Condensed consolidated interim financial statements of

Mandalay Resources Corporation

June 30, 2018
(Unaudited)

Mandalay Resources Corporation

June 30, 2018

Table of contents

Mandalay Resources Corporation

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)
three and six months ended June 30, 2018 and 2017

(Expressed in U.S. dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Revenue (Note 10)	**27,944**	44,124	**67,692**	89,497
Cost of operations				
Cost of sales, excluding depletion and depreciation (Note 12)	**22,348**	30,030	**48,168**	62,018
Depletion and depreciation	**8,075**	11,806	**16,916**	22,338
	30,423	41,836	**65,084**	84,356
Income (loss) from mining operations	**(2,479)**	2,288	**2,608**	5,141
Expenses				
Administration	**1,945**	1,964	**3,738**	3,936
Care and maintanance and other operating expenses	**1,435**	2,395	**3,611**	2,395
Write down of assets (Note 6)	**18,533**	777	**18,533**	777
Share-based compensation (Note 11(b))	**157**	237	**404**	474
Loss on disposal of property, plant and equipment	**118**	503	**126**	512
	22,188	5,876	**26,412**	8,094
Loss from operations	**(24,667)**	(3,588)	**(23,804)**	(2,953)
Other income (expenses)				
Finance costs (Note 13)	**(1,362)**	(4,234)	**(2,730)**	(5,648)
Gain (loss) on financial instruments (Note 14)	**1,037**	(1,740)	**794**	(2,571)
Interest and other income	**220**	(69)	**705**	28
Foreign exchange loss	**(468)**	(166)	**(227)**	(1,244)
	(573)	(6,209)	**(1,458)**	(9,435)
Loss before income taxes	**(25,240)**	(9,797)	**(25,262)**	(12,388)
Income tax expense (recovery)				
Current	**(121)**	870	**662**	690
Deferred	**(1,408)**	(562)	**(974)**	(624)
Income tax expense (recovery)	**(1,529)**	308	**(312)**	66
Net loss for the period	**(23,711)**	(10,105)	**(24,950)**	(12,454)
Other comprehensive income (loss), net of tax				
Item that may subsequently be reclassified to net loss				
Foreign currency translation	**(5,951)**	3,150	**(6,925)**	6,863
Comprehensive loss for the period	**(29,662)**	(6,955)	**(31,875)**	(5,591)
Net loss per share				
Basic and diluted	**(0.05)**	(0.02)	**(0.06)**	(0.03)
Weighted average number of common shares outstanding (Note 15)				
Basic and diluted ('000)	**451,504**	451,253	**451,402**	451,214

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at June 30, 2018 and December 31, 2017

(Expressed in U.S. dollars)

(Unaudited)

	June 30, 2018	December 31, 2017
	($'000)	($'000)
Assets		
Current assets		
Cash and cash equivalents	**15,480**	16,935
Trade receivables and other assets (Note 4)	**14,483**	27,186
Inventories (Note 5)	**20,373**	24,249
Prepaid expenses	**2,959**	2,850
	53,295	71,220
Non-current assets		
Reclamation and other deposits	**33,419**	35,924
Trade and other receivables (Note 4)	**2,977**	3,324
Property, plant and equipment (Note 6)	**169,770**	194,564
Intangible asset	**-**	29
	206,166	233,841
	259,461	305,061
Liabilities		
Current liabilities		
Trade and other payables (Note 7)	**19,962**	24,281
Borrowings (Note 8)	**16,387**	1,699
Five-year exchangeable loan (Note 9)	**27,039**	27,784
Income taxes payable	**1,059**	1,053
Other provisions	**1,765**	2,083
Financial instruments (Note 14)	**2,715**	3,567
	68,927	60,467
Non-current liabilities		
Borrowings (Note 8)	**1,899**	16,161
Reclamation and site closure costs provision	**41,908**	49,886
Other provisions	**1,541**	1,590
Deferred tax liability	**10,034**	11,418
	55,382	79,055
	124,309	139,522
Equity		
Share capital (Note 11)	**192,078**	191,893
Share option reserve (Note 11)	**10,035**	9,816
Foreign currency translation reserve	**(35,579)**	(28,654)
Retained deficit	**(31,382)**	(7,516)
	135,152	165,539
	259,461	305,061

Approved by the Board of Directors and authorized for issue on August 8, 2018.

(Signed) Dominic Duffy

Dominic Duffy, President and Chief Executive Officer

(Signed) Robert Doyle

Robert Doyle, Director

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of changes in equity

Six months ended June 30, 2018 and 2017

(Expressed in U.S. dollars, except number of shares)

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Balance, December 31, 2017	**451,280**	**191,893**	**9,816**	**(28,654)**	**(7,516)**	**165,539**
Impact of IFRS 9 adoption (Note 3)	-	-	-	-	1,084	**1,084**
Balance, January 1, 2018	**451,280**	**191,893**	**9,816**	**(28,654)**	**(6,432)**	**166,623**
Net loss	-	-	-	-	(24,950)	**(24,950)**
Other comprehensive loss for the period	-	-	-	(6,925)	-	**(6,925)**
Total comprehensive (loss)	**-**	-	-	(6,925)	(24,950)	**(31,875)**
Share-based compensation (Note 11(b))	-	-	404	-	-	**404**
Redemption of RSU (Note 11(d))	316	185	(185)	-	-	**-**
Balance, June 30, 2018	**451,596**	**192,078**	**10,035**	**(35,579)**	**(31,382)**	**135,152**

