Condensed consolidated interim financial statements of

Mandalay Resources Corporation

September 30, 2018
(Unaudited)

Mandalay Resources Corporation

September 30, 2018

Table of contents

Mandalay Resources Corporation

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Revenue (Note 10)	**21,765**	35,407	**89,457**	124,904
Cost of operations				
Cost of sales, excluding depletion and depreciation (Note 12)	**21,023**	22,403	**69,191**	84,421
Depletion and depreciation	**6,543**	9,584	**23,459**	31,922
	27,566	31,987	**92,650**	116,343
Income (loss) from mining operations	**(5,801)**	3,420	**(3,193)**	8,561
Expenses				
Administration	**1,324**	2,354	**5,061**	6,291
Care and maintanance and other operating expenses	**1,226**	5,508	**4,837**	7,903
Write down of assets (Note 6)	**-**	-	**18,533**	777
Share-based compensation (Note 11(b))	**184**	266	**588**	740
Loss on disposal of property, plant and equipment	**9**	6	**135**	518
	2,743	8,134	**29,154**	16,229
Loss from operations	**(8,544)**	(4,714)	**(32,347)**	(7,668)
Other income (expenses)				
Finance costs (Note 13)	**(1,306)**	(1,021)	**(4,036)**	(6,669)
Gain (loss) on financial instruments (Note 14)	**331**	(428)	**1,125**	(2,999)
Interest and other income	**198**	139	**902**	167
Foreign exchange gain (loss)	**177**	(533)	**(50)**	(1,775)
	(600)	(1,843)	**(2,059)**	(11,276)
Loss before income taxes	**(9,144)**	(6,557)	**(34,406)**	(18,944)
Income tax expense (recovery)				
Current	**(951)**	768	**(289)**	1,458
Deferred	**(725)**	(144)	**(1,699)**	(768)
Income tax expense (recovery)	**(1,676)**	624	**(1,988)**	690
Net loss for the period	**(7,468)**	(7,181)	**(32,418)**	(19,634)
Other comprehensive income (loss), net of tax				
Item that may subsequently be reclassified to net loss				
Foreign currency translation	**(862)**	3,044	**(7,787)**	9,907
Comprehensive loss for the period	**(8,330)**	(4,137)	**(40,205)**	(9,727)
Net loss per share				
Basic and diluted	**(0.02)**	(0.02)	**(0.07)**	(0.04)
Weighted average number of common shares outstanding (Note 15)				
Basic and diluted ('000)	**451,596**	451,253	**451,468**	451,236

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

Condensed consolidated interim statements of financial position

As at September 30, 2018 and December 31, 2017

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

	September 30, 2018	December 31, 2017
	($'000)	($'000)
Assets		
Current assets		
Cash and cash equivalents	**26,660**	16,935
Trade receivables and other assets (Note 4)	**11,380**	27,186
Inventories (Note 5)	**18,864**	24,249
Prepaid expenses	**3,041**	2,850
	59,945	71,220
Non-current assets		
Reclamation and other deposits	**29,047**	35,924
Trade receivables and other assets (Note 4)	**2,869**	3,324
Property, plant and equipment (Note 6)	**174,632**	194,564
Intangible asset	**-**	29
	206,548	233,841
	266,493	305,061
Liabilities		
Current liabilities		
Trade and other payables (Note 7)	**21,455**	24,281
Borrowings (Note 8)	**1,784**	1,699
Five-year exchangeable loan (Note 9)	**27,207**	27,784
Income taxes payable	**550**	1,053
Other provisions	**1,693**	2,083
Financial instruments (Note 14)	**2,365**	3,567
	55,054	60,467
Non-current liabilities		
Borrowings (Note 8)	**32,893**	16,161
Reclamation and site closure costs provision	**40,660**	49,886
Other provisions	**1,544**	1,590
Deferred tax liability	**9,337**	11,418
	84,434	79,055
	139,488	139,522
Equity		
Share capital (Note 11)	**192,078**	191,893
Share option reserve (Note 11)	**10,218**	9,816
Foreign currency translation reserve	**(36,441)**	(28,654)
Retained deficit	**(38,850)**	(7,516)
	127,005	165,539
	266,493	305,061

Approved by the Board of Directors and authorized for issue on November 7, 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

