MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

AS OF AUGUST 7, 2019

CONTENTS

Cautionary Note Regarding Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the three and six months ended June 30, 2019, and the Company's annual information form dated March 28, 2019 (the "AIF"), as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States ("U.S.") dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mining industry risks; fluctuations in the market price of mineral commodities; project development; expansion targets and operational delays; environmental risks and hazards; requirement of additional financing; health and safety; uncertainty as to calculations of mineral deposit estimates; marketability; licenses and permits; title matters; governmental regulation of the mining industry; current global financial conditions; currency risk; uninsured risks; competition; repatriation of earnings; properties without known mineral reserves; dependence upon key management personnel and executives; dependence on major customers; infrastructure; litigation; potential volatility of market price of common shares; possible conflicts of interest of directors and officers of the Company; risk of dilution; payment obligations relating to properties; instability of political and economic environments; and integration of acquisitions. Specific reference is made to the Annual Information Form and the Prospectus for a discussion of some of the factors underlying forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

This MD&A contains references to non-IFRS measures. Please refer to Section 1.14 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

Overview of Mandalay Resources

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile and Canada. The Company is focused on growing production and reducing costs at its gold-antimony operation in Australia, and its gold mine in Sweden to generate near-term cash flow.

Mandalay's mission is to create shareholder value through the profitable operation of its Costerfield gold-antimony mine and its Björkdal gold mine. Currently, the Company's main objective is to develop across to the high-grade Youle vein at Costerfield, which is critical to the Company's longer-term plan of increasing production.

Mandalay is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement.

1.0 SECOND QUARTER 2019 FINANCIAL AND OPERATING SUMMARY

Second Quarter 2019 Highlights:

- **Consolidated gold equivalent production of 19,500 ounces** compared to 21,940 ounces in Q1 2019, and 22,348 ounces in Q2 2018. The decrease in ounces produced in the current quarter compared to the previous quarter was due to the lower overall grade mined from Costerfield.

- **Consolidated cash cost[1] of $1,130 and all-in cost[1] of $1,452 per ounce of saleable gold equivalent production** compared to $1,072 and $1,412 per ounce, respectively, in Q1 2019. In Q2 2018, these costs were $1,028 and $1,405 per ounce, respectively. The higher unit costs in the current quarter, compared to the previous quarter, are mainly due to the decrease in production from Costerfield.

- **Revenue of $26.3 million on gold equivalent sales of 19,995 ounces** compared to $29.9 million on 23,007 ounces in Q1 2019. In Q2 2018, revenue was $27.9 million on gold equivalent sales of 22,052 ounces. The decrease in revenue in the current quarter compared to the previous quarter is a result of the decrease in ounces sold.

- **Adjusted EBITDA[1] of $4.1 million** compared to $5.2 million in Q1 2019, and $3.7 million in Q2 2018. The decrease in Adjusted EBITDA compared to the previous quarter relates mainly to decreased revenue, as mentioned above.

- **Consolidated net loss of $9.8 million** compared to a net loss of $1.3 million in Q1 2019, and a net loss of $23.7 million in Q2 2018. For Q1 2019, the net loss includes a $5.0 million non-cash write down of the non-core Lupin and Ulu properties in northern Canada.

- **Consolidated capital expenditures of $10.2 million** compared to $7.4 million in Q1 2019, and $11.9 million in Q2 2018.

- **Cash on hand was $25.7 million at June 30, 2019** compared to $8.4 million at December 31, 2018.

- **Share consolidation –** on July 2, 2019, the Company completed a share consolidation on a basis of ten pre-consolidation shares for one post-consolidation share.

Summary of Mandalay Operational and Financial Results

---

[1] Adjusted EBITDA, cash cost and all-in cost are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Operating Summary

The following table sets forth a summary of the Company's operational results for the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Björkdal				
Gold produced (oz)	14,243	14,017	28,628	26,733
Gold sold (oz)	14,376	12,428	30,154	30,105
Cash cost[1] per oz gold produced	818	876	870	980
All-in cost[1] per oz gold produced	1,067	1,155	1,135	1,265
Costerfield				
Gold produced (oz)	3,301	5,137	7,406	11,724
Antimony produced (t)	371	503	946	1,108
Gold equivalent produced (oz)[3]	5,257	8,331	12,812	18,787
Gold sold (oz)[2]	3,385	6,069	7,464	13,200
Antimony sold (t)	424	560	949	1,239
Gold equivalent sold (oz)[3]	5,619	9,624	12,848	21,098
Cash cost[1] per oz gold eq. produced	1,541	1,049	1,270	949
All-in cost[1] per oz gold eq. produced	2,020	1,512	1,709	1,408
Consolidated				
Gold equivalent produced (oz)[3]	19,500	22,348	41,440	45,520
Gold equivalent sold (oz)[3]	19,995	22,052	43,002	51,203
Cash cost[1] per oz gold eq.	1,130	1,028	1,099	1,044
All-in cost[1] per oz gold eq.	1,452	1,405	1,431	1,434
Average gold price ($/oz)	1,309	1,307	1,306	1,318
Average antimony price ($/t)	6,894	8,295	7,353	8,396

[1]Cash cost and all-in cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this MD&A.

[2] Amount has been revised since the Company announcement on July 9, 2019.

[3]Gold equivalent ounces (or "Au Eq. oz") produced/sold is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average Ag price in the period is calculated as the average

of the daily London Broker's silver spot price for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Financial Summary

The following table sets forth a summary of the Company's financial results for the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	26,344	27,944	56,260	67,692
Cost of sales	20,751	22,348	44,145	48,168
Income from operations (excl. depreciation & depletion)	5,593	5,596	12,115	19,524
General and administrative costs	1,488	1,945	2,763	3,738
Adjusted EBITDA*	4,105	3,651	9,352	15,786
Depreciation and depletion	6,068	8,075	13,320	16,916
Adjusted EBIT*	(1,963)	(4,424)	(3,968)	(1,130)
Finance costs, tax, foreign exchange and others**	7,787	19,287	7,117	23,820
Consolidated net loss	(9,750)	(23,711)	(11,085)	(24,950)
Consolidated loss per share***	(0.11)	(0.53)	(0.16)	(0.55)
Total assets	255,505	259,461	255,505	259,461
Total liabilities	135,609	124,309	135,609	124,309
Consolidated capital expenditures				
Capital development	5,424	6,149	10,293	11,199
Property, plant and equipment purchases	4,154	3,242	6,340	7,851
Capitalized exploration	660	2,552	1,016	4,186
Total	10,238	11,943	17,649	23,236

*Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measure. Refer to Section 1.14 "Non-IFRS Measures" for further information.
**Others includes such items as write down of assets, mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.
***As a result of the share consolidation (refer to section 1.13 "Subsequent Events"), the Company has restated its number of common shares and the income (loss) per share for all periods presented.

Exploration

Ongoing exploration activities during the second quarter of 2019 included:

Björkdal

In the second quarter of 2019, exploration at Björkdal focused on drilling up-dip on the Aurora zone seeking to establish the upper limits of the deposit. The up-dip drilling will continue for the remainder of 2019 as well as down-dip drilling to seek the depth limits of the deposit. Exploration drilling was also carried out and continues on the high-grade skarn deposit at the lake zone.

