	52.28	51.32
Au sold in gravity concentrate	oz	2,264	3,732	7,396	12,283	2,629	2,502
Au sold in sulfide concentrate	oz	2,479	3,768	10,548	11,676	4,502	3,566
Au sold	oz	4,743	7,500	17,943	23,959	7,131	6,069
Sb sold	t	486	697	1,725	2,211	679	560
<b>Benchmark Unit Cost</b>							
Site cash operating cost/ tonne ore processed <sup>(1)</sup>	\$/t	210	237	221	244	232	219
Site cash operating cost/tonne concentrate produced <sup>(1)</sup>	\$/t	5,403	4,050	5,287	3,960	4,882	5,657
Adjusted EBITDA/tonne ore milled <sup>(1)</sup>	\$/t	45	165	80	176	162	33
Adjusted EBITDA/tonne concentrate produced <sup>(1)</sup>	\$/t	1,167	2,813	1,915	2,867	3,415	854
Cash cost per oz Au equivalent produced <sup>(1)(2)</sup>	\$/oz	988	736	961	699	869	1,049
Site all-in cost/oz Au eq. oz produced <sup>(1)(3)</sup>	\$/oz	1,420	1,068	1,412	1,019	1,326	1,512
<b>Capital Spending</b>							
Capital development	m	590	-	1,972	408	632	750
Capital development cost	\$000	2,509	9	7,765	1,884	2,116	3,140
Capital development cost/meter	\$/m	4,253	-	3,938	4,617	3,347	4,188
Capital purchases	\$000	1,670	1,065	5,461	3,545	1,634	2,157
Capitalized exploration	\$000	1,609	847	4,102	3,233	1,070	1,423

<sup>1</sup>Does not include intercompany transfer pricing recharge costs and business development costs.

<sup>2</sup>Cash cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.

<sup>3</sup>Site all-in cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.15 "Non-IFRS Measures" for further information.