Nine months ended September 30, 2018

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

(Unaudited)

	Number of shares issued ('000)	Share capital ($'000)	Share option reserve ($'000)	Foreign currency translation reserve ($'000)	Retained deficit ($'000)	Total equity ($'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	-	-	-	-	(32,418)	**(32,418)**
Other comprehensive loss for the period	-	-	-	(7,787)	-	**(7,787)**
Total comprehensive loss	**-**	-	-	(7,787)	(32,418)	**(40,205)**
Share-based compensation (Note 11(b))	-	-	587	-	-	**587**
Redemption of RSU (Note 11(d))	316	185	(185)	-	-	**-**
Balance, September 30, 2018	**451,596**	**192,078**	**10,218**	**(36,441)**	**(38,850)**	**127,005**

	Number of shares issued ('000)	Share capital ($'000)	Share option reserve ($'000)	Foreign currency translation reserve ($'000)	Retained earnings (deficit) ($'000)	Total equity ($'000)
Balance, December 31, 2016	**451,174**	**191,819**	**8,854**	**(37,529)**	**39,893**	**203,037**
Net loss	-	-	-	-	(19,634)	**(19,634)**
Other comprehensive income for the period	-	-	-	9,907	-	**9,907**
Total comprehensive income (loss)	**-**	**-**	**-**	**9,907**	**(19,634)**	**(9,727)**
Share-based compensation (Note 11(b))	-	-	775	-	-	**775**
Dividends paid (Note 11(e))	-	-	-	-	(4,703)	**(4,703)**
Redemption of RSU (Note 11(d))	106	74	(74)	-	-	**-**
Balance, September 30, 2017	**451,280**	**191,893**	**9,555**	**(27,622)**	**15,556**	**189,382**

See accompanying notes to the condensed consolidated interim financial statements

Mandalay Resources Corporation

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Operating activities				
Net loss	**(7,468)**	(7,181)	**(32,418)**	(19,634)
Adjustments to reconcile net income to net cash flows from operating activities				
Amortization of intangible asset	**-**	15	**29**	261
Depletion and depreciation	**6,543**	9,584	**23,459**	31,922
Share-based compensation (Note 11(b))	**184**	266	**588**	740
Loss on disposal of property, plant and equipment	**9**	6	**135**	518
Write down of assets	**-**	-	**18,533**	777
Finance cost (Note 13)	**1,306**	1,021	**4,036**	6,669
Gain (loss) on financial instruments (Note 14)	**(331)**	428	**(1,125)**	2,999
Interest and other income	**(198)**	(139)	**(902)**	(167)
Foreign exchange gain (loss)	**(528)**	247	**(767)**	1,955
Income tax expense (recovery)	**(1,676)**	624	**(1,988)**	690
Changes in non-cash operating working capital items				
Trade receivables and other assets	**3,296**	9,242	**13,405**	3,869
Inventories	**1,471**	1,059	**5,091**	2,328
Prepaid expenses	**(61)**	(1,825)	**(380)**	(239)
Trade and other payables	**1,973**	(3,746)	**(1,631)**	(4,169)
Other provisions	**7**	55	**(189)**	497
Cash generated from operations	**4,527**	9,656	**25,876**	29,016
Interest and other income received	**198**	139	**902**	167
Interest and bank charges paid	**(1,051)**	(580)	**(3,271)**	(5,682)
Income tax received (paid)	**-**	-	**1,741**	(2,860)
Net cash flows from operating activities	**3,674**	9,215	**25,248**	20,641
Investing activities				
Increase in reclamation deposits	**(15)**	(7,367)	**(203)**	(7,500)
Decrease in reclamation deposits	**4,861**	-	**4,861**	-
Reclamation expenditures	**(1,662)**	-	**(2,820)**	-
Expenditure for property, plant and equipment	**(12,051)**	(9,890)	**(35,286)**	(34,980)
Proceeds from disposal of property, plant and equipment	**-**	19	**-**	37
Net cash flows used in investing activities	**(8,867)**	(17,238)	**(33,448)**	(42,443)
Financing activities				
Proceeds from borrowings	**16,792**	15,110	**18,361**	15,143
Repayments of borrowings	**(839)**	(144)	**(1,996)**	(30,091)
Proceeds from Ulu option agreement	**-**	-	**310**	-
Dividends paid (Note 11(e))	**-**	-	**-**	(4,703)
Net cash flows used in financing activities	**15,953**	14,966	**16,675**	(19,651)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**420**	(453)	**1,250**	(615)
Increase in cash and cash equivalents	**11,180**	6,490	**9,725**	(42,068)
Cash and cash equivalents, beginning of the period	**15,480**	18,359	**16,935**	66,917
Cash and cash equivalents, end of period	**26,660**	24,849	**26,660**	24,849
Cash and cash equivalents consist of				
Cash	**26,660**	24,849	**26,660**	24,849
	26,660	**24,849**	**26,660**	**24,849**

