MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

AS OF MAY 14, 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 months ended March 31, 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 doubling its production from 2018 to 2021.

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

1.0 FIRST QUARTER 2019 FINANCIAL AND OPERATING SUMMARY

First Quarter 2019 Highlights:

- **Consolidated gold equivalent production of 21,940 ounces** compared to 19,173 ounces in Q4 2018, and 23,172 ounces in Q1 2018. The increased ounces produced in the current quarter compared to the previous quarter relates to the increase in production from the Björkdal mine as it processed more higher-grade underground material.

- **Consolidated cash cost[1] of $1,072 and all-in cost[1] of $1,412 per ounce of saleable gold equivalent production** compared to $1,311 and $1,709 per ounce, respectively, in Q4 2018. In Q1, 2018, these costs were $1,060 and $1,463 per ounce, respectively. The lower unit costs in the current quarter, compared to the previous quarter, relates predominantly to increased production from Björkdal.

- **Revenue of $29.9 million on gold equivalent sales of 23,007 ounces** compared to $22.7 million on 18,399 ounces in Q4 2018. In Q1 2018, revenue was $39.7 million on gold equivalent sales of 29,151 ounces. Improved revenue in the current quarter compared to the previous quarter relates to an increase in ounces produced and sold, as well as a higher realized gold price.

- **Adjusted EBITDA[1] of $5.2 million** compared to negative $1.9 million in Q4 2018, and $12.1 million in Q1 2018. The improvement in Adjusted EBITDA compared to the previous quarter relates mainly to increased revenue, as mentioned above.

- **Consolidated net loss of $1.3 million** compared to a net loss of $31.3 million in Q4 2018, and a net loss of $1.2 million in Q1 2018.

- **Consolidated capital expenditures of $7.4 million** compared to $16.0 million in Q4 2018, and $11.0 million in Q1 2018.

- **Cash on hand was $37.0 million as at March 31, 2019** compared to $8.4 million as at December 31, 2018. The increased in cash on hand during the quarter was the result of the financing mentioned in the "Corporate Developments" section below.

[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.

Summary of Mandalay Operational and Financial Results

Operating Summary

The following table sets forth a summary of the Company's operational results for the three months ended March 31, 2019 and 2018:

	Three months ended March 31	
	2019	2018
	$'000	$'000
Björkdal		
Gold produced (oz)	14,385	12,716
Gold sold (oz)	15,778	17,677
Cash cost* per oz gold produced	921	1,094
All-in cost* per oz gold produced	1,202	1,387
Costerfield		
Gold produced (oz)	4,105	6,587
Antimony produced (t)	575	605
Gold equivalent produced (oz)**	7,555	10,456
Gold sold (oz)	4,079	7,131
Antimony sold (t)	525	679
Gold equivalent sold (oz)**	7,229	11,474
Cash cost* per oz gold eq. produced	1,081	869
All-in cost* per oz gold eq. produced	1,493	1,326
Consolidated		
Gold equivalent produced (oz)**	21,940	23,172
Gold equivalent sold (oz)**	23,007	29,151
Cash cost* per oz gold eq.	1,072	1,060
All-in cost* per oz gold eq.	1,412	1,463
Average quarterly gold price ($/oz)	1,303	1,329
Average quarterly antimony price ($/t)	7,817	8,499

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

**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 months ended March 31, 2019 and 2018:

	Three months ended March 31	
	2019	2018
	$'000	$'000
Revenue	29,916	39,747
Cost of sales	23,393	25,820
Income from mining operations before depreciation and depletion	6,523	13,927
General and administrative costs	1,276	1,793
Adjusted EBITDA*	5,247	12,134
Depreciation and depletion	7,252	8,839
Adjusted EBIT*	(2,005)	3,295
Finance costs, tax, foreign exchange and others**	(671)	4,532
Consolidated net loss	(1,334)	(1,237)
Consolidated loss per share	(0.00)	(0.00)
Total assets	266,233	299,078
Total liabilities	136,643	134,418
Consolidated capital expenditures		
Capital development	4,857	5,050
Property, plant and equipment purchases	2,198	4,609
Capitalized exploration	357	1,651
Total	7,412	11,310

*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 mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.