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
	('000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Balance, December 31, 2016	**451,174**	**191,819**	**8,854**	**(37,529)**	**39,893**	**203,037**
Net loss	-	-	-	-	(12,454)	**(12,455)**
Other comprehensive income for the period	-	-	-	6,863	-	**6,863**
Total comprehensive income	**-**	**-**	**-**	**6,863**	**(12,454)**	**(5,592)**
Share-based compensation (Note 11(b))	-	-	509	-	-	**509**
Dividends paid (Note 11(e))	-	-	-	-	(4,703)	**(4,703)**
Redemption of RSU (Note 11(d))	106	74	(74)	-	-	**-**
Balance, June 30, 2017	**451,280**	**191,893**	**9,289**	**(30,666)**	**22,736**	**193,251**

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of cash flows
three and six months ended June 30, 2018 and 2017
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended	June 30,	Six months ended	June 30,
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Operating activities				
Net loss	**(23,711)**	(10,105)	**(24,950)**	(12,454)
Adjustments to reconcile net income to net cash flows from operating activities				
Amortization of intangible asset	**15**	123	**29**	246
Depletion and depreciation	**8,075**	11,806	**16,916**	22,338
Share-based compensation (Note 11(b))	**157**	237	**404**	474
Loss on disposal of property, plant and equipment	**118**	503	**126**	512
Write down of assets	**18,533**	777	**18,533**	777
Finance cost (Note 13)	**1,362**	4,234	**2,730**	5,648
Gain (loss) on financial instruments (Note 14)	**(1,037)**	1,740	**(794)**	2,571
Interest and other income	**(220)**	69	**(705)**	(28)
Foreign exchange gain (loss)	**28**	634	**(239)**	1,708
Income tax expense (recovery)	**(1,529)**	308	**(312)**	66
Changes in non-cash operating working capital items				
Trade receivables and other assets	**930**	(982)	**10,109**	(5,373)
Inventories	**648**	(916)	**3,620**	1,269
Prepaid expenses	**(185)**	2,193	**(319)**	1,586
Trade and other payables	**38**	1,169	**(3,604)**	(423)
Other provisions	**(52)**	646	**(196)**	442
Cash generated from operations	**3,170**	12,436	**21,348**	19,359
Interest and other income received (paid)	**220**	(69)	**705**	28
Interest and bank charges paid	**(1,096)**	(4,156)	**(2,219)**	(5,102)
Income tax received (paid)	**1,741**	(2,860)	**1,741**	(2,860)
Net cash flows from operating activities	**4,035**	5,351	**21,575**	11,425
Investing activities				
Increase in reclamation deposits	**(16)**	(62)	**(188)**	(133)
Reclamation expenditures	**(905)**	-	**(1,158)**	-
Expenditure for property, plant and equipment	**(11,943)**	(12,998)	**(23,236)**	(25,090)
Proceeds from disposal of property, plant and equipment	**-**	18	**-**	18
Net cash flows used in investing activities	**(12,864)**	(13,042)	**(24,582)**	(25,205)
Financing activities				
Proceeds from borrowings	**1,199**	33	**1,569**	33
Repayments of borrowings	**(661)**	(29,655)	**(1,156)**	(29,947)
Proceeds from Ulu option agreement	**310**	-	**310**	-
Dividends paid (Note 11(e))	**-**	(2,781)	**-**	(4,703)
Net cash flows used in financing activities	**848**	(32,403)	**723**	(34,617)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**54**	(404)	**829**	(161)
Increase in cash and cash equivalents	**(7,927)**	(40,498)	**(1,455)**	(48,558)
Cash and cash equivalents, beginning of the period	**23,407**	58,857	**16,935**	66,917
Cash and cash equivalents, end of period	**15,480**	18,359	**15,480**	18,359
Cash and cash equivalents consist of				
Cash	**15,480**	18,359	**15,480**	18,359
	15,480	**18,359**	**15,480**	**18,359**

See accompanying notes to the condensed consolidated interim financial statements

1. Description of business and nature of operations

Mandalay Resources Corporation ("Mandalay" or the "Company"), together with its wholly owned subsidiaries, is a gold and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Mandalay's assets consist of the Costerfield gold and antimony mine in Australia, the Cerro Bayo silver and gold mine in Chile, the Björkdal gold mine in Sweden, as well as other exploration projects in Chile, Sweden and Canada.

Mandalay is incorporated in the Province of British Columbia, Canada. The Company's shares are listed on the Toronto Stock Exchange ("TSX"). The head office and principal address of the Company is 76 Richmond Street East, Suite 330, Toronto, Canada, M5C 1P1. The Company's registered office is located at 1900-355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Judgments made by management in the application of International Financial Reporting Standards ("IFRS") that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company's audited consolidated financial statements for the year ended December 31, 2017.

Certain immaterial amounts in the comparative condensed consolidated interim financial statements have been reclassified from the statements previously presented to conform to the presentation of the 2018 condensed consolidated interim financial statements.

3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements as at December 31, 2017. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017.

Changes in accounting standards

The accounting policies adopted in preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of amendments and interpretations effective January 1, 2018. These amendments and interpretations are outlined below.

3. Summary of significant accounting policies (continued)

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in equity and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following table summarises the impact of transition to IFRS 9 on the opening consolidated statement of financial position:

	Balance December 31, 2017	IFRS 9 Adjustment	Adjusted opening balance - January 1, 2018
	$'000	**$'000**	**$'000**
Five-year exchangeable loan (Current liability)	27,784	(1,084)	26,700
Retained deficit (earnings)	(7,516)	1,084	(6,432)

This IFRS 9 adjustment is a result of the accounting for the modification of the exchangeable loan that occurred during the three months ended June 30, 2017. Under IAS 39, modification gains can be amortized over the remaining term of the liability. Under IFRS 9, modification gains are required to be recorded immediately in profit or loss.