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 Björkdal gold mine in Sweden, the Cerro Bayo silver and gold mine in Chile, 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 on May 26, 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 nine months ended September 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 nine months ended September 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 had developed a timeline and implementation strategy earlier in the year and is currently 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:

	September 30, 2018	December 31, 2017
	($'000)	($'000)
Trade receivables	**6,724**	22,576
VAT and other indirect tax receivables	**3,897**	4,399
Other receivables	**3,551**	3,376
Marketable securities (Note 14)	**77**	159
	14,249	30,510
Less: non-current portion	**2,869**	3,324
Total current portion	**11,380**	27,186

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

5. Inventories

Inventories consist of the following:

	September 30, 2018	December 31, 2017
	($'000)	($'000)
Finished goods	**5,790**	9,668
Work in progress and stockpiled ore	**1,616**	2,990
Consumables	**11,458**	11,591
	18,864	24,249

The amount of inventories recognized in cost of operations for the three months and nine months ended September 30, 2018, is $28,179,000 and $93,263,000 (2017 – $31,987,000 and $116,343,000).

Mandalay Resources Corporation

Notes to the condensed consolidated interim financial statements
as at September 30, 2018 and December 31, 2017
(Expressed in U.S. dollars, except where otherwise noted)
(Unaudited)

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-down 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	7,764	-	8,298	5,460	-	7,630	1	4,102	-	1,589	374	**35,218**
Disposals	-	-	-	(880)	-	-	-	-	-	-	-	**(880)**
Write-down of assets	-	-	-	-	-	-	-	-	-	-	(18,533)	**(18,533)**
Reclassification to mining interest	4,424	-	-	-	-	-	-	(4,424)	-	-	-	**-**
Change in estimate of reclamation bond	-	-	-	-	-	-	-	-	-	-	(6,051)	**(6,051)**
Foreign exchange	(5,295)	-	(8,475)	(2,951)	-	(3,627)	(40)	(516)	-	(56)	(263)	**(21,223)**
As at September 30, 2018	**79,557**	**64,314**	**78,421**	**37,186**	**44,532**	**35,536**	**2,759**	**7,983**	**1,106**	**17,874**	**26,664**	**395,932**
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	7,428	-	7,677	4,371	938	2,556	-	-	-	-	-	**22,970**
Disposals	-	-	-	(761)	-	-	-	-	-	-	-	**(761)**
Foreign exchange	(3,986)	-	(6,066)	(1,705)	-	(1,986)	(3)	-	-	-	-	**(13,746)**
As at September 30, 2018	**58,892**	**55,844**	**31,715**	**21,216**	**40,964**	**12,164**	**505**	**-**	**-**	**-**	**-**	**221,300**
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 September 30, 2018	**20,665**	**8,470**	**46,706**	**15,970**	**3,568**	**23,372**	**2,254**	**7,983**	**1,106**	**17,874**	**26,664**	**174,632**

6. Property, plant and equipment (continued)

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 ("MMC"), a wholly-owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of C$11,625,000. As a result of this, 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. 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) and comprehensive income (loss) for the nine months ended September 30, 2018.

7. Trade and other payables

	September 30, 2018	December 31, 2017
	($'000)	($'000)
Trade payables	**14,293**	13,870
Accrued liabilities	**5,193**	6,499
Payroll and other taxes payable	**1,921**	3,820
Cash election option (Note 11(c))	**2**	1
Provisional pricing adjustment	**46**	91
	21,455	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.