Corporate Developments

On February 20, 2019 Mandalay closed an underwritten marketed public offering of subscription receipts (the "Subscription Receipts") at a price of CAD$0.12 per Subscription Receipts (the "Offering Price"). A total of 359,400,000 Subscription Receipts were sold for gross proceeds of approximately CAD$43 million (the "Public Offering"), which included a partial exercise of the over-allotment option granted by the Corporation to the underwriters.

Concurrent with the closing of the Public Offering, the Company also received an $8 million convertible bridge loan (the "Bridge Loan", and together with the Public Offering, the "Financing") from an affiliate of CE Mining Fund III L.P. ("CE Mining"), an investment fund advised by Plinian Capital Limited, which is controlled by Brad Mills, Chairman of Mandalay's board of directors. The Bridge Loan had a term of one year, an interest rate of 10% and, subject to the receipt of shareholder approval, was convertible into Common Shares at a price of CAD$0.108 per share.

At a special meeting of shareholders held on March 29, 2019, Mandalay's shareholders voted to approve the exchange of the Subscription Receipts and the conversion of the Bridge Loan. The Subscription Receipts were then exchanged for 359,400,000 Common Shares and the Bridge Loan was converted into 99,362,963 Common Shares, and the proceeds from the issuance of the Subscription Receipts, less the underwriters' commission and expenses, were released to the Financing and the remaining proceeds were released to the Company, less the remaining 50% of the underwriters' commission and the underwriters' expenses.

In connection with the Financing, the Company obtained a waiver from HSBC Bank Canada ("HSBC") in respect of any then current breaches by the Company under its $40 million senior secured revolving credit facility with HSBC (the "Facility") as well as any failure by the Company to comply with the financial covenants set out in the Facility as at December 31, 2018 and March 31, 2019. Notwithstanding these waivers, the Company is not permitted to draw any further amounts under the Facility until it is in compliance with the financial covenants. In addition, the aggregate of any undrawn portion of the Facility (which is currently $5 million) plus the Company's unrestricted cash (as defined under the Facility) must at all times be not less than $10 million.

The net proceeds of the Financing are intended to fund working capital requirements (including capital development work at Costerfield, and tailings upgrade and capital development requirements at Björkdal), debt restructuring (including establishing a cash reserve relating to the $24.1 million principal amount outstanding of senior exchangeable gold bonds); future planned exploration activities at high potential areas including at Costerfield, the Youle lode and deeper hole targets, and the emerging Aurora Zone at Björkdal; and for general corporate purposes.

Exploration

Ongoing exploration activities during the first quarter of 2019 included:

Björkdal

Drilling focused on near-term, underground higher-grade areas including skarn mineralization and the Aurora zone. The Company released its year-end Mineral Resources and Reserves for Björkdal on February 21, 2019.

Costerfield

On April 3, 2018, and June 27, 2018, the Company released details of the recent and ongoing exploration drilling campaign. During the current period drilling was mainly carried out on the Brunswick vein. The Company released its year-end 2018 Mineral Resources and Reserves for Costerfield on January 22, 2019, which included a maiden Mineral Resource and Reserve estimate for Youle.

2019 Exploration Program

During the second quarter of 2019 exploration programs will be initiated at the Costerfield and Björkdal operations. Exploration at Costerfield will focus on the Youle lode with an aim to extending the reserves further to the North and to depth where the deposit is currently open. Also at Costerfield, a deep hole program will also be initiated with two planned holes to be drilled approximately 1km deep targeting under the Youle and Cuffley lodes. Both of the holes are planned to have wedges to obtain further information down the dip, along the deposit. Further deep hole drilling programs will be planned following results and analysis of the first two holes.

Exploration at Björkdal will focus on the Aurora zone and surrounding areas, as up-dip drilling will look to extend the Aurora deposit towards surface. Several planned Aurora exploration holes will extend to the North to better understand the continuity of veining at the extents of the mine. Exploration will also be carried out on small pockets of high-grade skarn bodies, which historically have not been a focus of the operation, yet recent performance has shown it can have a positive impact on the overall production grade.