Financial assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents, other receivables, and reclamation and other deposits are classified as financial assets measured at amortized cost. Previously under IAS 39 these amounts were classified as loan and receivables.
- Marketable securities continue to be classified as fair value through profit or loss, under IFRS 9.
- Trade receivables are classified as financial assets at fair value through profit or loss and measured at fair value during the provisional pricing period until the final settlement price is determined. Once the final settlement price is determined, trade receivables are classified as financial assets measured at amortized cost. Previously under IAS 39, trade receivables were classified as loans and receivables measured at amortized cost except for the provisional pricing adjustment that was measured at fair value through profit or loss.

Financial liabilities or equity

IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements and did not result in a transitional adjustment.

3. Summary of significant accounting policies (continued)

(i) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective interest basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and amended in April 2016. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Company has applied the modified retrospective approach under the transition provisions of IFRS 15.

The implementation of the new standard, effective January 1, 2018, has not had a significant financial statement impact in the six months ended June 30, 2018.

One impact noted for the Company is that its provisional pricing adjustments (as described below) do not meet the definition of revenue from customers under IFRS 15. Provisional pricing represents an embedded derivative that is accounted for under IFRS 9, Financial Instruments. The adjustments still form part of the revenue amount, and therefore a breakdown has presented in Note 10. IFRS has been applied in accounting for revenue for the three and six months ended June 30, 2018. In the comparative period, revenue was accounted for in accordance with the revenue recognition policy disclosed in the Company's December 31, 2017 annual audited consolidated financial statements.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is initially recognized (when the above criteria are met) at the current market price. Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract which represent an embedded derivative. This mark to market adjustment is recognized in revenue.

Accounting standards issued but not yet effective

IFRS 16, *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company is currently developing an implementation strategy and assessing the impact of adopting IFRS 16 on the financial statements.

4. Trade receivables and other assets

Trade receivables and other assets consist of the following:

	June 30, 2018	December 31, 2017
	($'000)	($'000)
Trade receivables	**11,217**	22,576
VAT and other indirect tax receivables	**3,029**	4,399
Other receivables	**3,119**	3,376
Marketable securities	**95**	159
	17,460	30,510
Less: non-current portion	**2,977**	3,324
Total current portion	**14,483**	27,186

There was no allowance for doubtful accounts as at June 30, 2018, or December 31, 2017.

5. Inventories

Inventories consist of the following:

	June 30, 2018	December 31, 2017
	($'000)	($'000)
Finished goods	**5,817**	9,668
Work in progress and stockpiled ore	**2,931**	2,990
Consumables	**11,625**	11,591
	20,373	24,249

The amount of inventories recognized in cost of operations for the three months and six months ended June 30, 2018, is $30,423,000 and $65,084,000 (2017 – $41,836,000 and $84,356,000).

6. Property, plant and equipment

Particulars	Mining interests			Plant and equipment				Exploration and evaluation				Total
	Costerfield	Cerro Bayo	Björkdal	Costerfield	Cerro Bayo	Björkdal	Others	Costerfield	Cerro Bayo	Björkdal	Others	
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Cost												
As at January 1, 2017	64,768	69,875	59,042	29,150	51,098	19,496	289	5,855	1,814	15,036	40,880	**357,303**
Additions	2,437	6,355	14,601	4,505	2,216	9,714	55	4,020	1,018	1,867	4,729	**51,517**
Disposals	-	-	-	(584)	(2,647)	-	-	-	-	-	-	**(3,231)**
Write-off of assets	-	(11,916)	-	-	(6,135)	-	-	(552)	(1,726)	-	(1,484)	**(21,813)**
Reclassification to mining interest	1,038	-	705	-	-	-	-	(1,038)	-	(705)	-	**-**
Transferred from Asset held for sale	-	-	-	-	-	-	2,644	-	-	-	6,726	**9,370**
As at December 31, 2017	**72,664**	**64,314**	**78,598**	**35,557**	**44,532**	**31,533**	**2,798**	**8,821**	**1,106**	**16,341**	**51,137**	**407,401**
Additions	5,255	-	6,090	3,795	-	3,938	18	2,493	-	1,334	316	**23,239**
Disposals	-	-	-	(405)	-	-	-	-	-	-	-	**(405)**
Write-off of assets	-	-	-	-	-	-	-	-	-	-	(18,533)	**(18,533)**
Reclassification to mining interest	4,063	-	-	-	-	-	-	(4,063)	-	-	-	**-**
Change in reclamation estimate	-	-	-	-	-	-	-	-	-	-	(6,051)	**(6,051)**
Foreign exchange	(3,621)	-	(7,929)	(2,021)	-	(3,920)	(35)	(334)	-	(66)	(42)	**(17,968)**
As at June 30, 2018	**78,361**	**64,314**	**76,759**	**36,926**	**44,532**	**31,551**	**2,781**	**6,917**	**1,106**	**17,609**	**26,827**	**387,683**
Accumulated depreciation												
As at January 1, 2017	44,127	51,442	15,968	12,236	37,026	7,217	469	-	-	-	-	**168,485**
Expense	8,123	4,402	12,735	6,309	5,223	3,437	31	-	-	-	-	**40,260**
Disposals	-	-	-	(395)	(2,223)	-	-	-	-	-	-	**(2,618)**
Foreign exchange	3,200	-	1,401	1,161	-	940	8	-	-	-	-	**6,710**
As at December 31, 2017	**55,450**	**55,844**	**30,104**	**19,311**	**40,026**	**11,594**	**508**	**-**	**-**	**-**	**-**	**212,837**
Expense	5,244	-	5,866	3,093	938	1,757	-	-	-	-	-	**16,898**
Disposals	-	-	-	(317)	-	-	-	-	-	-	-	**(317)**
Foreign exchange	(2,730)	-	(5,464)	(1,166)	-	(2,139)	(6)	-	-	-	-	**(11,505)**
As at June 30, 2018	**57,964**	**55,844**	**30,506**	**20,921**	**40,964**	**11,212**	**502**	**-**	**-**	**-**	**-**	**217,913**
Carrying value												
As at January 1, 2017	20,641	18,433	43,074	16,914	14,072	12,279	(180)	5,855	1,814	15,036	40,880	**188,818**
As at December 31, 2017	17,214	8,470	48,494	16,246	4,506	19,939	2,290	8,821	1,106	16,341	51,137	**194,564**
As at June 30, 2018	**20,397**	**8,470**	**46,253**	**16,005**	**3,568**	**20,339**	**2,279**	**6,917**	**1,106**	**17,609**	**26,827**	**169,770**