Costerfield

Exploration at Costerfield has been focused on extending the Youle lode further to the north and at depth. The Company has also initiated the first hole in the deep hole program, seeking to find high-grade mineralization at depth below the Youle and Cuffley lodes. Both holes are planned to have wedges to obtain further information down dip, along the deposit. The first hole being drilled below the Youle lode is currently advancing.

Outlook

Mandalay is focused on increasing production and lowering costs at its existing operations.

Mandalay expects to see improvement in production and costs from Costerfield and Björkdal in 2019. At Costerfield, the Company expects production increases in late 2019 as the Company reaches the high-grade Youle lode and begins on-vein development. The Youle lode has markedly higher grades than Brunswick and is central to Mandalay's organic growth plan and stated goal to double its consolidated production by the end of 2021. Mandalay also expects production and cost improvements at Björkdal for the remainder of 2019 as the open pit operations have been paused at the end of July to eliminate the open pit costs and take advantage of processing the higher margin stockpiled mineral.

The Company's 2019 guidance is below:

	Björkdal	**Costerfield**	**Consolidated***
	2019E		
Gold Eq. produced (oz)**	50,000-56,000	41,000-51,000	91,000-107,000
Cash cost, $/oz gold Eq.	800-950	790-920	850-980
All-in cost, $/oz gold Eq.	1,030-1,180	1,050-1,180	1,130-1,280
Capex, $/million	18-22	21-25	39-47

*Consolidated cost guidance includes expected Corporate General and administrative costs
**2019E gold equivalent assumes metal prices: Au $1,200/oz and Sb $8,200/t

The Company's 2019-2021 production guidance is below:

	2019E	**2020E**	**2021E**
Björkdal			
Gold produced (oz)	50,000-56,000	53,000-59,000	55,000-65,000
Costerfield			
Gold produced (oz)	23,000-30,000	40,000-49,000	60,000-75,000
Antimony produced (t)	2,600-3,100	2,200-2,800	2,400-3,300
Consolidated			
Gold Eq.* produced (oz)	91,000-107,000	108,000-127,000	131,000-162,000

*Assumes metal prices of: Au $1,200/oz, Sb $8,200/t.

The Company intends to spend approximately $5.0 million in 2019 on exploration at the producing mine sites as a result of the Financing that took place during the first quarter of 2019. This exploration spend is expected to be in addition to the original 2019 capital expenditure guidance figures, shown in the table above.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
	U$'000	U$'000	U$'000	U$'000
Revenue	7,249	11,836	16,517	27,436
Cost of sales	9,127	10,494	16,886	19,649
Income (loss)from operations (excl. depreciation & depletion)	(1,878)	1,343	(369)	7,787
General and administrative costs (1)	182	263	333	651
Adjusted EBITDA (2,3)	(1,920)	1,302	(454)	7,555
Depreciation & depletion	2,427	3,728	5,417	8,330
Adjusted EBIT (3)	(4,487)	(2,426)	(6,119)	(775)
Finance costs, foreign exchange and others (4)	108	(191)	54	(278)
Loss before tax	(4,595)	(2,458)	(6,173)	(916)
Current tax expense (recovery)	-	(203)	-	8
Deferred tax recovery	(1,369)	(383)	(1,846)	(48)
Consolidated net income (loss) after tax	(3,226)	(1,872)	(4,327)	(876)
Capital development	3,314	3,140	6,455	5,256
Property, plant and equipment purchases	1,312	2,157	2,552	3,791
Capitalized exploration	459	1,423	529	2,493
Total capital expenditure (5)	5,085	6,720	9,536	11,540

[1]Includes intercompany transfer pricing recharge costs of $140,000 and $248,000 in the three and six months ended June 30, 2019 and $222,000 and $419,000 in the corresponding period of 2018.
[2]Does not include intercompany transfer pricing recharge costs.
[3] Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4] Others includes such items as mark to market derivative adjustments, share based compensation, gain/loss on disposals of properties.
[5] Includes capitalized depreciation on equipment.

Costerfield Operating Results

		Three months ended June 30		Six months ended June 30	
		2019	**2018**	**2019**	**2018**
Operating development	m	1,256	875	2,312	2,017
Mined ore	t	36,082	37,816	74,365	77,806
Mined ore Au grade	g/t	3.83	5.36	4.39	6.06
Mined ore Sb grade	%	1.71	2.35	2.10	2.43
Mined contained Au	oz	4,443	6,516	10,505	15,168
Mined contained Sb	t	615	888	1,562	1,895
Mining cost per tonne ore	$/t	140	146	136	144
Processed ore	t	37,372	39,311	77,594	77,869
Processed ore mill head grade Au	g/t	4.00	5.44	4.42	6.07
Processed ore mill head grade Sb	%	1.68	2.18	2.04	2.41
Recovery Au	%	78.24	86.89	80.04	87.78
Recovery Sb	%	94.68	92.00	95.23	92.33
Saleable Au produced	oz	3,301	5,137	7,406	11,724
Saleable Sb produced	t	371	503	946	1,108
Saleable Au equivalent produced	oz	5,257	8,331	12,812	18,788
Processing cost per tonne ore	$/t	32.64	38.75	31.25	37.72
Au sold in gravity concentrate	oz	1,140	2,502	2,902	5,132
Au sold (total)(3)	oz	3,385	6,069	7,464	13,200
Sb sold	t	424	560	949	1,239
Capital development metres	m	862	750	1,580	1,382
Capital development cost per metre	$/m	3,846	4,188	4,086	3,803
Cash operating cost per tonne ore processed (1,2)	$/t	217	219	210	226
Adjusted EBITDA per tonne ore processed (1,2)	$/t	(51.40)	33.09	(5.84)	97.06
Cash cost per oz Au equivalent produced (1,2)	$/oz	1,541	1,049	1,270	949
Site all-in cost per oz Au equivalent produced (1,2)	$/oz	2,020	1,512	1,709	1,408

[1]Does not include intercompany transfer pricing recharge costs and business development costs.
[2]Cash cost, site all-in cost per ounce of gold equivalent produced and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[3]2 Amount has been revised since the Company announcement on July 9, 2019.

Costerfield – Three Months Ended June 30, 2019 and 2018

- ***Production*** — Saleable gold production for the second quarter of 2019 was 3,301 ounces, a 35% decrease from the 5,137 ounces produced in the second quarter of 2018. Saleable antimony production for the second quarter of 2019 was 371 tonnes, a 26% decrease from the 503 tonnes produced in the second quarter of 2018. Gold equivalent production for the second quarter of 2019 was 5,257 ounces, a decrease of 37% from the second quarter of 2018 when the Company produced 8,331 gold equivalent ounces. While production and grades at Costerfield in the second quarter of 2019 were in line with Company expectations, the decrease in production compared to the year ago quarter was largely attributable to significantly lower overall grades from Brunswick versus grades from the Augusta and Cuffley lodes, which the Company was mining in the second quarter of 2018.

- ***Revenue*** **–** Costerfield revenue for the second quarter of 2019 was $7.2 million, a 39% decrease from $11.8 million in the second quarter of 2018, mainly due to a decrease in gold equivalent ounces sold. The current quarter revenue was $2.0 million lower than the first quarter of 2019. Gold equivalent ounces sold decreased by 42% to 5,619 ounces in the second quarter of 2019 compared to 9,624 ounces in the second quarter of 2018. The decrease in second quarter 2019 sales compared to the second quarter of 2018 was due to lower sales from decreased comparable grades, as mentioned above.

