MANDALAY RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2019

AS OF FEBRUARY 20, 2020

CONTENTS

Cautionary Note Regarding Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the year ended December 31, 2019, and the Company's annual information form dated March 28, 2019 (the "AIF"), as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States ("U.S.") dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

Overview of Mandalay Resources

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

Mandalay's mission is to create shareholder value through the profitable operation of its Costerfield gold-antimony mine and its Björkdal gold mine. Currently, the Company's main objective is to accelerate the mining of the high-grade Youle vein at Costerfield, which is critical to the Company's longer-term plan of increasing production. At Björkdal, the Company will aim to increase production from the Aurora zone in the coming years, in order to maximize profit margins from the mine.

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

1.0 FINANCIAL AND OPERATING SUMMARY

Fourth Quarter 2019 Highlights:

- **Consolidated gold equivalent production of 18,594 ounces** compared to 16,625 ounces in Q3 2019, and 19,173 ounces in Q4 2018. The increase in ounces produced in the current quarter compared to the previous quarter was due to the higher grade of processed ore at Costerfield as we commence mining at the Youle vein.

- **Consolidated cash cost[1] of $1,128 and all-in cost[1] of $1,449 per ounce of saleable gold equivalent production** compared to $1,277 and $1,629 per ounce, respectively, in Q3 2019. In Q4 2018, these costs were $1,311 and $1,709 per ounce, respectively. The lower unit costs in the current quarter as compared to the previous quarter are mainly due to the increase in production from Costerfield.

- **Revenue of $22.7 million on gold equivalent sales of 16,228 ounces** compared to $28.8 million on 17,814 ounces in Q3 2019. In Q4 2018, revenue was $22.7 million on gold equivalent sales of 18,399 ounces. The decrease in revenue in the current quarter compared to the previous quarter is a result of less ounces sold, partly offset by an increase in the gold price.

- **Adjusted EBITDA[1] of $4.7 million** compared to $5.6 million in Q3 2019, and negative $1.9 million in Q4 2018. The slight decrease in Adjusted EBITDA compared to the previous quarter relates mainly to decreased revenue, as mentioned above.

- **Consolidated net loss of $5.3 million** compared to a net loss of $1.4 million in Q3 2019, and a net loss of $31.3 million in Q4 2018.

- **Consolidated capital expenditures of $10.2 million** compared to $10.1 million in Q3 2019, and $16.0 million in Q4 2018.

- **Cash on hand was $24.5 million at December 31, 2019** compared to $8.4 million at year end 2018.

Full Year 2019 Highlights:

- **Consolidated gold equivalent production of 76,659 ounces in 2019** compared to 81,568 ounces in 2018. The decrease in ounces produced in the current year compared to the previous year was mainly due to the excess dilution and poor recoveries from the Brunswick vein at Costerfield.

- **Consolidated cash cost[1] of $1,133 and all-in cost[1] of $1,467 per ounce of saleable gold equivalent production in 2019** compared to $1,148 and $1,537 per ounce, respectively, in 2018. The lower unit costs in 2019 as compared to the previous year are mainly due to the lower overall cost of sales in 2019, partially offset by lower production.

- **Revenue of $107.8 million on gold equivalent sales of 77,043 ounces** compared to $112.2 million on 88,049 ounces in 2018. The decrease in revenue in 2019 compared to 2018 is a result of lower ounces sold partly offset by increase in gold prices.

- **Adjusted EBITDA[1] of $18.8 million in 2019** compared to $13.3 million in 2018. The increase in Adjusted EBITDA compared to the previous year relates mainly due to lower overall cost of sales in 2019.

- **Consolidated net loss of $18.6 million** compared to a net loss of $63.7 million in 2018.

- **Consolidated capital expenditures of $37.9 million** compared to $51.2 million in 2018.