8. Borrowings

	September 30, 2018	December 31, 2017
	($'000)	($'000)
Liability for the Revolver facility	**30,000**	14,721
Borrowings for loan/lease facility	**4,677**	3,139
	34,677	17,860
Less: Current portion of total borrowings	**1,784**	1,699
Non-current portion of total borrowings	**32,893**	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.

On September 26, 2018, the Company obtained a waiver from HSBC for the Tangible Net Worth covenant, noted above, as the Company anticipated it would not be in compliance with it on the balance sheet date. The waiver was granted as at September 30, 2018 only, however the waiver eliminates any possibility of default or acceleration of the facility based on a breach of the Tangible Net Worth covenant as at balance sheet date. As a result of the waiver, the amount outstanding under the Revolver Facility has been classified as a non-current liability as at September 30, 2018.

Björkdal Equipment loans

As at September 30, 2018, the Company's Björkdal mine in Sweden, had a balance of $632,000 (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 $2,781,000 (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 September 30, 2018, the current portion of the above facilities is $1,251,000 (December 31, 2017 – $1,699,000) and the non-current portion is $2,162,000 (December 31, 2017 – $1,440,000).

Costerfield Equipment lease

As at September 30, 2018, the Company's Costerfield mine in Australia, had a balance of $1,264,000 (December 31, 2017 – $nil) for an equipment lease facility. 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 September 30, 2018, the current portion of the above facilities is $534,000 (December 31, 2017 – $nil) and the non-current portion is $731,000 (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 September 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 14).

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:

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

9. Five-year exchangeable loan (continued)

- 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;
- 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. 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 September 30, 2018	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Primary geographical markets								
Australia	**9,723**	15,121	**-**	-	**-**	-	**9,723**	15,121
Chile	**-**	-	**-**	1,683	**-**	-	**-**	1,683
Sweden	**-**	-	**-**	-	**11,949**	17,531	**11,949**	17,531
Revenue from contracts with customers	**9,723**	15,121	-	1,683	**11,949**	17,531	**21,672**	34,335
Provisional pricing adjustments	**93**	202	-	585	-	285	**93**	1,072
Total revenue from mining operations	**9,816**	15,323	-	2,268	**11,949**	17,816	**21,765**	35,407
Commodities								
Gold	**5,735**	9,428	-	857	**11,949**	17,531	**17,684**	27,816
Silver	**-**	-	-	826	**-**	-	**-**	826
Antimony	**3,988**	5,693	-	-	**-**	-	**3,988**	5,693
Revenue from contracts with customers	**9,723**	15,121	-	1,683	**11,949**	17,531	**21,672**	34,335
Provisional pricing adjustments	**93**	202	-	585	**-**	285	**93**	1,072
Total revenue from mining operations	**9,816**	15,323	-	2,268	**11,949**	17,816	**21,765**	35,407

10. Revenue (continued)

	Costerfield		Cerro Bayo		Björkdal		Total	
Nine months ended September 30, 2018	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Primary geographical markets								
Australia	**37,006**	49,687	**-**	-	**-**	-	**37,006**	49,687
Chile	**-**	-	**-**	23,193	**-**	-	**-**	23,193
Sweden	**-**	-	**-**	-	**51,625**	49,874	**51,625**	49,874
Revenue from contracts with customers	**37,006**	49,687	**-**	23,193	**51,625**	49,874	**88,631**	122,754
Provisional pricing adjustments	**246**	(639)	**80**	1,781	**500**	1,008	**826**	2,150
Total revenue from mining operations	**37,252**	49,048	**80**	24,974	**52,125**	50,882	**89,457**	124,904
Commodities								
Gold	**22,959**	30,483	**-**	8,248	**51,625**	49,874	**74,584**	88,605
Silver	**-**	-	**-**	14,945	**-**	-	**-**	14,945
Antimony	**14,047**	19,204	**-**	-	**-**	-	**14,047**	19,204
Revenue from contracts with customers	**37,006**	49,687	**-**	23,193	**51,625**	49,874	**88,631**	122,754
Provisional pricing adjustments	**246**	(639)	**80**	1,781	**500**	1,008	**826**	2,150
Total revenue from mining operations	**37,252**	49,048	**80**	24,974	**52,125**	50,882	**89,457**	124,904

11. Share capital

As at September 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 nine months ended September 30, 2018, the Company issued nil and 316,146 (2017 – nil and 105,722) common shares respectively upon the redemption of RSUs.