- ***Operating Costs*** **–** Cost of sales excluding depletion and depreciation at Costerfield was $9.1 million for the second quarter of 2019, compared to $10.5 million for the same period of 2018. The lower operating cost in the current quarter relates to comparable cost savings and a strengthening of the United States dollar against the Australian dollar between the periods.

- ***Income from Operations*** – Loss from mine operations before depreciation and depletion at Costerfield during the second quarter of 2019 was $1.9 million, adjusted EBITDA was negative $1.9 million, net loss before tax was $4.6 million and net loss after tax was $3.2 million. Comparable results for the second quarter of 2018 were income from mine operations before depreciation and depletion of $1.3 million, adjusted EBITDA of $1.3 million, net loss before tax of $2.4 million and net loss after tax of $1.9 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense at Costerfield decreased to $2.4 million in the second quarter of 2019, compared to $3.7 million for the same period in 2018 mainly due to lower production in the current quarter.

- ***Cost per Ounce*** **–** Cash cost per ounce of gold equivalent produced at Costerfield in the second quarter of 2019 was $1,541, compared to $1,049 in the second quarter of 2018. The site all-in cost per ounce of gold equivalent produced in the second quarter of 2019 was $2,020 versus $1,512 in the second quarter of 2018. These per ounce costs were higher than the year ago quarter due to lower gold equivalent ounces produced in the second quarter of 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the second quarter of 2019 totaled $5.1 million ($3.3 million in capital development costs, $0.5 million for exploration, and $1.3 million in property, plant and equipment) compared with $6.7 million ($3.1 million in capital development costs, $1.4 million for exploration, and $2.2 million for property, plant and equipment) during the same period in 2018. The decreased capital expenditures was mainly due to lower amounts spent on exploration in the current quarter.

Costerfield – Six Months Ended June 30, 2019 and 2018

- ***Production*** — Saleable gold production for the first half year of 2019 was 7,406 ounces, a 37% decrease from the 11,724 ounces produced in the six months ending June 30, 2018. Saleable antimony production for the six months ending June 30, 2019 was 946 tonnes, a 15% decrease from the 1,108 tonnes produced in the six months ending June 30, 2018. Gold equivalent production for the six months ending June 30, 2019 was 12,812 ounces, a decrease of 32% from the six months ending June 30, 2018 when the Company produced 18,788 gold equivalent ounces. Similar to the second quarter results, production and grades at Costerfield in the first half of 2019 were in line with Company expectations. The decrease in production compared to the year ago period was largely attributable to significantly lower overall grades from Brunswick versus grades from the Augusta and Cuffley lodes, which the Company was mining in the 2018 period.

- ***Revenue*** – Costerfield revenue for the six months ending June 30, 2019 was $16.5 million, a 40% decrease from $27.4 million in the six months ending June 30, 2018, mainly due to a decrease in gold equivalent ounces sold. Gold equivalent ounces sold decreased by 39% to 12,848 ounces in the six months ending June 30, 2019 compared to 21,098 ounces in the six months ending June 30, 2018. The decrease in first half 2019 sales compared to the six months ending June 30, 2018, was due to lower sales from decreased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $16.9 million for the six months ending June 30, 2019, compared to $19.6 million for the same period of 2018. The lower operating cost in the current quarter relates to comparable cost savings and a strengthening of the United States dollar, compared to the Australian dollar between the periods.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during the six months ending June 30, 2019 was $0.4 million, adjusted EBITDA was negative $0.4 million, net loss before tax was $6.1 million and net loss after tax was $4.3 million. Comparable results for the six months ending June 30, 2018 were income from mine operations before depreciation and depletion of $7.7 million, adjusted EBITDA of $7.5 million, net loss before tax of $0.9 million and net loss after tax of $0.8 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $5.4 million in the six months ending June 30, 2019, compared to $8.3 million for the same period in 2018 mainly due to lower production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the six months ending June 30, 2019, was $1,270, compared to $949 in the six months ending June 30, 2018. The site all-in cost per ounce of gold equivalent produced in the six months ending June 30, 2019, was $1,709 versus $1,408 in the six months ending June 30, 2018. These per ounce costs were higher than the year ago period due to lower gold equivalent ounces produced in the first half of 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the second quarter of 2019 totaled $9.5 million ($6.5 million in capital development costs, $0.5 million for exploration, and $2.5 million in property, plant and equipment) compared with $11.5 million ($5.3 million in capital development costs, $2.5 million for exploration, and $3.8 million for property, plant and equipment) during the same period in 2018. The increased capital development was due to the accelerated development to the Youle vein, offset by a lower amount spent on exploration in the current quarter.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	U$'000	U$'000	U$'000	U$'000
Revenue	19,095	16,109	39,743	40,176
Cost of sales	11,624	11,745	27,259	28,330
Income from operations (excl. depreciation & depletion)	7,471	4,364	12,484	11,846
General and administrative costs (1)	272	270	449	501
Adjusted EBITDA (2,3)	7,477	4,370	12,481	11,856
Depreciation & depletion	3,496	3,911	7,523	7,637
Adjusted EBIT (3)	3,703	183	4,512	3,708
Finance costs, foreign exchange and others (4)	783	512	1,639	1,157
Income (loss) before tax	2,920	(329)	2,873	2,551
Current tax expense	501	83	404	654
Deferred tax expense (recovery)	105	(1,026)	(31)	(926)
Consolidated net income (loss) after tax	2,314	614	2,500	2,823
Capital development	2,110	3,009	3,838	5,943
Property, plant and equipment purchases	2,842	1,085	3,788	4,060
Capitalized exploration	189	994	294	1,300
Total capital expenditure (5)	5,141	5,088	7,919	11,303

[1]Includes intercompany transfer pricing recharge costs of $278,000 and $446,000 for the three and six months ended June 30, 2019 and $276,000 and $511,000 in the same period of 2018.
[2]Does not include intercompany transfer pricing recharge costs.
[3] Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4] Others includes such items as mark to market derivative adjustments, share based compensation, gain/(loss) on disposal of property, plant and equipment.
[5]Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Operating development	m	1,384	783	2,935	1,938
Mined ore	t	297,754	289,468	644,274	604,359
Mined ore Au grade	g/t	1.43	1.34	1.37	1.39
Mined contained Au	oz	13,677	12,463	28,424	26,943
Mining cost per tonne ore	$/t	21.28	26.09	21.09	26.74
Processed ore	t	320,218	315,792	643,066	606,248
Processed ore mill head grade Au	g/t	1.55	1.56	1.57	1.56
Recovery Au	%	88.83	89.99	88.94	89.89
Saleable Au produced	oz	14,243	14,017	28,628	26,733
Processing cost per tonne ore	$/t	7.13	7.53	6.94	8.57
Au sold	oz	14,376	12,428	30,154	30,105
Capital development (open pit)	t	87,361	253,358	219,159	641,062
Capital development (underground)	m	626	566	1,061	1,180
Capital development cost per metre	$/m	2,877	3,044	2,952	3,088
Cash operating cost per tonne ore processed [1]	$/t	36.41	38.90	38.73	43.22
Adjusted EBITDA per tonne ore processed [1,2]	$/t	23.35	13.84	19.41	19.55
Cash cost per oz Au produced [1,2]	$/oz	818	876	870	980
Site all-in cost per oz Au produced [1,2]	$/oz	1,067	1,155	1,135	1,265

1 Does not include intercompany transfer pricing recharge costs and business development costs.
2 Adjusted EBITDA, cash cost and site all-in cost per ounce of gold produced is a non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Björkdal - Three Months Ended June 30, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the second quarter of 2019 was 14,243 ounces, a 2% increase from the 14,017 ounces produced in the second quarter of 2018.