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

Summary of Mandalay Operational and Financial Results

Operating Summary

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

	Three months ended December 31		Year ended December 31	
	2019	2018	2019	2018
Björkdal				
Gold produced (oz)	10,990	10,482	51,498	45,719
Gold sold (oz)	9,120	9,557	52,280	50,062
Cash cost[1] per oz gold produced ($)	1,071	1,497	945	1,159
All-in cost[1] per oz gold produced ($)	1,314	1,794	1,205	1,452
Costerfield				
Gold produced (oz)	4,749	4,948	15,258	21,610
Antimony produced (t)	684	561	2,032	2,173
Gold equivalent produced (oz)[2]	7,604	8,691	25,161	35,849
Gold sold (oz)	4,332	4,957	14,922	22,900
Antimony sold (t)	665	582	2,026	2,307
Gold equivalent sold (oz)[2]	7,108	8,842	24,763	37,987
Cash cost[1] per oz gold eq. produced ($)	1,083	962	1,313	961
All-in cost[1] per oz gold eq. produced ($)	1,453	1,391	1,742	1,407
Consolidated				
Gold equivalent produced (oz)[2]	18,594	19,173	76,659	81,568
Gold equivalent sold (oz)[2]	16,228	18,399	77,043	88,049
Cash cost[1] per oz gold eq. ($)	1,128	1,311	1,133	1,148
All-in cost[1] per oz gold eq. ($)	1,449	1,709	1,467	1,537
Average gold price ($/oz)	1,482	1,229	1,392	1,269
Average antimony price ($/t)	6,187	8,204	6,722	8,312

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

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

Financial Summary

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

	Three months ended December 31		Year ended December 31	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	22,737	22,711	107,795	112,168
Cost of sales	17,034	23,799	83,623	92,990
Income/(loss) from operations (excl. depr. & depletion) (1)	5,703	(1,088)	24,172	19,178
General and administrative costs	971	805	5,368	5,867
Adjusted EBITDA (1)	4,732	(1,893)	18,804	13,311
Depreciation and depletion	5,709	7,026	24,540	30,486
Adjusted EBIT (1)	(977)	(8,919)	(5,736)	(17,175)
Finance costs, tax, forex and others(2)	4,351	22,380	12,913	46,543
Consolidated net loss	(5,328)	(31,299)	(18,649)	(63,718)
Consolidated loss per share	(0.07)	(0.69)	(0.23)	(1.41)
Total assets	258,592	237,703	258,592	237,703
Total liabilities	146,840	141,567	146,840	141,567
Total equity	111,752	96,136	111,752	96,136
Consolidated capital expenditures				
Capital development	5,217	4,707	20,906	20,442
Property, plant and equipment purchases	3,757	9,404	13,584	22,803
Capitalized exploration	1,251	1,886	3,479	8,039
Total	10,225	15,997	37,969	51,284

[1] Income (loss) from operations (excl. depreciation & depletion), Adjusted EBIT and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
[2]Others includes such items as write down of assets, mark to market derivative adjustments, share based compensation and gain/loss on disposal of properties, if any.

Exploration

Ongoing exploration activities during the fourth quarter of 2019 included:

Björkdal

In the fourth quarter of 2019, exploration at Björkdal was focused on: seeking to extend the Aurora deposit up-dip, down-dip and laterally to both the east and west as well as the extent of the underground deposit up to 500m north of the Aurora zone; and drilling the high-grade lake zone skarn deposit. Going into 2020, exploration will continue to focus on these areas.

Costerfield

Exploration at Costerfield has been focused on: extending the Youle vein further to the north and at depth; drilling at the MacDonald's deposit (approximately 500 m to the north of Youle); and drilling the first hole in the deep hole program at depth below the Youle vein. Early in 2020, drilling will continue on the Youle vein and we will begin drilling the Damper Gully and True Blue exploration targets.

Outlook

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

Mandalay expects to see improvement in production and costs from Costerfield and Björkdal in 2020. At Costerfield, the Company expects production increases in 2020 as it increases production from the high-grade Youle vein. The Youle vein has markedly higher grades as well as better recoveries than the Brunswick vein and is central to Mandalay's organic growth plan. Mandalay also expects production and costs improvements at Björkdal in 2020, as the open pit operations have been paused as of the end of July 2019, to eliminate the associated costs and take advantage of processing the higher-cash margin underground and stockpiled ore.