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 the 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 in 2019 as the Company has rectified the 2018 underground haulage bottleneck that prevented the delivery of the Company's highest-grade ore to the mill.

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 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 in addition to the original 2019 capital expenditure guidance figures.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended March 31	
	2019	**2018**
	U$'000	**U$'000**
Revenue	9,268	15,600
Cost of sales	7,758	9,156
Income from operations (excl. depreciation & depletion)	1,510	6,444
General and administrative costs(1)	150	387
Adjusted EBITDA (2,3)	1,468	6,254
Depreciation & depletion	2,989	4,602
Adjusted EBIT (3)	(1,629)	1,456
Finance costs, foreign exchange and others (4)	(58)	(87)
Income (loss) before tax	(1,571)	1,543
Current tax expense	-	212
Deferred tax expense	(477)	335
Consolidated net income (loss) after tax	(1,094)	996
Capital development	3,142	2,116
Property, plant and equipment purchases	1,240	1,634
Capitalized exploration	70	1,070
Total capital expenditure (5)	4,452	4,820

[1]Includes intercompany transfer pricing recharge costs of $108,000 in the three months ended March 31, 2019 and $197,000 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 March 31	
		2019	2018
Operating development	m	1,057	1,141
Mined ore	t	38,283	39,990
Mined ore Au grade	g/t	4.93	6.73
Mined ore Sb grade	%	2.47	2.52
Mined contained Au	oz	6,062	8,652
Mined contained Sb	t	947	1,006
Mining cost per tonne ore	$/t	133	142
Processed ore	t	40,221	38,558
Processed ore mill head grade Au	g/t	4.81	6.72
Processed ore mill head grade Sb	%	2.38	2.64
Recovery Au	%	81.43	88.51
Recovery Sb	%	95.58	92.61
Saleable Au produced	oz	4,105	6,587
Saleable Sb produced	t	575	605
Saleable Au equivalent produced	oz	7,555	10,456
Processing cost per tonne ore	$/t	30	37
Au sold in gravity concentrate	oz	1,763	2,629
Au sold (total)	oz	4,079	7,131
Sb sold	t	525	679
Capital development metres	m	452	632
Capital development cost per metre	$/m	6,944	3,347
Cash operating cost per tonne ore processed (1,2)	$/t	203	232
Adjusted EBITDA per tonne ore processed (1,2)	$/t	36	162
Cash cost per oz Au equivalent produced (1,2)	$/oz	1,081	869
Site all-in cost per oz Au equivalent produced (1,2)	$/oz	1,493	1,326

[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.

Costerfield – Three Months Ended March 31, 2019 and 2018

- ***Production*** — Saleable gold production for the first quarter of 2019 was 4,105 ounces, a 38% decrease from the 6,587 ounces produced in the first quarter of 2018. Saleable antimony production for the first quarter of 2019 was 575 tonnes, a 5% decrease from the 605 tonnes produced in the first quarter of 2018. Gold equivalent production for the first quarter of 2019 was 7,555 ounces, a decrease of 28% from the first quarter of 2018 when the Company produced 10,456 gold equivalent ounces. While production and grades at Costerfield in the first 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 first quarter of 2018.