- ***Revenue*** – Björkdal revenue for the second quarter of 2019 was $19.1 million, a 19% increase from $16.1 million in the second quarter of 2018, mainly due to the increase in gold ounces sold. Gold ounces sold increased by 16% to 14,376 ounces in the second quarter of 2019 compared to 12,428 ounces in the second quarter of 2018. The increase in revenue was due to a higher realized gold price in the current quarter, as well as an increase in metal sold by 16% compared to the second quarter of 2018.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $11.6 million for the second quarter of 2019, slightly lower than $11.7 million for the same period of 2018. The decrease in operating costs was due primarily to a strengthening of the United States dollar compared to the Swedish Krona.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the second quarter of 2019 was $7.5 million, adjusted EBITDA was $7.5 million, net profit before tax was $2.9 million and net income after tax was $2.3 million. Comparable results for three months ended June 30, 2018 were income from mine operations before depreciation and depletion of $4.4 million, adjusted EBITDA of $4.4 million, net loss before tax of $0.3 million and net income after tax of $0.6 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $3.5 million in the second quarter of 2019, compared to $3.9 million for the same period in 2018 due mainly to a strengthening of the United States dollar compared to the Swedish Krona.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the second quarter of 2019 was $818, 7% lower than the cash cost per ounce of gold produced in the second quarter of 2018 of $876. All-in cost per ounce of gold produced at Björkdal for the second quarter of 2019 was $1,067, 8% lower than the all-in cost per ounce of gold produced in the second quarter of 2018 of $1,155. These per ounce costs were lower in the 2019 quarter compared to the same period 2018 due primarily to higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the second quarter of 2019 totaled $5.1 million ($2.1 million in mine development costs, $0.2 million for exploration, and $2.8 in property, plant and equipment) compared with $5.1 million ($3.1 million in mine development costs, $0.9 million for exploration, and $1.1 million for property, plant and equipment) during the same period in 2018.

Björkdal - Six Months Ended June 30, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the six months ending June 30, 2019 was 28,628 ounces, a 7% increase from the 26,733 ounces produced in the six months ending June 30, 2018. The increase can be attributed to achieving a higher constant tonnage from the underground mine over the first half of 2019, as well as additional tonnage from a high-grade skarn area.

- ***Revenue*** – Björkdal revenue for the six months ending June 30, 2019 was $39.7 million, similar to the $40.2 million in the six months ending June 30, 2018. Gold ounces sold remained stable in the six months ending June 30, 2019 compared to six months ending June 30, 2018, combined with a similar realized gold price.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $27.3 million for the six months ending June 30, 2019, slightly lower than $28.3 million for the same period of 2018. The decrease in operating costs were primarily due to the strengthening of the United States dollar against the Swedish Krona.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the six months ending June 30, 2019 was $12.5 million, adjusted EBITDA was $12.5 million, net profit before tax was $2.9 million and net income after tax was $2.5 million. Comparable results for the same period of 2018 were income from mine operations before depreciation and depletion of $11.8 million, adjusted EBITDA of $11.9 million, net income before tax of $2.6 million and net income after tax of $2.8 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $7.5 million in the six months ending June 30, 2019, compared to $7.6 million for the same period in 2018 due mainly from a strengthening of the United States dollar against the Swedish Krona.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the six months ending June 30, 2019 was $870, 11% lower than the cash cost per ounce of gold produced in the six months ending June 30, 2018 of $980. All-in cost per ounce of gold produced at Björkdal for the six months ending June 30, 2019 was $1,135, 10% lower than the all-in cost per ounce of gold produced in the six months ending June 30, 2018 of $1,265. These per ounce costs were lower in the first half of 2019 compared to the same period 2018 due primarily to higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the six months ending June 30, 2019 totaled $7.9 million ($3.8 million in mine development costs, $0.3 million for exploration, and $3.8 in property, plant and equipment) compared with $11.3 million ($5.9 million in mine development costs, $1.3 million for exploration, and $4.1 million for property, plant and equipment) during the same period of 2018. The decrease in capital expenditures was due primarily to less capital development work occurring in the open pit compared to the previous year period, as well as less amounts spent on exploration.

Non-Core Properties

Cerro Bayo

On June 26, 2019, the Company entered into a non-binding heads of agreement with Equus Mining ("Equus") for the sale of the Cerro Bayo mine in Chile. The signing of this agreement had no impact on the carrying value of the Cerro Bayo mine as at June 30, 2019. See announcement on the Company's website for details.

During the second quarter of 2019 the Company spent $0.8 million on care and maintenance activities at Cerro Bayo compared to $1.4 million in the second quarter of 2018. The decrease in expense was mainly due to a reduction in the number of staff.

Challacollo

On August 1, 2018, the Company announced that it had entered into a non-binding letter of intent with Aftermath Silver Ltd., pursuant to which Aftermath Silver would acquire Minera Mandalay Challacollo Limitada, a wholly-owned subsidiary of the Company which owns the Challacollo project. The Company currently expects total consideration of CAD$10.5 million from this sale.

In addition, the Company signed on November 28, 2018 a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property. Total consideration is expected to be $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions.

Lupin and Ulu

Care and maintenance spending at Lupin and Ulu was less than $0.1 million during both the three and six months ending June 2019, approximately equivalent to the prior year periods. Reclamation spending at Lupin and Ulu was $0.2 million during the second quarter of 2019 compared to $0.9 million in second quarter of 2018. For the six months ending June 30, 2019, reclamation spending was $0.9 million compared to $1.2 million in the prior year period.

The Company identified an indicator of impairment for the Ulu property, due to the signing of an amended option agreement for the property. As a result of this amendment, a write down of $1.0 million was recognized in the income statement for the three months ended June 30, 2019.

Also related to this exercise, the Company identified an indicator of impairment for the Lupin mine, which is located near the Ulu property. The Company has valued the assets at fair value less costs to dispose. As a result of this, a write down of $4.0 million was recognized in the Company's income statement for the three months ended June 30, 2019.

On December 21, 2018, the Nunavut Water Board reached a decision to recommend that the Letter of Credit that has been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine be reduced by CAD$3.2 million. On January 28, 2019, this recommendation was approved by the Minister of Indigenous and Northern Affairs and the Company received these funds on April 18, 2019.

La Quebrada

Care and maintenance spending at La Quebrada was less than $0.1 million during the second quarter of 2019, which was the same as the prior year quarter.