(b) Share-based compensation

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Stock based compensation on options	**161**	228	**536**	669
Fair value for cash election option	**(7)**	(10)	**(24)**	(44)
RSU amortization	**30**	48	**76**	115
	184	266	**588**	740

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 September 30, 2018, the liability is $Nil (December 31, 2017 - $1,000).

The Company recognized a fair value measurement gain of $7,000 and $24,000 for the three and nine months ended September 30, 2018 (2017 – $10,000 gain and $44,000 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	**2.51**	2.74
Expected stock price volatility	**49.46%**	46.52%
Expected forfeiture rate	**0.00%**	0.00%

As at September 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, September 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 nine months ended September 30, 2018, was C$0.21 and C$0.23 (2017 – C$0.36 and C$ 0.60).

The following table summarizes information about the stock options outstanding as at September 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	0.48	0.98	3,300,000	0.98
3,725,000	1.48	0.91	3,725,000	0.91
4,318,000	2.48	0.91	-	-
4,099,900	5.75	0.60	1,366,633	0.60
5,280,000	6.75	0.20	-	-
20,722,900	**3.72**	**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 September 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 September 30, 2018	372,300

For the three and nine months ended September 30, 2018, the Company recorded $30,000 and $76,000 (2017 – $48,000 and $115,000) respectively, as share based compensation relating to RSUs.

(e) Dividends

In accordance with the terms of the Revolver Facility (Note 8), dividends on common shares have been suspended. 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.

12. Cost of sales

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Raw materials and consumables	**7,258**	5,940	**21,549**	25,961
Salary and employee benefits	**7,621**	7,294	**23,729**	26,136
Contractors	**3,218**	5,955	**11,672**	21,979
Change in inventories	**919**	933	**4,829**	2,333
Royalty	**119**	188	**436**	587
Other	**1,888**	2,093	**6,976**	7,425
	21,023	22,403	**69,191**	84,421

13. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Interest on five year exchangeable loan	**695**	691	**2,088**	3,119
Finance charges on revolver facility	**432**	189	**1,244**	189
Interest on other borrowings and bank charges	**92**	56	**446**	173
Accretion of reclamation and site closure costs	**87**	85	**258**	257
Expenses relating to part repayment of five year exchangeable bo	**-**	-	**-**	1,249
Loss on part repayment of five year exchangeable bonds	**-**	-	**-**	1,682
	1,306	1,021	**4,036**	6,669

14. Financial instruments

(a) Marketable securities - asset

The value of securities as at September 30, 2018, is $77,000 (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 ($19,353) and ($77,353) (2017 – nil and ($75,000)) for three and nine months ended September 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 September 30, 2018, the derivative value of the conversion feature amounts to $2,365,000 (2017 – $3,567,000) and is recorded in current liabilities. The Company recorded a fair value measurement gain of $350,000 (2017 loss of $428,000) for the three ended September 30, 2018 and gain of $1,202,000 (2017 – loss of $2924,000) for the nine months ended September 30, 2018. The value was estimated using the following Level 2 assumptions: risk free interest rate of 2.81% (2017 – 1.55%); volatility of 16% (2017 – 18%), gold forward curve adjustment of (0.92%) (2017 – (0.49%)).

15. Income per share

As at September 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 September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	('000)	('000)	**('000)**	('000)
Net loss for the period	**(7,468)**	(7,181)	**(32,418)**	(19,634)
Basic weighted average number of shares outstanding	**451,596**	451,253	**451,468**	451,236
Diluted weighted average number of shares outstanding	**451,596**	451,253	**451,468**	451,236