- ***Revenue*** – Costerfield revenue for the first quarter of 2019 was $9.2 million, a 41% decrease from $15.6 million in the first quarter of 2018, mainly due to a decrease in gold equivalent ounces sold. The current quarter revenue was $7.2 million higher than the fourth quarter of 2018. Gold equivalent ounces sold decreased by 37% to 7,229 ounces in the first quarter of 2019 compared to 11,474 ounces in the first quarter of 2018. The decrease in first quarter 2019 sales compared to the first quarter of 2018 was due to a combination of lower realized metal prices and lower sales from decreased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $7.7 million for the first quarter of 2019, compared to $9.2 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 first quarter of 2019 was $1.5 million, adjusted EBITDA was $1.5 million, net loss before tax was $1.6 million and net loss after tax was $1.1 million. Comparable results for the first quarter of 2018 were income from mine operations before depreciation and depletion of $6.4 million, adjusted EBITDA of $6.3 million, net income before tax of $1.5 million and net income after tax of $0.9 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $3.0 million in the first quarter of 2019, compared to $4.6 million for the same period in 2018 due mainly to lower production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the first quarter of 2019 was $1,081, compared to $869 in the first quarter of 2018. The site all-in cost per ounce of gold equivalent produced in the first quarter of 2019 was $1,493 versus $1,326 in the first quarter of 2018. These per ounce costs were higher than the year ago quarter due to lower gold equivalent ounces produced in the first quarter of 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for the first quarter of 2019 totaled $4.5 million ($3.1 million in capital development costs, $0.1 million for exploration, and $1.2 million in property, plant and equipment) compared with $4.8 million ($2.1 million in capital development costs, $1.1 million for exploration, and $1.6 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 March 31	
	2019	2018
	U$'000	U$'000
Revenue	20,649	24,066
Cost of sales	15,635	16,585
Income from operations (excl. depreciation & depletion)	5,014	7,481
General and administrative costs[1]	169	231
Adjusted EBITDA [2,3]	5,014	7,481
Depreciation & depletion	4,028	3,726
Adjusted EBIT [3]	817	3,524
Finance costs, foreign exchange and others[4]	857	645
Income (loss) before tax	(40)	2,879
Current tax expense (recovery)	(97)	571
Deferred tax expense (recovery)	(136)	99
Consolidated net income after tax	193	2,209
Capital development	1,715	2,934
Property, plant and equipment purchases	958	2,975
Capitalized exploration	105	305
Total capital expenditure [5]	2,778	6,214

[1]Includes intercompany transfer pricing recharge costs of $169,000 in the three months ended in March 31, 2019 and $231,000 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 March 31	
		2019	**2018**
Operating development	m	1,551	1,155
Mined ore	t	346,520	314,891
Mined ore Au grade	g/t	1.31	1.43
Mined contained Au	oz	14,646	14,480
Mining cost per tonne ore	$/t	20.93	27.34
Processed ore	t	322,849	290,456
Processed ore mill head grade Au	g/t	1.59	1.55
Recovery Au	%	89.09	89.73
Saleable Au produced	oz	14,385	12,716
Processing cost per tonne ore	$/t	6.76	9.68
Au sold	oz	15,778	17,677
Capital development (underground)	m	436	614
Capital development (open pit)	t	131,798	387,704
Capital development cost per metre	$/m	3,059	3,128
Cash operating cost per tonne ore processed (1)	$/t	41.03	47.91
Adjusted EBITDA per tonne ore processed (1,2)	$/t	15.53	25.77
Cash cost per oz Au produced (1,2)	$/oz	921	1,094
Site all-in cost per oz Au produced (1,2)	$/oz	1,202	1,387

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 March 31, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the first quarter of 2019 was 14,385 ounces, a 13% increase from the 12,716 ounces produced in the first quarter of 2018. The higher production at Björkdal for the first quarter of 2019 relative to 2018 is principally due to 11% higher ore volumes processed and 2% higher Au head grade in the first quarter of 2019.

- ***Revenue*** – Björkdal revenue for the first quarter of 2019 was $20.6 million, a 14% decrease from $24.1 million in the first quarter of 2018, mainly due to a decrease in gold ounces sold. Gold ounces sold decreased by 11% to 15,778 ounces in the first quarter of 2019 compared to 17,677 ounces in the first quarter of 2018. The decrease in revenue was due to a lower realized gold price in the current quarter, as well a decrease in metal sold by 11% compared to first quarter of 2018. This was largely due to the fact the mine had record production in the fourth quarter of 2017 from higher than expected grades, which was lower in the fourth quarter of 2018.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $15.6 million for the first quarter of 2019, slightly lower than $16.6 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 first quarter of 2019 was $5.0 million, adjusted EBITDA was $4.0 million, net loss before tax was $0.04 million and net income after tax was $0.2 million. Comparable results for three months ended March 31, 2018 were income from mine operations before depreciation and depletion of $7.5 million, adjusted EBITDA of $7.5 million, net income before tax of $2.9 million and net income after tax of $2.2 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased slightly to $4.0 million in the first quarter of 2019, compared to $3.7 million for the same period in 2018 due mainly to higher production.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the first quarter of 2019 was $921, 16% lower than the cash cost per ounce of gold produced in the first quarter of 2018 of $1,094. All-in cost per ounce of gold produced at Björkdal for the first quarter of 2019 was $1,202, 13% lower than the all-in cost per ounce of gold produced in the first quarter of 2018 of $1,387. 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 first quarter of 2019 totaled $2.8 million ($1.7 million in mine development costs, $0.1 million for exploration, and $1.0 in property, plant and equipment) compared with $6.2 million ($2.9 million in mine development costs, $0.3 million for exploration, and $3.0 million for property, plant and equipment) during the same period in 2018. The decrease in capital expenditures was due primarily to less capital development work occurring in the open pit compared to the previous year quarter, as well as less plant and equipment costs.