1.2 SECOND QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	26,344	27,944	56,260	67,692
Cost of sales	20,751	22,348	44,145	48,168
Income from mining operations before depreciation and depletion	5,593	5,596	12,115	19,524
Depreciation and depletion	6,068	8,075	13,320	16,916
Income/(loss) from mining operations	(475)	(2,479)	(1,205)	2,608
General and administrative costs	1,488	1,945	2,763	3,738
Adjusted EBITDA*	4,105	3,651	9,352	15,786
Finance costs, foreign exchange and others**	8,545	20,816	8,585	24,132
Consolidated loss before tax	(10,508)	(25,240)	(12,553)	(25,262)
Current tax (recovery) expense	506	(121)	409	662
Deferred tax recovery	(1,264)	(1,408)	(1,877)	(974)
Adjusted net loss before special items after tax*	(3,926)	(3,743)	(4,385)	(2,806)
Consolidated net loss after tax	(9,750)	(23,711)	(11,085)	(24,950)
Adjusted loss per share before special items*	(0.04)	(0.08)	(0.06)	(0.06)
Consolidated loss per share	(0.11)	(0.53)	(0.16)	(0.55)
Total assets	255,505	259,461	255,505	259,461
Total liabilities	135,609	124,309	135,609	124,309
Total equity	119,897	135,152	119,897	135,152
Capital Expenditures – Björkdal				
Underground capital develop. & open pit prestrip	2,110	3,009	3,838	5,943
Property, plant and equipment purchases	2,842	1,085	3,788	4,060
Capitalized exploration	189	994	294	1,300
Capital Expenditures – Costerfield				
Underground capital development	3,314	3,140	6,455	5,256
Property, plant and equipment purchases	1,312	2,157	2,552	3,791
Capitalized exploration	459	1,423	529	2,493
Capital Expenditures – Consolidated***				
Underground capital develop. & open pit prestrip	5,424	6,149	10,293	11,199
Property, plant and equipment purchases	4,154	3,242	6,340	7,851
Capitalized exploration	660	2,552	1,016	4,186

*Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share before special items are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
**Others includes such items as mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.
*** Includes capitalized spend from other non-operating sites.

Summary Balance Sheet

	As at June 30	As at December 31
	2019	**2018**
	($'000)	**($'000)**
Cash and cash equivalents	25,702	8,395
Inventories, accounts receivables and other current assets	34,301	30,505
Property, plant and equipment	163,972	168,380
Reclamation deposit and other non-current assets	31,531	30,423
Total assets	**255,506**	**237,703**
Five-year exchangeable loan*	22,235	25,235
Other current liabilities	26,931	62,857
Non-current liabilities	86,443	53,475
Equity attributable to common shareholders	119,897	96,136
Total equity and liability	**255,506**	**237,703**

*The five-year exchangeable loan is shown as a current liability on the consolidated statements of financial position.

Adjusted EBITDA and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA and Adjusted Net Income to reported Net Income for the three and six months ended June 30, 2019 and 2018. Adjusted EBITDA and Adjusted Net Income are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	($'000)	**($'000)**	**($'000)**	**($'000)**
Consolidated net loss	(9,750)	(23,711)	(11,085)	(24,950)
Special items				
Write down of assets	4,985	18,533	4,985	18,533
Care and maintenance	839	1,435	1,715	3,611
Adjusted net income/(loss) before special items	**(3,926)**	**(3,743)**	**(4,385)**	**(2,806)**
Add/less: Non-cash and finance costs				
Depletion and depreciation	6,068	8,075	13,320	16,916
(Gain) Loss on disposal of property, plant and equipment	(34)	118	(1,855)	126
Share based compensation	128	157	309	404
Interest and finance charges	1,521	1,362	3,193	2,730
Fair value adjustments loss (gain)	980	(1,037)	856	(794)
Current tax expense (recovery)	506	(121)	409	662
Deferred tax recovery	(1,264)	(1,408)	(1,877)	(974)
Foreign exchange loss (gain)	231	468	(296)	227
Interest and other income	(105)	(220)	(322)	(705)
Adjusted EBITDA	**4,105**	**3,651**	**9,352**	**15,786**

Consolidated Financial Results - Three Months Ended June 30, 2019 and 2018

- ***Revenue*** – Consolidated revenue for the second quarter of 2019 was $26.3 million, a 6% decrease from $27.9 million in the second quarter of 2018, mainly due to a decrease in gold ounces sold. Consolidated gold equivalent ounces sold decreased by 9% to 19,995 ounces in the second quarter of 2019 compared to 22,052 ounces in the second quarter of 2018.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $20.8 million for the second quarter of 2019 compared to $22.3 million for the same period of 2018. The 7% improvement was the result of cost savings and a relative improvement in the foreign exchange rate.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the second quarter of 2019 was $5.6 million, adjusted EBITDA was $4.1 million, net loss before tax was $10.5 million and net loss after tax was $9.8 million. Comparable results for three months ended June 30, 2018, were income from mine operations before depreciation and depletion of $5.6 million, adjusted EBITDA of $3.7 million, net loss before tax of $25.2 million and net loss after tax of $23.7 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $6.1 million in the second quarter of 2019 compared to $8.1 million for the same period in 2018 due to mainly due to lower production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for the second quarter of 2019 was $1,130, 10% higher than the second quarter of 2018 of $1,028. Consolidated all-in cost per ounce of gold equivalent produced for the second quarter of 2019 was $1,452, 3% higher than the second quarter of 2018 of $1,405. These per ounce costs were higher in the second quarter of 2019 compared to the same period in 2018 due to lower metal produced.

- ***Capital Expenditures*** – Consolidated capital expenditures for the second quarter of 2019, totaled $10.2 million ($5.1 million occurred at Costerfield and $5.1 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the second quarter of 2018 were $11.9 million ($6.7 million occurred at Costerfield, $5.0 million at Björkdal and non-core assets $0.2 million). The reduction in capital expenditures was due primarily to cost saving measures at each site that were in place in the first quarter of 2019.

Consolidated Financial Results - Six Months Ended June 30, 2019 and 2018

- ***Revenue*** – Consolidated revenue for the six months ending June 30, 2019 was $56.3 million, a 17% decrease from $67.7 million in the six months ending June 30, 2018, mainly due to a decrease in gold ounces sold. Consolidated gold equivalent ounces sold decreased by 16% to 43,002 ounces in the six months ending June 30, 2019 compared to 51,203 ounces in the six months ending June 30, 2018.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $44.1 million for the six months ending June 30, 2019 compared to $48.2 million for the same period of 2018. The 8% improvement was primarily due to cost savings and a relative improvement in the foreign exchange rate.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the six months ending June 30, 2019 was $12.1 million, adjusted EBITDA was $9.4 million, net loss before tax was $12.6 million and net loss after tax was $11.1 million. Comparable results for the six months ended June 30, 2018 were income from mine operations before depreciation and depletion of $19.5 million, adjusted EBITDA of $15.8 million, net loss before tax of $25.3 million and net loss after tax of $25.0 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $13.2 million in the six months ending June 30, 2019 compared to $16.9 million for the same period in 2018 mainly due to lower production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for the six months ending June 30, 2019 was $1,099, 5% higher than the cash cost per ounce of gold equivalent produced in the six months ending June 30, 2018 of $1,044. Consolidated all-in cost per ounce of gold equivalent produced for the six months ending June 30, 2019 was $1,431, slightly lower than the all-in cost per ounce of gold equivalent produced in the six months ending June 30, 2018 of $1,434. These per ounce costs were higher in the year to date 2019 compared to the same period in 2018 due to lower metal produced.