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 September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	('000)	('000)	**('000)**	('000)
Stock options	**20,723**	21,173	**20,723**	21,173
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 September 30, 2018				
	Australia	**Chile**	**Sweden**	**Canada**	**Total**
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue (Note 10)	9,816	-	11,949	-	21,765
Cost of sales	(8,267)	(11)	(12,745)	-	(21,023)
Depletion and depreciation	(3,497)	(392)	(2,649)	(5)	(6,543)
Loss from mine operations	(1,948)	(403)	(3,445)	(5)	(5,801)
Other operating expenses	(147)	(267)	(455)	(648)	(1,517)
Care and maintenance and other operating expenses	-	(1,226)	-	-	(1,226)
Loss from operations	(2,095)	(1,896)	(3,900)	(653)	(8,544)
Other expense, except for fair value adjustment	329	(141)	(316)	(803)	(931)
Loss for underlying operations	**(1,766)**	**(2,037)**	**(4,216)**	**(1,456)**	**(9,475)**
Loss from underlying operations per share					
Basic and diluted					($0.02)
Fair value adjustments gain (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	350	350
Marketable Securities (Note 14(a))	-	-	-	(19)	(19)
Total fair value adjustment	-	-	-	331	**331**
Loss before income taxes	(1,766)	(2,037)	(4,216)	(1,125)	(9,144)
Current tax recovery	314	-	637	-	951
Deferred tax recovery	421	-	304	-	725
Net Loss	**(1,031)**	**(2,037)**	**(3,275)**	**(1,125)**	**(7,468)**
Net Loss per share					
Basic and diluted					($0.02)
Cash expenditure for property, plant and equipment	5,760	74	6,215	2	12,051
Total non-current assets as at September 30, 2018	47,525	36,854	91,059	31,110	206,548
Total assets as at September 30, 2018	61,085	45,888	109,195	50,325	266,493
Total liabilities as at September 30, 2018	15,031	20,569	24,677	79,211	139,488

16. Segmented information (continued)

	Three months ended September 30, 2017				
	Australia	**Chile**	**Sweden**	**Canada**	**Total**
	($'000)	**($'000)**	**($'000)**	**($'000)**	**($'000)**
Revenue (Note 10)	15,323	2,268	17,816	-	35,407
Cost of sales	(8,936)	(2,056)	(11,411)	-	(22,403)
Depletion and depreciation	(4,009)	(1,235)	(4,332)	(8)	(9,584)
Income (loss) from mine operations	2,378	(1,023)	2,073	(8)	3,420
Other operating expenses	(517)	(312)	(605)	(1,192)	(2,626)
Care and maintenance and other operating expenses	-	(5,508)	-	-	(5,508)
Income (loss) from operations	1,861	(6,843)	1,468	(1,200)	(4,714)
Other expense, except for fair value adjustment	(55)	(94)	(340)	(926)	(1,415)
Income (loss) for underlying operations	**1,806**	**(6,937)**	**1,128**	**(2,126)**	**(6,129)**
Income for underlying operations per share					
Basic and diluted					($0.01)
Fair value adjustments (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	(428)	(428)
Total fair value adjustment	-	-	-	(428)	(428)
Income (loss) before income taxes	1,806	(6,937)	1,128	(2,554)	(6,557)
Current tax expense	(606)	-	(162)	-	(768)
Deferred tax recovery	65	-	79	-	144
Net income (loss)	**1,265**	**(6,937)**	**1,045**	**(2,554)**	**(7,181)**
Net Income per share					
Basic and diluted					($0.02)
Cash expenditure for property, plant and equipment	1,921	700	7,269	-	9,890
Total non-current assets as at September 30, 2017	46,181	74,669	85,730	1,083	207,663
Total assets as at September 30, 2017	65,114	91,061	111,843	62,869	330,887
Total liabilities as at September 30, 2017	13,984	22,115	26,800	78,607	141,506

16. Segmented information (continued)

	Nine months ended on September 30, 2018				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue (Note 10)	37,252	80	52,125	-	89,457
Cost of sales	(27,916)	(200)	(41,075)	-	(69,191)
Depletion and depreciation	(11,829)	(1,330)	(10,286)	(14)	(23,459)
Income (loss) from mine operations	(2,493)	(1,450)	764	(14)	(3,193)
Other operating expenses	(1,503)	(1,083)	(1,780)	(1,418)	(5,784)
Care and maintenance and other operating expenses	-	(4,837)	-	-	(4,837)
Write-down of assets (Note 6)	-	(18,533)	-	-	(18,533)
Loss from operations	(3,996)	(25,903)	(1,016)	(1,432)	(32,347)
Other expense, except for fair value adjustment	1,311	(182)	(648)	(3,665)	(3,184)
Loss for underlying operations	**(2,685)**	**(26,085)**	**(1,664)**	**(5,097)**	**(35,531)**
Loss from underlying operations per share					
Basic and diluted					($0.08)
Fair value adjustments gain (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	1,202	1,202
Marketable Securities (Note 14(a))	-	-	-	(77)	(77)
Total fair value adjustment	-	-	-	1,125	**1,125**
Loss before income taxes	(2,685)	(26,085)	(1,664)	(3,972)	(34,406)
Current tax recovery (expense)	307	-	(18)	-	289
Deferred tax recovery	468	-	1,231	-	1,699
Net loss	**(1,910)**	**(26,085)**	**(451)**	**(3,972)**	**(32,418)**
Net Loss per share					
Basic and diluted					($0.07)
Cash expenditure for property, plant and equipment	17,332	386	17,538	30	35,286
Total non-current assets as at September 30, 2018	47,525	36,854	91,059	31,110	206,548
Total assets as at September 30, 2018	61,085	45,888	109,195	50,325	266,493
Total liabilities as at September 30, 2018	15,031	20,569	24,677	79,211	139,488