Non-Core Properties

Cerro Bayo

During the first quarter of 2019 the Company spent $0.9 million on care and maintenance activities at Cerro Bayo compared to $2.2 million in the first 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. ("Aftermath") pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly-owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of CAD$11.6 million.

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 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 the first quarter of 2019 compared to less than $0.1 million in the prior year quarter. Reclamation spending at Lupin and Ulu was $0.7 million during the first quarter of 2019 compared to $0.3 million in the prior year quarter.

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 first quarter of 2019, which was the same as the prior year quarter.

1.2 FIRST QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended March 31	
	2019	2018
	$'000	$'000
Revenue	29,916	39,747
Cost of sales	23,393	25,820
Income from mining operations before depreciation and depletion	6,523	13,927
Depreciation and depletion	7,252	8,839
Income/(loss) from mining operations	(729)	5,088
General and administrative costs	1,276	1,793
Adjusted EBITDA*	5,247	12,134
Finance costs, foreign exchange and others**	39	3,315
Consolidated loss before tax	(2,044)	(20)
Current tax (recovery) expense	(97)	783
Deferred tax (recovery) expense	(613)	434
Adjusted net loss before special items after tax*	(459)	939
Consolidated net loss after tax	(1,334)	(1,237)
Adjusted loss per share before special items*	(0.00)	0.00
Consolidated loss per share	(0.00)	(0.00)
Total assets	266,233	299,078
Total liabilities	136,643	134,418
Total Equity	129,590	164,660
Capital Expenditures – Björkdal		
Underground capital development & open pit prestrip	1,715	2,934
Property, plant and equipment purchases	958	2,975
Capitalized exploration	105	305
Capital Expenditures – Costerfield		
Underground capital development	3,142	2,116
Property, plant and equipment purchases	1,240	1,634
Capitalized exploration	70	1,070
Capital Expenditures – Consolidated		
Underground capital development & open pit prestrip	4,857	5,050
Property, plant and equipment purchases	2,198	4,609
Capitalized exploration	357	1,651

*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.

Summary Balance Sheet

	As at March 31,	As at December 31,
	2019	2018
	($'000)	($'000)
Cash and cash equivalents	37,022	8,395
Inventories, accounts receivables and other current assets	30,307	30,505
Property, plant and equipment	165,166	168,380
Reclamation deposit and other non-current assets	33,738	30,423
Total assets	**266,233**	**237,703**
Five-year exchangeable loan*	22,084	25,235
Other current liabilities	27,271	62,857
Non-current liabilities	87,288	53,475
Equity attributable to common shareholders	129,590	96,136
Total equity and liability	**266,233**	**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 months ended March 31, 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 March 31, 2019	Three months ended March 31, 2018
	($'000)	($'000)
Consolidated net loss	(1,334)	(1,237)
Special items		
Care and maintenance	875	2,176
Adjusted net income/(loss) before special items	**(459)**	**939**
Add/less: Non-cash and finance costs		
Depletion and depreciation	7,252	8,839
(Gain) Loss on disposal of property, plant and equipment	(1,821)	7
Share based compensation	181	247
Interest and finance charges	1,673	1,368
Fair value adjustments	(124)	243
Current tax	(97)	783
Deferred tax	(613)	434
Foreign exchange loss	(528)	(241)
Interest and other income	(217)	(485)
Adjusted EBITDA	**5,247**	**12,134**