6. Property, plant and equipment (continued)

During the six months ended at June 30, 2018, the Company disposed of plant and equipment with a carrying value of $405,000. This amount has been recognised under the disposal of assets (2017 - $2,459,000).

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As at June 30, 2018, the Company identified an indicator of impairment for this asset due to a change in the recoverable amount based on the terms of a non-binding letter of intent for the sale of the property to a third party. The Company has valued the asset at fair value minus anticipated costs. As a result of this, impairment of $18,533,000 was recognised in the Company's consolidated statement of income (loss) comprehensive income (loss) for the three and six months ended June 30, 2018. See Note 20 for further details.

7. Trade and other payables

	June 30, 2018	December 31, 2017
	($'000)	($'000)
Trade payables	**8,954**	13,870
Accrued liabilities	**7,712**	6,499
Payroll and other taxes payable	**3,129**	3,820
Cash election option (Note 11(c))	**-**	1
Provisional pricing adjustment	**167**	91
	19,962	24,281

Trade payables are non-interest bearing and are normally settled on one-month terms. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract. As at June 30, 2018, there was $167,000 recorded as mark-to-market adjustments in trade and other payables. As at December 31, 2017, $91,000 relating to mark-to-market adjustment was recorded in trade and other payables.

8. Borrowings

	June 30, 2018	December 31, 2017
	($'000)	($'000)
Liability for the Revolver facility	**15,000**	14,721
Borrowings for loan/lease facility	**3,286**	3,139
	18,286	17,860
Less: Current portion of total borrowings	**16,387**	1,699
Non-current portion of total borrowings	**1,899**	16,161

Revolver facility

On July 25, 2017, the Company entered into a $40 million senior secured revolving credit facility (the “Revolver Facility”) with HSBC Bank Canada. The Revolver Facility matures on July 24, 2020, three years after the agreement date.

Amounts drawn on the Revolver Facility will bear 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 Revolver Facility is subject to a standby fee of 1.0% per annum. The Revolver 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. As required by the terms, the Company has suspended dividends on its common shares.

The facility has the below mentioned 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 less than 75% of Adjusted Tangible Net Worth and Closing Date + 50% of net income (cumulative) earned after Closing Date; and
- Current Ratio of not less than 1.20:1.00.

As at June 30, 2018, the Company was in compliance with all covenants under the Revolver Facility, apart from the Tangible Net Worth covenant. As this non-compliance is a default event, HSBC has the right to require immediate repayment of any outstanding amount and/or cancel the facility, and therefore, the outstanding amount has been classified as a current liability as at June 30, 2018. Subsequent to June 30, 2018, the Company has received dispensation from HSBC for the breach of this covenant.

Equipment loans

As at June 30, 2018, the Company’s Björkdal mine in Sweden, had a balance of $800,000 (December 31, 2017 – $372,000) for an equipment loan facility (the “Equipment Facility”) with a local Swedish bank to finance certain capital expenditures. The Equipment Facility bears variable interest at the 3-month STIBOR plus 2.16% per annum and is repayable in monthly installments plus interest. These loans are due to be repaid during the year ended December 31, 2020. The Equipment Facility is secured by the underlying equipment and by a corporate guarantee provided by the Company.

In addition to the Equipment Facility, Björkdal also has equipment leases totalling $1,693,000 (December 31, 2017 – $2,767,000). These leases financed 80% of the equipment purchase cost, bear interest at the 1-month STIBOR plus 2.05%-3.21% per annum and require monthly lease payments. These leases are due to be repaid during the year ended December 31, 2022. Certain leases also have an equipment buy-out option at the end of the lease terms equal to 10% of the original equipment purchase cost.

8. Borrowings (continued)

As at June 30, 2018, the current portion of the above facilities is $1,150,000 (December 31, 2017 – $1,699,000) and the non-current portion is $1,343,000 (December 31, 2017 – $1,440,000).

During the three months ending at June 30, 2018, Costerfield has entered into equipment leases totalling $793,000. These leases financed bear interest at 5.50% per annum and require monthly lease payments. These leases are due to be repaid during the year ended July 31, 2023.

As at June 30, 2018, the current portion of the above facilities is $237,000 (December 31, 2017 – Nil) and the non-current portion is $556,000 (December 31, 2017 – Nil).

9. Five-year exchangeable loan

In May, 2014, Mandalay issued $60 million of debt securities at an interest rate of 5.875% for proceeds of $60 million by way of a concurrent offering of senior exchangeable bonds (the "Bonds") issued by Gold Exchangeable Limited (the “Issuer”), an unaffiliated special purpose vehicle incorporated in Jersey. 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 had 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.