- **Capital Expenditures** – Consolidated capital expenditures for the six months ending June 30, 2019, totaled $17.6 million ($9.5 million occurred at Costerfield and $7.9 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the six months ending June 30, 2018 were $23.2 million ($11.5 million occurred at Costerfield, $11.3 million at Björkdal and $0.4 million at non-core assets). The reduction in capital expenditures was primarily due to cost saving measures at each site that were in place during first half of 2019.

1.3 SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's quarterly financial statements for the past eight quarters:

	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018
	($'000)	($'000)	($'000)	($'000)
Revenue	26,344	29,916	22,711	21,765
Income/(loss)	(9,750)	(1,334)	(31,299)	(7,468)
Income/(loss) per share – Basic	(0.11)	(0.03)	(0.69)	(0.17)
Income/(loss) per share – Diluted	(0.11)	(0.03)	(0.69)	(0.17)

	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017
	($'000)	($'000)	($'000)	($'000)
Revenue	27,944	39,747	38,093	35,407
Income/(loss)	(23,711)	(1,237)	(23,073)	(7,181)
Income/(loss) per share – Basic	(0.53)	(0.03)	(0.51)	(0.16)
Income/(loss) per share – Diluted	(0.53)	(0.03)	(0.51)	(0.16)

Financial results are impacted by the amounts of gold and antimony production, the costs associated with that production, and the prices received for metal in concentrate. Metal prices are determined using prevailing international prices for gold, silver and antimony. The Company's products are priced in U.S. dollars, whereas the majority of mine costs are in Australian dollars (at Costerfield), Swedish Krona (at Björkdal) and Chilean pesos (at Cerro Bayo). The Company's results will be impacted by exchange rate variations during the reporting periods.

Volatility in revenue and earnings over the past two years is due to the combined impact of changes in production volumes, fluctuations in metal prices and timing of concentrate shipments.

1.4 MARKETS – CURRENCY EXCHANGE RATES

The average currency exchange rates for the reporting period are summarized in the table below:

Currency	Average Rate April 1, 2019 - June 30, 2019	Average Rate April 1, 2018 - June 30, 2018	Average Rate January 1, 2019 – June 30, 2019	Average Rate January 1, 2018 – June 30, 2018
1A$ = C$	0.9369	0.9772	0.9421	0.9855
1 A$ = US$	0.7001	0.7569	0.7063	0.7731
1 US$ = C$	1.3382	1.2910	1.3338	1.2776
1 US$ = Chilean Peso	684	621	676	612
1 US$ = SEK	9.4470	8.6737	9.3120	8.3957

Markets – Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of all the metals were lower in the second quarter of 2019 than in the second quarter of 2018. Realized prices in the second quarter of 2019 was broadly similar to average market prices for gold, and lower for antimony.

Commodity	Prices April 1, 2019 June 30, 2019	Prices April 1, 2018 June 30, 2018	Prices January 1, 2019 June 30, 2019	Prices January 1, 2018 June 30, 2018
Realized gold US$/oz[1]	1,314	1,279	1,312	1,327
Gold – US$/oz – Average London PM close (Metal Bulletin)	1,309	1,307	1,306	1,318
Realized antimony US$/tonne[1]	6,265	7,657	6,921	8,225
Antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	6,894	8,295	7,353	8,396

[1]Includes the effect of prior period smelter revenue adjustment on sales revenue and realized prices for the period

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At June 30, 2019, the Company's working capital was $10.8 million compared to negative $49.2 million at December 31, 2018. Working capital would have been $33.1 million as of June 30, 2019, had the Loan (as defined below) been classified as long-term debt. The Company had cash and cash equivalents of $25.7 million at June 30, 2019, as compared to $8.4 million at December 31, 2018.

On February 20, 2019 the Company received the net proceeds of the Bridge Loan and completed the Public Offering and on March 29, 2019 the Company received the net proceeds from the issuance of the Subscription Receipts in the Public Offering. The Company expects that the net proceeds of the Financing will be sufficient to fund operations and its planned capital development and exploration activities for the balance of 2019.

In connection with the Financing, the Company was required to establish two separate cash reserves. Under the terms of the Bridge Loan, the Company is required to maintain a cash reserve in respect of its obligations under the Gold Bonds (as defined below) equal to the lesser of $15.0 million and the outstanding principal amount of the Bonds. In addition, in connection with its receipt of a waiver from HSBC of the financial covenants in the Facility for the quarters ending March 31, 2019 and June 30, 2019, the Company has agreed that the aggregate of its unrestricted cash (as defined in the Facility) plus undrawn availability under the Facility shall be not less than $10.0 million. These two separate cash reserve requirements do overlap and are not in addition to each other. The Company will be unable to use the funds subject to these two reserves for any other corporate purposes for as long as they are reserved.

The Company is facing liquidity challenges as a result of operational underperformance and the requirement to fund recent exchanges of the Company's five-year exchangeable loan. As at June 30, 2019 the Company was in breach of two covenants of its Revolver Facility, however it has received a waiver from HSBC for these breaches.

The ability of the Company to continue as a going concern is dependent on receiving waivers for, meeting its financials covenants on the Revolver Facility in the coming quarters, or restructuring the current debt facilities. There can be no assurance that the Company will meet its covenants, receive waivers for the financial covenants associated with the Revolver Facility for future quarters or restructure the current debt facilities. As a result, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Five-Year Exchangeable Loan

In May 2014, Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey issued $60.0 million of senior exchangeable gold bonds at an interest rate of 5.875% for proceeds of $60.0 million (the "Bonds"). The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the proceeds of the Bond offering from the Issuer under the terms of a loan agreement and related funding agreement (the "Loan") which together mirror the principal terms of the Bonds.

Each Bond holder has the right to exchange the principal amount of its Bonds for shares in the SPDR Gold Trust ("Gold Shares") based on the then applicable exchange price. The exchange price is subject to adjustment in the event of changes to the constitution of the SPDR Gold Trust (e.g., share splits and consolidation) or changes to the way in which net asset value ("NAV") of the SPDR Gold Trust or Gold Shares is calculated.

The Issuer may redeem the Bonds at its option:

- if the closing price of the Gold Shares exceeds 130% of the exchange price for at least 20 trading days in any 30 consecutive trading day period; or
- if US$9.0 million or less in the principal amount of the Bonds remains outstanding.

The Company has equivalent redemption rights with respect to the Loan. If the Company exercises its redemption rights under the Loan, the Issuer will exercise its optional redemption rights under the Bonds.

If a Bond holder exercises its exchange rights, the Issuer will give notice to the Company, and the Company will be required to deliver the requisite number of Gold Shares to the Bond holder. As the Bond holders have the right to exchange the principal amount for Gold Shares at any time, the Company has classified the carrying amount as of the Loan as a current liability, determined using the effective interest rate method, in the consolidated statements of financial position of the Company. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date.

Repurchase and Amendment

On May 26, 2017, the Issuer repurchased $29.95 million of the Bonds from the holders thereof at a price of 105% of their principal amount resulting in a remaining principal amount of $30.05 million.