Consolidated Financial Results - Three Months Ended March 31, 2019 and 2018

- ***Revenue*** – Consolidated revenue for the first quarter of 2019 was $29.9 million, a 24% decrease from $39.7 million in the first quarter of 2018, mainly due to a decrease in gold ounces sold. Consolidated gold equivalent ounces sold decreased by 7% to 23,007 ounces in the first quarter of 2019 compared to 29,151 ounces in the first quarter of 2018. The decrease in consolidated revenue was due to lower realized metal prices and also site production, as described in the site sections above.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $23.3 million for the first quarter of 2019, compared to $25.8 million for the same period of 2018. The 10% improvement was due primarily to cost savings and foreign exchange, as detailed above.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for the first quarter of 2019 was $6.5 million, adjusted EBITDA was $5.2 million, net loss before tax was $2 million and net loss after tax was $1.3 million. Comparable results for three months ended March 31, 2018 were income from mine operations before depreciation and depletion of $13.9 million, adjusted EBITDA of $12.1 million, net loss before tax of $0.1 million and net loss after tax of $1.2 million. The Adjusted EBITDA in the current quarter was $7.1 million higher than the Adjusted EBITDA in the fourth quarter of 2018.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $7.2 million in the first quarter of 2019, compared to $8.8 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 first quarter of 2019 was $1,072, slightly higher than the cash cost per ounce of gold equivalent produced in the first quarter of 2018 of $1,060. Consolidated all-in cost per ounce of gold equivalent produced for the first quarter of 2019 was $1,412, 3% lower than the all-in cost per ounce of gold equivalent produced in the first quarter of 2018 of $1,463. These per ounce costs were lower in the 2019 quarter compared to the same period 2018 due to lower overall cost of sales, offset by lower metal produced.

- ***Capital Expenditures*** – Consolidated capital expenditures for the first quarter of 2019, totaled $7.4 million ($4.4 million occurred at Costerfield, $2.7 million at Björkdal and $0.3 million at the non-core entities). By comparison, total capital expenditures, including capitalized depreciation and exploration, in the first quarter of 2018 were $11.0 million ($4.8 million occurred at Costerfield, $6.2 million at Björkdal). 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.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018
	($'000)	($'000)	($'000)	($'000)
Revenue	29,916	22,711	21,765	27,945
Income/(loss)	(1,334)	(31,299)	(7,468)	(23,713)
Income/(loss) per share – Basic	(0.00)	(0.07)	(0.02)	(0.05)
Income/(loss) per share – Diluted	(0.00)	(0.02)	(0.02)	(0.05)

	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017
	($'000)	($'000)	($'000)	($'000)
Revenue	39,747	38,093	35,407	44,124
Income/(loss)	(1,237)	(23,073)	(7,181)	(10,105)
Income/(loss) per share – Basic	(0.00)	(0.05)	(0.02)	(0.02)
Income/(loss) per share – Diluted	(0.00)	(0.05)	(0.02)	(0.02)

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 January 1, 2019 - March 31, 2019	Average Rate January 1, 2018 - March 31, 2018
1A$ = C$	0.9471	0.9939
1 A$ = US$	0.7124	0.7859
1 US$ = C$	1.3294	1.2644
1 US$ = Chilean Peso	668	602
1 US$ = SEK	9.1769	8.1146

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 first quarter of 2019 than in the first quarter of 2018. Realized prices in the first quarter of 2019 was broadly similar to average market prices for gold, and lower for antimony.