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.

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 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.

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 condensed consolidated interim statements of financial position of the Company as at June 30, 2018, and December 31, 2017. The right to exchange the principal amount into Gold Shares represents an embedded derivative and is fair-valued at each reporting date (Note 16).

Repurchase and Amendment of Bonds

On May 26, 2017, the Issuer repurchased $29,950,000 of the Bonds from the bond holders thereof at a premium of 105% of their principal amount resulting in a remaining principal amount of $30,050,000. In connection with the partial repayment of the Bonds, the following amendments have been made to the terms of the remaining Bonds:

- extending the maturity date of the Bonds to May 13, 2022;
- deleting a condition of the Bonds which required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of Gold Shares issuable upon exchange of the Bonds into a custody account;

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

9. Five-year exchangeable loan (continued)

- 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 Mineral Reserves (in ounces) at Mandalay'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.

10. Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 16).

	Costerfield		Cerro Bayo		Björkdal		Total	
Three months ended June 30, 2018	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Primary geographical markets								
Australia	**12,039**	17,936	**-**	-	**-**	-	**12,039**	17,936
Chile	**-**	-	**-**	10,990	**-**	-	**-**	10,990
Sweden	**-**	-	**-**	-	**16,143**	15,982	**16,143**	15,982
Revenue from contracts with customers	**12,039**	17,936	**-**	10,990	**16,143**	15,982	**28,182**	44,908
Provisional pricing adjustments	**(203)**	169	**(1)**	(1,217)	**(34)**	264	**(238)**	(784)
Total revenue from mining operations	**11,836**	18,105	**(1)**	9,773	**16,109**	16,246	**27,944**	44,124
Commodities								
Gold	**7,612**	10,986	**-**	4,147	**16,143**	15,982	**23,755**	31,115
Silver	**-**	-	**-**	6,843	**-**	-	**-**	6,843
Antimony	**4,427**	6,950	**-**	-	**-**	-	**4,427**	6,950
Revenue from contracts with customers	**12,039**	17,936	**-**	10,990	**16,143**	15,982	**28,182**	44,908
Provisional pricing adjustments	**(203)**	169	**(1)**	(1,217)	**(34)**	264	**(238)**	(784)
Total revenue from mining operations	**11,836**	18,105	**(1)**	9,773	**16,109**	16,246	**27,944**	44,124

10. Revenue (continued)

	Costerfield		Cerro Bayo		Björkdal		Total	
Six months ended June 30, 2018	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Primary geographical markets								
Australia	**27,283**	32,735	**-**	-	**-**	-	**27,283**	32,735
Chile	**-**	-	**-**	21,510	**-**	-	**-**	21,510
Sweden	**-**	-	**-**	-	**39,677**	32,345	**39,677**	32,345
Revenue from contracts with customers	**27,283**	32,735	**-**	21,510	**39,677**	32,345	**66,960**	86,590
Provisional pricing adjustments	**153**	990	**80**	1,196	**499**	721	**732**	2,907
Total revenue from mining operations	**27,436**	33,725	**80**	22,706	**40,176**	33,066	**67,692**	89,497
Commodities								
Gold	**17,225**	20,196	**-**	7,391	**39,677**	32,345	**56,902**	59,932
Silver	**-**	-	**-**	14,119	**-**	-	**-**	14,119
Antimony	**10,058**	12,539	**-**	-	**-**	-	**10,058**	12,539
Revenue from contracts with customers	**27,283**	32,735	**-**	21,510	**39,677**	32,345	**66,960**	86,590
Provisional pricing adjustments	**153**	990	**80**	1,196	**499**	721	**732**	2,907
Total revenue from mining operations	**27,436**	33,725	**80**	22,706	**40,176**	33,066	**67,692**	89,497

11. Share capital

As at June 30, 2018, the Company had an unlimited number of authorized common shares without par value and 451,595,877 common shares outstanding (December 31, 2017 – 451,279,731 common shares). All outstanding common shares are fully paid.

(a) Shares issued

For the three and six months ended June 30, 2018, the Company issued 282,012 and 316,146 common shares respectively upon the redemption of RSUs and 100 common shares upon exercise of options.

(b) Share-based compensation

For the three and six months ended June 30, 2018, the Company recorded $157,000 (2017 – $237,000) and $404,000 (2017 - $474,000) as net share-based compensation expense.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Stock based compensation on options	**152**	207	**361**	440
Fair value for cash election option	**(11)**	(15)	**(17)**	(34)
RSU amortization	**16**	45	**60**	68
	157	237	**404**	474

The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C$0.20 (2016 – C$0.60) was calculated using the following

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

11. Share capital (continued)

weighted average assumption. Expected stock price volatility and option life is based on the Company's historical share price volatility.

	2018	2017
Risk free interest rate	**1.90%**	0.85%
Expected dividend yield	**0.00%**	5.33%
Expected life of options in years	**7.00**	7.00
Expected stock price volatility	**48.61%**	42.89%
Expected forfeiture rate	**5.00%**	5.00%

The Company has established a "rolling" stock option plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Options generally vest over three years and have a maximum term of five years from the date of grant but can have a maximum term of up to 10 years.

(c) Stock options

Option holders resident in Australia have a choice of receiving cash in the amount equal to the differences between the exercise price and the market price of the Company's shares at the date of exercise. The cash election option expires two days after the vesting date. The share purchase option remains exercisable until the end of the term which is generally five years from the date of grant. The liability, recorded in trade and other payables, is remeasured at fair value at each reporting date. As at June 30, 2018, the liability is $Nil (December 31, 2017 - $1,000).