In connection with the partial repayment of the Bonds, the following amendments have been made to the terms of the Bonds:

- extending the maturity date of the Bonds to May 13, 2022;

- deleting a condition of the Bonds that required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of shares of the SPDR Gold Trust issuable upon exchange of the Bonds into a custody account;

- adding a new covenant to the Bonds pursuant to which the Issuer will be required to offer to repurchase a proportion of the Bonds outstanding at the relevant time if and to the extent that the contained gold equivalent (in ounces) at the Company's Costerfield mine falls below (initially) 232,000 gold equivalent ounces;

- increasing the interest rate payable on the Bonds from 5.875% per annum to 6.875% per annum effective as of May 13, 2017; and

- reducing the exchange price of the Bonds from US$149.99 to US$135.00 (which equates to gold prices of US$1,556 per ounce, and US$1,400 per ounce, respectively).

Mandalay funded all amounts required by the Issuer to repurchase Bonds and all associated fees and expenses (including consent fees). The outstanding amount of the Loan has been reduced by an amount equal to the principal amount of the Bonds repurchased and the terms of the Loan have been amended to mirror, where applicable, the amendments to the terms of the Bonds.

Bond Exchanges

On December 3, 2018, the Company was required to repurchase $2.3 million principal amount of Bonds for a cost of $2.0 million as a result of an exchange request. As at December 31, 2018, there was a current liability of $25.2 million recognized on the statement of financial position related to this Loan. The outstanding principal amount of the Bonds at year-end was $27.5 million.

On February 11, 2019, the Company exchanged a principal amount of $3.65 million of Bonds for Gold Shares at a cost $3.3 million. The outstanding principal amount of the Loan was reduced by the aggregate principal amount of the Bonds that were repurchased or exchanged and is currently $24.1 million.

Illustrative Exchange and Repayment Costs

For clarity, the Company has provided some examples below to further explain the details of the Loan, all of which exclude the interest that is payable on the principal until the date of redemption or maturity at the rate of 6.875%:

i) If all the Bondholders exercised their right to exchange their Bonds on June 30, 2019, assuming a gold price of $1,402/oz (which is equivalent to US$133.2 per Gold Share), then the repayment cost to the Company would be approximately $22.3 million.

   $24.1 million ÷ $1,400/oz × $1,402 = $24.1 million

ii) The repayment cost to the Company to repay the Loan on maturity will be minimum $24.1 million if the Gold Share price remains constant or below $135 per share.

iii) If the price of gold during the Loan term reaches $1,700/oz (which is equivalent to US$161.5 per Gold Share), for example, and the Bondholders elect to redeem the Gold Shares prior to maturity date, then the repayment cost to the Company will be $29.3 million.

   $24.1 million ÷ $1,400/oz × $1,700 = $29.3 million

$40 million Revolving Credit Facility

On July 25, 2017, the Company announced the Facility. The Facility matures on July 24, 2020. Proceeds from the Facility are used for working capital, capital expenditures, permitted acquisitions and other general corporate purposes.

Amounts drawn on the Revolver Facility bears interest at LIBOR plus 3.5%-4.5% per annum or at HSBC's "base rate" plus 2.5%-3.5%, depending on the Company's leverage ratio. The undrawn portion of the Facility is subject to a standby fee of 1.0% per annum. The Facility is secured by a second ranking security interest over substantially all of the Company's assets, excluding the Company's Australian subsidiaries and its Costerfield mine and subject to permitted liens. In order to satisfy cash flow requirements to the Costerfield mine, on December 21, 2018, the Company entered into an amended agreement with HSBC to allow for the remaining $10.0 million to be drawn by directly by the Costerfield operating company directly. In return for this, the Company has provided HSBC a general security of the operating assets of Costerfield for any drawn amount.

The Facility includes the following financial covenants:

- Interest Coverage Ratio of not less than 3.00:1.00 at all times (consolidated basis, calculated on rolling four-quarter basis);
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Tangible Net Worth of not less than $105.0 million plus 50% of net income (cumulative) earned after Closing Date;
- Current Ratio of not less than 1.20:1.00; and
- the aggregate of the Company's unrestricted cash (as defined in the Facility) plus undrawn availability under the Facility shall be not less than $10.0 million.

As at June 30, 2019 the Company was in breach of the Interest Coverage Ratio and the Leverage Ratio for this facility. On June 28, 2019, the Company received a waiver for these financial covenants for the quarter ended June 30, 2019. As the waiver was received before the statement of financial position date, the outstanding amount under the Facility has been classified as a non-current liability as at June 30, 2019.

As at June 30, 2019, the Company had borrowed $35.0 million under the Facility, and drew down the remaining $5.0 million in July 2019.

Fair-value Adjustments

As at June 30, 2019, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

Conversion feature under debt financing – In May 2014, the Company borrowed $60 million in a debt financing at an interest rate of 5.875% as described above.

In May 2014, the Company computed and initially allocated $4.6 million to the value of derivative financial instruments associated with the Loan. This amount was revised with the repurchase of a portion of the Loan that occurred in the second quarter of 2017. As at June 30, 2019, the Company has recomputed the derivative portion of the Loan at $2.6 million, as compared to $2.7 million as at December 31, 2018. As a result, there is a mark-to-market adjustment loss of $1.0 million in the second quarter of 2019 was booked as compared to loss of $1.1 million in the second quarter of 2018. For six months ended June 30, 2019 the market adjustment loss of $0.9 million was booked as compared to $0.8 million of gain for the same period of 2018.

Marketable securities – The Company holds marketable securities with a fair market value of $0.1 million as at June 30, 2019, as compared to $0.1 million as at December 31, 2018, recorded in trade and other receivables on the statement of financial position. These securities are stated at fair value with any resulting gain or loss recognized in income or loss. The Company recorded a fair value measurement gain of $0.02 million for three months ended June 30, 2019, as compared to $0.06 in the year ago quarter. For six months ended June 30, 2019 the Company recorded fair value measurement gain of $0.06 million as compared to $0.08 million in previous year period.

Contractual Obligations as at June 30, 2019

Contractual obligations	**Payments due by year ($ '000)**			**Total ($ '000)**
	Less than 1 year	**1-3 years**	**4-5 years**	
Five-year exchangeable loan*	24,100	-	-	24,100
HSBC Revolver Facility	-	35,000	-	35,000
Lease obligations	1,963	3,215	-	5,178
Other equipment loan obligations	441	519	41	1,001
Total contractual obligations	**26,504**	**38,734**	**41**	**65,279**

**Classified as less than one year due to the conversion feature available to bond holders, actual due date is May 2022.*

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

Mr. Sanjay Swarup was the Chief Financial Officer of the Company until August 16, 2018. He was also the Director of SKS Business Services, which provides contractual accounting services to the Company.