Commodity	Prices January 1, 2019 March 31, 2019	Prices January 1, 2018 March 31, 2018
Realized gold US$/oz[1]	1,310	1,363
Gold – US$/oz – Average London PM close (Metal Bulletin)	1,303	1,329
Realized antimony US$/tonne[1]	7,451	8,694
Antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	7,817	8,499

[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 March 31, 2019, the Company's working capital was $18.0 million compared to negative $49.2 million at December 31, 2018. Working capital would have been $40.0 million as of March 31, 2019, had the Loan (as defined below) been classified as long-term debt. The Company had cash and cash equivalents of $37.0 million at March 31, 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 Gold Bonds. In addition, in connection with its receipt of a waiver from HSBC of the financial covenants in the Facility for the quarters ending December 31, 2018 and March 31, 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. 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 March 31, 2019 the Company is in breach of two covenants of its Revolver Facility, however it has received a waiver on all financial covenants under this facility for the current quarter.

The ability of the Company to continue as a going concern is dependent on receiving waivers for, or meeting, its financial covenants on the Revolver Facility in the coming quarters. There can be no assurance that the Company will meet its covenants or receive waivers for the financial covenants associated with the Revolver Facility for future quarters. 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.

Recent 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 (2017 – $27.8 million) recognized on the statement of financial position related to this loan. The outstanding principal amount of the Bonds at year-end was $27.75 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 March 31, 2019, assuming a gold price of $1,295/oz (which is equivalent to US$122.01 per Gold Share), then the repayment cost to the Company would be approximately $22.3 million.

   $24.1 million ÷ $1,400/oz × $1,279 = $22.3 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 $1,700/oz (which is equivalent to US$ 160.17 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 first 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; and
- Current Ratio of not less than 1.20:1.00.

As at March 31, 2019 the Company was in breach of the Interest Coverage Ratio and the Leverage Ratio for this facility. On February 20, 2019 and associated with the Public Offering, the Company received a waiver for all of these financial covenants for the quarters ending December 31, 2018 and March 31, 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 March 31, 2019. In addition, 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 million.

As at December 31, 2018, the Company had borrowed $30.0 million under the Facility, and drew down an additional $5.0 million in January 2019. The Company will not be entitled to draw on the remaining $5.0 million in availability under the Facility until it is in compliance with the financial covenants.

Fair-value Adjustments

As at March 31, 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 March 31, 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 gain of $0.1 million in the quarter, compared to loss of $0.2 million in the first quarter of 2018.

Marketable securities – The Company holds marketable securities with a fair market value of $0.1 million as at March 31, 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 $0.04 million for three months ended March 31, 2019, as compared to $nil in the year ago quarter.

Contractual Obligations as at March 31, 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	1,660	3,162	233	5,055
Other equipment loan obligations	212	116	-	328
Total contractual obligations	**60,972**	**3,278**	**233**	**64,483**

**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 March 31	
	2019	2018
	($'000)	($'000)
General and Administrative Expenses, Salaries and Consultancy Services	-	48
SKS Business Services	-	48

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 910,358,840 common shares issued and outstanding. The weighted average number of shares outstanding during the first quarter used for the calculation of per share results was 466,887,976.

During the quarter, 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 359,400,000 Common Shares and the Bridge Loan was converted into 99,362,963 Common Shares. See "First Quarter 2019 Financial and Operating Summary – Corporate Developments" above.

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 March 31, 2019	As of May 14, 2019	Expiry Date
0.11	-	5,700,000	30 June, 2026
0.20	5,005,000	5,005,000	30 June, 2025
0.60	3,449,900	3,449,900	30 June, 2024
0.91	3,578,000	3,558,000	23 March, 2021
0.91	2,235,000	2,235,000	24 March, 2020
Total	**14,267,900**	**19,947,900**	

During the three months ended March 31, 2019, no options were exercised, or in the 2018 comparative quarter. There were 14,267,900 options outstanding as of March 31, 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 March 31, 2019, is as follows:

	Number of RSU Awards
Balance, December 31, 2017	688,346
Granted	1,562,500
Redeemed	(316,046)
Outstanding at December 31, 2018	1,934,800
Forfeited	(414,036)
Outstanding at March 31, 2019	**1,520,764**

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

Reclamation and Site Closure Costs

On December 21, 2018, the Nunavut Water Board reached a decision to recommend that the Letter of Credit that was posted by the Company 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 had been approved by the Minister of Indigenous and Northern Affairs. On April 18, 2019, CAD$3.2 million in cash was released.

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* – The cash 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.