The Company recognized a fair value measurement gain of $11,000 and $ 17,000 for the three and six months ended June 30, 2018 (2017 – $15,000 gain and $34,000 gain), which is included in the share-based compensation expense.

The fair value of a cash election option is determined by using the Black-Scholes option pricing model using the following weighted average assumptions. The fair value is determined based on Level 1 and 2 inputs as follows:

	2018	2017
Risk free interest rate	**1.90%**	0.50%
Expected dividend yield	**0.00%**	3.20%
Expected life of options in years	**2.76**	2.74
Expected stock price volatility	**50.95%**	46.52%
Expected forfeiture rate	**0.00%**	0.00%

As at June 30, 2018, 800,000 (December 31, 2017 – 775,000) stock options with the cash election option are outstanding.

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

11. Share capital (continued)

	Number of options	Weighted average exercise price
		C$
Balance, December 31, 2016	19,242,200	0.95
Granted	4,800,000	0.60
Exercised-equity issuance	(2,609,200)	0.78
Forfeited	(487,500)	0.96
Balance, December 31, 2017	20,945,500	0.89
Expired	(3,395,000)	1.13
Forfeited	(2,677,500)	0.69
Granted	5,850,000	0.20
Exercised	(100)	0.60
Balance, June 30, 2018	**20,722,900**	**0.68**

The weighted average share price at the time when the stock options were exercised during the three and six months ended June 30, 2017, was C$0.21 and C$0.23 (2016 – C$0.54 and C$ 0.65).

The following table summarizes information about the stock options outstanding as at June 30, *2018:*

Options outstanding			Options exercisable	
Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
		C$		C$
3,300,000	0.73	0.98	3,300,000	0.98
3,725,000	1.73	0.91	3,725,000	0.91
4,318,000	2.73	0.91	-	-
4,099,900	6.00	0.60	1,366,633	0.60
5,280,000	7.00	0.20	-	-
20,722,900	**3.97**	**0.68**	**8,391,633**	**0.89**

(d) Restricted Share Units

The Company has a Restricted Share Unit Plan (the “RSU Plan”) and has granted Restricted Share Units (“RSUs”) to certain directors. Under the RSU Plan, those directors granted RSUs will receive the Company’s common shares at no cost at the end of the three-year vesting period which are based on graded vesting, proportionately over the three years. 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 RSU value is determined based on the fair value of the Company’s share at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

11. Share capital (continued)

The number of RSUs as at June 30, 2018, is as follows:

	Number of RSU awards
Balance, December 31, 2016	282,177
Granted	511,890
Redeemed	(105,721)
Balance, December 31, 2017	688,346
Redeemed	(316,046)
Outstanding at June 30, 2018	372,300

For the three and six months ended June 30, 2018, the Company recorded $16,000 and $60,000 (2017 – $45,000 and $68,000) respectively, as share based compensation relating to RSUs.

(e) Dividends

On February 16, 2017, and May 10, 2017 the Board of Directors declared a dividend in the amount of C$0.0057 and C$0.0083 per common share, based on the Company's operating results for the three months ended December 31, 2016, and March 31, 2017, payable to shareholders of record as of February 27, 2017. Total payments of $1,922,000 and $2,781,000 were made during the period ended March 31, 2017, and June 30, 2017, respectively. In accordance with the terms of the Revolver Facility (note 8) dividends on common shares have been suspended.

12. Cost of sales

The cost of sales for the three and six months ended June 30, 2018 and 2017, consists of:

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Raw materials and consumables	**7,395**	10,329	**14,291**	20,021
Salary and employee benefits	**8,026**	9,303	**16,108**	18,842
Contractors	**3,816**	8,249	**8,454**	16,024
Change in inventories	**1,143**	(748)	**3,910**	1,400
Royalty	**132**	221	**317**	399
Other	**1,836**	2,676	**5,088**	5,332
	22,348	**30,030**	**48,168**	62,018

13. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Interest on five year exchangeable loan	**709**	1,155	**1,393**	2,428
Expenses relating to part repayment of five year exchangeable bonds	**-**	1,249	**-**	1,249
Loss on part repayment of five year exchangeable bonds	**-**	1,682	**-**	1,682
Finance charges on revolver facility	**398**	-	**812**	-
Interest on other borrowings and bank charges	**170**	62	**353**	117
Accretion of reclamation and site closure costs	**85**	86	**172**	172
	1,362	4,234	**2,730**	5,648

14. Financial instruments

(a) Marketable securities - asset

The value of securities as at June 30, 2018, is $95,000 (at December 31, 2017 – $159,000), recorded in trade receivables and other assets. 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/(loss) of ($58,000) (2017 – ($37,000) and ($75,000)) for three and six months ended June 30, 2018, using Level 1 assumptions.

(b) Five-year exchangeable loan – liability

The Company has valued the conversion feature of the five-year exchangeable loan (Note 9) using the Black-Scholes option pricing. For the three months ended June 30, 2018, the derivative value of the conversion feature amounts to $2,715,000 (2017 – $3,567,000) and is recorded in current liabilities. The Company recorded a fair value measurement gain of $1,095,000 (2017 loss of $1,703,000) for the three and six months ended June 30, 2018 and gain of $852,000 (2017 – loss of $2,496,000) for the six months ended June 30, 2018. The value was estimated using the following Level 2 assumptions: risk free interest rate of 2.52% (2017 – 1.55%); volatility of 16% (2017 – 18%), gold forward curve adjustment of (0.30%) (2017 – (0.49%)).