	Three months ended June 30		**Six months ended June 30**	
	2019	**2018**	**2019**	**2018**
	($'000)	**($'000)**	**($'000)**	**($'000)**
General and Administrative Expenses, Salaries and Consultancy Services	-	47	-	94
SKS Business Services	-	47	-	94

On February 20, 2019, the Company completed the Financing. As part of the Financing, the Company received the Bridge Loan from an affiliate of CE Mining Fund III L.P. ("CE Mining"), an investment fund advised by Plinian Capital Limited, which is controlled by Bradford A. Mills, Chairman of the Board. In addition, as part of the Public Offering, Ruffer LLP, GMT Capital Corp. and azValor Asset Management SGIIC, S.A.U. (each of which is a related party of the Company by virtue of owning more than 10% of the outstanding Common Shares), along with CE Mining, collectively subscribed for 305,075,000 Subscription Receipts. The loan agreement in respect of the Bridge Loan contains a number of customary positive and negative covenants, and also provides that for as long as CE Mining owns at least 10% of the outstanding Common Shares it will be entitled to nominate two members of the Company's board of directors, provided that one such nominee must be Bradford A. Mills. The purpose of the Financing was to secure additional funding to allow the Company to satisfy its working capital requirements and fund ongoing capital development and exploration programs.

1.9 FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade receivables and other assets, reclamation and other deposits, derivative financial instruments, trade and other payables. The Company also periodically uses financial instruments to protect itself against future downward fluctuations in the prices of gold and antimony and against currency exchange rate fluctuations.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at March 31, 2019, the Company had no past overdue trade receivables.

The Company invests its excess cash principally in highly rated government and corporate debt securities. The Company has established guidelines related to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that its results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short-term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

The Company reports its financial statements in U.S. dollars. However, the Company's operations are located in Australia, Sweden, and Chile, where local costs are at least partially incurred in local currencies. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to the Australian dollar, Chilean peso and Swedish krona. The Company has at times entered into foreign exchange hedges to limit exposure to exchange rate fluctuations. The Company's management assesses the Company's strategy towards its foreign exchange rate risk as needed, depending on market conditions.

1.10 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure.

II. Internal Controls and Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluates the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 on a regular basis. The Company's controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

III. Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

1.11 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 91,049,423 common shares issued and outstanding. The weighted average number of shares outstanding during the second quarter used for the calculation of per share results was 91,038,599.

During the first half of 2019, the following events added to the total amount of outstanding shares of the Company:

Financing

On February 20, 2019, the Company received the Bridge Loan and completed the Public Offering. On March 29, 2019, the Subscription Receipts were exchanged for 35,940,000 Common Shares (359,400,000 Common Shares prior to the share consolidation) and the Bridge Loan was converted into 9,936,296 (99,362,963 Common Shares prior to the share consolidation).

Outstanding Stock Options

Outstanding incentive stock options that could result in the issuance of additional common shares at the respective dates as of the date of this MD&A are as follows:

Exercise Price CAD$	As of June 30, 2019	As of Aug 7, 2019	Expiry Date
1.10	560,000	520,000	30 June, 2026
2.00	494,500	467,000	30 June, 2025
6.00	340,000	315,000	30 June, 2024
9.10	339,800	333,300	23 March, 2021
9.10	204,000	198,000	24 March, 2020
Total	**1,938,300**	**1,833,300**	

During the three months ended June 30, 2019, no options were exercised, or in the 2018 comparative quarter. There were 1,938,300 options outstanding as of June 30, 2019, which could result in issuance of shares.

Restricted Share Units

During 2013, the Company adopted a Restricted Share Unit Plan (the "RSU Plan") and granted Restricted Share Units ("RSUs") to certain directors. Under the RSU Plan, those directors granted RSUs receive the Company's common shares at no cost at the end of vesting periods. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period.

The number of RSUs as at June 30, 2019, is as follows:

	Number of RSU Awards
Balance, December 31, 2017	**68,835**
Granted	156,250
Redeemed	(31,605)
Outstanding at December 31, 2018	**193,480**
Granted	209,596
Redeemed	(13,538)
Forfeited	(41,404)
Outstanding at June 30, 2019	**348,134**

1.12 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, Chris Gregory (BSC Geology, MAIG, MAICD), Mandalay's Vice President, Operational Geology & Exploration and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 SUBSEQUENT EVENTS

Share Consolidation

On July 2, 2019, the Company completed a share consolidation on a basis of ten pre-consolidation shares for one post-consolidation share. Accordingly, as a result of share consolidation, the Company has restated its number of common shares and all per share amounts (including income (loss) per share) for all periods presented to reflect the effect of the share consolidation.

Revolver Facility

On July 15, 2019, the Company drew down the remaining $5,000,000 on its Revolver Facility with HSBC.

1.14 NON-IFRS MEASURES

Non-IFRS performance measures are included in this MD&A because the Company believes these are useful indicators to discuss and understand performance of the Company and its operations. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These non-IFRS performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Management uses Adjusted EBITDA, adjusted net income, income after tax from underlying operations and operating net income/(loss) after tax as measures of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow in order to fund future working capital needs and to fund future capital expenditures, as well as in measuring financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company presents "cash cost" and "all-in costs" metrics for its gold and antimony production because it believes that these measures assist investors and other users of the Company's financial statements in understanding the economics of the Company's gold and antimony mining activities. Management also uses these metrics to assess Company's ability to meet short and long-term financial objectives.

1. *Adjusted EBITDA* - The Company defines adjusted EBITDA as income from mine operations, net of General and administrative, and business development costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. Refer to Section 1.2 for a reconciliation between adjusted EBITDA and net income.

2. *Adjusted EBIT* – The Company defines Adjusted EBIT as Adjusted EBITDA less depletion and depreciation.

3. *Income after tax from underlying operations* - The Company defines Income from underlying operations as net income after tax excluding non-cash, non-operating expense related to mark-to-market adjustment of currency option, and deferred tax expense or recovery.

4. *Operating net income/(loss) after tax* **-** The Company defines operating net income/(loss) after tax as net income after tax before non-operating items such as intercompany interest expenses and all intercompany transfer pricing recharge costs.

5. *Adjusted net income/(loss)* **-** The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their non-recurring nature or the expected infrequency of the events giving rise to them. Refer to Section 1.2 for reconciliation between adjusted net income and net income.

6. *Gold equivalent ounces* **-** Gold equivalent ounces is calculated by multiplying the saleable quantities of gold and antimony in the period by the respective average market price of the commodities in the period, adding the two amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average Ag price in the period is calculated as the average of the daily London Broker's silver spot price for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

7. *Site cash cost per ounce of saleable gold equivalent produced* – For all sites, the cash cost per ounce of saleable gold equivalent equals the total cash operating cost associated with the production of saleable equivalent ounces produced in the period divided by the saleable equivalent gold ounces produced. The cash cost excludes royalty expenses.

8. *Site all-in cost per ounce of saleable gold equivalent produced* **-** Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. For all sites, the all-in cost per ounce of saleable gold equivalent in a period equals the all-in cost divided by the saleable equivalent gold ounces produced in the period.

9. *Consolidated cash cost per ounce of gold equivalent produced* – The corporate cash cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of the gold equivalent ounces at all operating sites in the period plus the corporate overhead expense in the period divided by the total saleable gold equivalent ounces produced in the period. The cash cost excludes royalty expenses.

10. *Consolidated all-in cost per ounce of gold equivalent produced* **–** The corporate cash cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of the gold equivalent ounces at all operating sites in the period plus the corporate overhead expense in the period plus royalty expense, accretion, depletion, depreciation and amortization, divided by the total saleable gold equivalent ounces produced in the period.

11. *Capital expenditures* – Capital expenditures is defined as cash spent on mining interests, property, plant and equipment, and exploration as per the cash flow statement of the financial statements.