16. Segmented information (continued)

	Nine months ended on September 30, 2017				
	Australia	Chile	Sweden	Canada	Total
	($'000)	($'000)	($'000)	($'000)	($'000)
Revenue (Note 10)	49,048	24,974	50,882	-	124,904
Cost of sales	(29,067)	(19,937)	(35,417)	-	(84,421)
Depletion and depreciation	(12,176)	(8,264)	(11,466)	(16)	(31,922)
Income (loss) from mine operations	7,805	(3,227)	3,999	(16)	8,561
Other operating expenses	(1,765)	(2,602)	(1,845)	(1,337)	(7,549)
Care and maintenance and other operating expenses	-	(7,903)	-	-	(7,903)
Write-off of assets (Note 6)	-	(777)	-	-	(777)
Income (loss) from operations	6,040	(14,509)	2,154	(1,353)	(7,668)
Other expense, except for fair value adjustment	(523)	(601)	(738)	(6,418)	(8,280)
Income (loss) for underlying operations	**5,517**	**(15,110)**	**1,416**	**(7,771)**	**(15,948)**
Income (loss) for underlying operations per share					
Basic and diluted					($0.04)
Fair value adjustments (loss)					
Five-year exchangeable bonds (Note 14(b))	-	-	-	(2,924)	(2,924)
Marketable Securities (Note 14(a))	-	-	-	(75)	(75)
Total fair value adjustment	-	-	-	(2,999)	**(2,999)**
Income (loss) before income taxes	5,517	(15,107)	1,416	(10,770)	(18,944)
Current tax recovery (expense)	(1,938)	850	(370)	-	(1,458)
Deferred tax recovery	518	4	246	-	768
Net income (loss)	**4,097**	**(14,253)**	**1,292**	**(10,770)**	**(19,634)**
Net Loss per share					
Basic and diluted					($0.04)
Cash expenditure for property, plant and equipment	8,656	8,847	17,477	-	34,980
Total non-current assets as at September 30, 2017	46,181	74,669	85,730	1,083	207,663
Total assets as at September 30, 2017	65,114	91,061	111,843	62,869	330,887
Total liabilities as at September 30, 2017	13,984	22,115	26,800	78,607	141,506

16. Segmented information (continued)

For the three and nine months ended September 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		Nine months ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
	($'000)	($'000)	**($'000)**	($'000)
Costerfield (gold and antimony)				
Customer 1	**7,191**	10,728	**27,912**	33,612
Customer 2	**-**	-	**-**	13,274
Customer 3	**2,625**	-	**9,340**	-
	9,816	10,728	**37,252**	46,886
Cerro Bayo (silver and gold)				
Customer 3	**-**	-	**-**	15,450
	-	-	**-**	15,450
Björkdal (gold)				
Customer 4	**9,780**	15,152	**42,785**	51,299
Customer 5	**2,169**	-	**9,340**	-
	11,949	15,152	**52,125**	51,299
Total	**21,765**	25,880	**89,377**	113,635

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 September 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

Mr. Sanjay Swarup was the Chief Financial Officer of the Company until 15th August 2018. He was also the Director of SKS Business Services, which provides contractual accounting services to the Company.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
	($'000)	($'000)	**($'000)**	($'000)
Administration expenses, salaries and consultancy services				
SKS Business Services	**23**	45	**117**	135

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.

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.