15. Income per share

As at June 30, 2018 and 2017, the weighted average number of common shares for the purpose of calculating diluted income per share reconciles to the weighted average number of common shares used in the calculation of basic income per share as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
	('000)	('000)	**('000)**	('000)
Net loss for the period	**(23,711)**	(10,105)	**(24,950)**	(12,454)
Basic weighted average number of shares outstanding	**451,504**	451,253	**451,402**	451,214
Diluted weighted average number of shares outstanding	**451,504**	451,253	**451,402**	451,214

15. Income per share (continued)

The following stock options and RSU are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of the diluted income per share calculation because the company has reported loss for the three months ended June 30, 2018 and 2017:

	Three months ended June 30,		**Six months ended June 30,**	
	2018	2017	**2018**	2017
	('000)	('000)	**('000)**	('000)
Stock options	**20,723**	21,328	**20,723**	21,328
RSU	**372**	688	**372**	688

16. Segmented information

The Company manages its operations by geographical location. These reportable operating segments are summarized in the table below ("Canada" is the provision of corporate services and administrative support and also includes non-core assets held in Canada):

					Three months ended June 30, 2018
	Australia	**Chile**	**Sweden**	**Corporate**	**Total**
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue (Note 10)	11,836	(1)	16,109	-	27,944
Cost of sales (Note 12)	(10,494)	(110)	(11,745)	-	(22,348)
Depletion and depreciation	(3,728)	(432)	(3,911)	(4)	(8,075)
Income (loss) from mine operations	(2,386)	(543)	453	(4)	(2,479)
Other operating expenses	(629)	(346)	(599)	(646)	(2,220)
Care and maintenance and other operating expenses	-	(1,435)	-	-	(1,435)
Write-off of assets (Note 6)	-	(18,533)	-	-	(18,533)
Loss from operations	(3,015)	(20,857)	(146)	(650)	(24,667)
Other expense, except for fair value adjustment	557	77	(183)	(2,061)	(1,610)
Loss for underlying operations	**(2,458)**	**(20,780)**	**(329)**	**(2,711)**	**(26,277)**
Loss from underlying operations per share					
Basic and diluted					($0.06)
Fair value adjustments gain (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	1,095	1,095
Marketable Securities (Note 14(a))	-	-	-	(58)	(58)
Total fair value adjustment	-	-	-	1,037	**1,037**
Loss before income taxes	(2,458)	(20,780)	(329)	(1,674)	(25,240)
Current tax recovery (expense)	204	-	(83)	-	121
Deferred tax recovery	382	-	1,026	-	1,408
Net income (loss)	**(1,872)**	**(20,780)**	**614**	**(1,674)**	**(23,711)**
Net Loss per share					
Basic and diluted					($0.05)
Cash expenditure for property, plant and equipment	6,771	59	5,112	1	11,943
Total non-current assets as at June 30, 2018	46,336	37,177	87,079	35,574	206,166
Total assets as at June 30, 2018	62,136	47,978	111,198	38,149	259,461
Total liabilities as at June 30, 2018	14,147	21,368	24,549	64,245	124,309

16. Segmented information (continued)

	Three months ended June 30, 2017				
	Australia	Chile	Sweden	Corporate	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue (Note 10)	18,105	9,773	16,246	-	44,124
Cost of sales (Note 12)	(10,332)	(9,156)	(10,542)	-	(30,030)
Depletion and depreciation	(4,280)	(3,376)	(4,146)	(4)	(11,806)
Income (loss) from mine operations	3,493	(2,759)	1,558	(4)	2,288
Other operating expenses	(644)	(1,183)	(489)	(388)	(2,704)
Care and maintenance and other operating expenses	-	(2,395)	-	-	(2,395)
Write-off of assets (Note 6)	-	(777)	-	-	(777)
Income (loss) from operations	2,849	(7,114)	1,069	(392)	(3,588)
Other expense, except for fair value adjustment	506	(369)	(224)	(4,382)	(4,469)
Income (loss) for underlying operations	**3,355**	**(7,483)**	**845**	**(4,774)**	**(8,057)**
Income for underlying operations per share					
Basic and diluted					($0.02)
Fair value adjustments (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	(1,703)	(1,703)
Marketable Securities (Note 14(a))	-	-	-	(37)	(37)
Total fair value adjustment	-	-	-	(1,740)	(1,740)
Income (loss) before income taxes	3,355	(7,483)	845	(6,514)	(9,797)
Current tax expense	(1,421)	850	(299)	-	(870)
Deferred tax recovery	544	2	16	-	562
Net income (loss)	**2,478**	**(6,631)**	**562**	**(6,514)**	**(10,105)**
Net Income per share					
Basic and diluted					($0.02)
Cash expenditure for property, plant and equipment	3,955	3,933	5,110	-	12,998
Total non-current assets as at June 30, 2017	47,233	75,205	80,874	1,036	204,348
Total assets as at June 30, 2017	63,048	101,165	105,067	50,782	320,062
Total liabilities as at June 30, 2017	13,984	25,619	25,218	61,990	126,811

16. Segmented information (continued)

	Six months ended on June 30, 2018				
	Australia	Chile	Sweden	Corporate	Total
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue (Note 10)	27,436	80	40,176	-	67,692
Cost of sales (Note 12)	(19,649)	(189)	(28,330)	-	(48,168)
Depletion and depreciation	(8,330)	(938)	(7,637)	(11)	(16,916)
Income (loss) from mine operations	(543)	(1,047)	4,209	(11)	2,608
Other operating expenses	(1,356)	(816)	(1,326)	(770)	(4,268)
Care and maintenance and other operating expenses	-	(3,611)	-	-	(3,611)
Write-off of assets (Note 6)	-	(18,533)	-	-	(18,533)
Income (loss) from operations	(1,899)	(24,007)	2,883	(781)	(23,804)
Other expense, except for fair value adjustment	983	(41)	(332)	(2,862)	(2,252)
Income (loss) for underlying operations	**(916)**	**(24,048)**	**2,551**	**(3,643)**	**(26,056)**
Loss from underlying operations per share					
Basic and diluted					($0.06)
Fair value adjustments gain (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	852	852
Marketable Securities (Note 14(a))	-	-	-	(58)	(58)
Total fair value adjustment	-	-	-	794	**794**
Income (loss) before income taxes	(916)	(24,048)	2,551	(2,849)	(25,262)
Current tax expense	(8)	-	(654)	-	(662)
Deferred tax recovery	48	-	926	-	974
Net income (loss)	**(876)**	**(24,048)**	**2,823**	**(2,849)**	**(24,950)**
Net Loss per share					
Basic and diluted					($0.06)
Cash expenditure for property, plant and equipment	11,572	312	11,324	28	23,236
Total non-current assets as at June 30, 2018	46,336	37,177	87,079	35,574	206,166
Total assets as at June 30, 2018	62,136	47,978	111,198	38,149	259,461
Total liabilities as at June 30, 2018	14,147	21,368	24,549	64,245	124,309

16. Segmented information (continued)

					Six months ended on June 30, 2017
	Australia	Chile	Sweden	Corporate	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue (Note 10)	33,725	22,706	33,066	-	89,497
Cost of sales (Note 12)	(20,132)	(17,881)	(24,005)	-	(62,018)
Depletion and depreciation	(8,166)	(7,029)	(7,134)	(9)	(22,338)
Income from mine operations	5,427	(2,204)	1,927	(9)	5,141
Other operating expenses	(1,249)	(2,289)	(1,240)	(144)	(4,922)
Care and maintenance and other operating expenses	-	(2,395)	-	-	(2,395)
Write-off of assets (Note 6)	-	(777)	-	-	(777)
Income (loss) from operations	4,178	(7,665)	687	(153)	(2,953)
Other expense, except for fair value adjustment	(468)	(507)	(399)	(5,490)	(6,864)
Income (loss) for underlying operations	**3,710**	**(8,172)**	**288**	**(5,643)**	**(9,817)**
Income (loss) for underlying operations per share					
Basic and diluted					($0.02)
Fair value adjustments (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	(2,496)	(2,496)
Marketable Securities (Note 14(a))	-	-	-	(75)	(75)
Total fair value adjustment	-	-	-	(2,571)	**(2,571)**
Income (loss) before income taxes	3,710	(8,172)	288	(8,214)	(12,388)
Current tax recovery (expense)	(1,332)	850	(208)	-	(690)
Deferred tax recovery	453	4	167	-	624
Net income (loss)	**2,831**	**(7,318)**	**247**	**(8,214)**	**(12,454)**
Net Loss per share					
Basic and diluted					($0.03)
Cash expenditure for property, plant and equipment	6,735	8,147	10,208	-	25,090
Total non-current assets as at June 30, 2017	47,233	75,205	80,874	1,036	204,348
Total assets as at June 30, 2017	63,048	101,165	105,067	50,782	320,062
Total liabilities as at June 30, 2017	13,984	25,619	25,218	61,990	126,811

16. Segmented information (continued)

For the three and six months ended June 30, 2018, the Company had four customers from whom it earned more than 10% of its total revenue (2017 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	($'000)	($'000)	**($'000)**	($'000)
Costerfield (gold and antimony)				
Customer 1	**8,585**	12,014	**20,720**	22,884
Customer 2	**-**	6,090	**-**	10,484
Customer 3	**3,251**	-	**6,716**	-
	11,836	18,104	**27,436**	33,368
Cerro Bayo (silver and gold)				
Customer 3	**-**	6,365	**-**	13,182
	-	6,365	**-**	13,182
Björkdal (gold)				
Customer 4	**13,256**	12,609	**33,004**	27,774
Customer 5	**2,853**	-	**7,171**	-
	16,109	12,609	**40,175**	27,774
Total	**27,945**	37,078	**67,611**	74,324

17. Fair value measurement

The fair values of cash and cash equivalents, trade receivables and other assets (non-provisional pricing portion), reclamation and other deposits, and trade and other payables approximate their carrying value due to the nature of these items.

The Company has certain financial assets and liabilities that are measured at fair value or fair value is disclosed. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to the Level 3 inputs.

As at June 30, 2018, the provisional pricing feature of trade receivables, other receivables and marketable securities are based on Level 1 input. Provisional pricing feature of trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, five year-exchangeable bonds and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.

18. Related party transactions

The Chief Financial Officer of the Company, Mr. Sanjay Swarup is the Director of SKS Business Services, which provides contractual accounting services to the Company.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Administration expenses, salaries and consultancy services				
SKS Business Services	**47**	47	**94**	89

19. Commitments and contingencies

The Company is involved in legal proceedings from time to time arising in the ordinary course of business. Typically, the amount of the ultimate liability with respect to these actions will not materially affect the Company's financial position and financial performance.

Due to recent events at the Cerro Bayo mine, the Company has provided for certain costs related to possible settlements with third parties in the future. These have been included using Management's best estimate, however these estimates could be materially different to the final outcome of the claims.

The Company's Björkdal and Costerfield mines has entered into several equipment leases and the detailed future minimum payments relating to these leases are outlined in Note 8.

20. Subsequent events

On April 18, 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 C$5,345,000. Subsequent to June 30, 2018, this recommendation has been approved by the Minister of Indigenous and Northern Affairs and the funds were released to the Company on August 3, 2018.

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 ("MMC"), a wholly-owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of C$11,625,000.