The Company's 2020 guidance is below (see press release dated January 16, 2020):

	Björkdal	**Costerfield**	**Consolidated**[1]
	2020E		
Gold production (oz)	51,000-57,000	32,000-38,000	83,000-95,000
Antimony production (t)	-	3,000-3,500	3,000-3,500
Gold Eq. production (oz) [2]	51,000-57,000	44,000-52,000	95,000-109,000
Cash cost, $/oz gold Eq. [3]	750-900	725-875	765-915
All-in cost, $/oz gold Eq. [3]	1,085-1,235	1,175-1,325	1,195-1,345
Capex, $/million	22-27	17-21	39-48

[1]Consolidated cost guidance includes expected corporate overhead spending and care and maintenance costs

[2]2020E gold equivalent assumes metal prices of: Au $1,478/oz and Sb $5,931/t

[3]Cash cost and all-in cost are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

1.1 RESULTS OF OPERATIONS

Costerfield Gold-Antimony Mine, Victoria, Australia

Costerfield Financial Results

	Three months ended December 31		Year ended December 31	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	10,351	10,708	33,938	47,960
Cost of sales	7,306	9,884	32,810	37,800
Income from operations (excl. depr. & depletion)	3,045	824	1,128	10,160
General and administrative costs (1)	210	(140)	842	449
Adjusted EBITDA (2,3)	3,030	1,077	918	10,398
Depreciation & depletion	2,703	3,595	10,371	15,424
Adjusted EBIT (3)	132	(2,631)	(10,085)	(5,713)
Finance costs, forex and others (4)	274	6	565	(391)
Loss before tax	(142)	(2,637)	(10,650)	(5,322)
Current tax recovery	-	-	-	(307)
Deferred tax expense (recovery)	877	(700)	(2,242)	(1,168)
Consolidated net loss after tax	(1,019)	(1,937)	(8,408)	(3,847)
Capital development	3,776	2,478	13,967	10,243
Property, plant and equipment purchases	349	1,498	3,422	6,959
Capitalized exploration	461	1,141	1,776	5,243
Total capital expenditures	4,586	5,117	19,165	22,445

[1]Includes intercompany transfer pricing recharge costs of $195,000 and $632,000 in the three months and year ended December 31, 2019 and $113,000 and $687,000 in the corresponding periods of 2018.
[2] Does not include intercompany transfer pricing recharge costs.
[3]Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $210,000 and $699,000 for the three months and year ended December 31,2019 and $218,000 and $1,000,000 in the corresponding periods of 2018.

Costerfield Operating Results

		Three months ended December 31		Year ended December 31	
		2019	2018	2019	2018
Operating development	m	1,029	1,012	4,433	3,844
Mined ore	t	34,549	37,536	137,536	151,557
Mined ore Au grade	g/t	6.88	5.10	5.20	5.66
Mined ore Sb grade	%	3.59	2.32	2.57	2.36
Mined contained Au	oz	7,643	6,154	23,001	27,599
Mined contained Sb	t	1,239	869	3,535	3,572
Mining cost per tonne ore	$/t	146	141	148	145
Processed ore	t	32,240	39,019	141,090	155,744
Processed ore mill head grade Au	g/t	6.80	5.30	5.12	5.64
Processed ore mill head grade Sb	%	3.59	2.33	2.45	2.33
Recovery Au	%	81.69	87.38	78.84	87.70
Recovery Sb	%	96.02	95.95	95.46	93.80
Saleable Au produced	oz	4,749	4,948	15,258	21,610
Saleable Sb produced	t	684	561	2,032	2,173
Saleable Au equivalent produced	oz	7,604	8,691	25,161	35,849
Processing cost per tonne ore	$/t	38.21	31.61	34.38	36.67
Au sold in gravity concentrate	oz	1,489	2,118	5,463	9,514
Au sold in floatation concentrate	oz	2,843	2,839	9,459	13,386
Au sold (total)	oz	4,332	4,957	14,922	22,900
Sb sold	t	665	582	2,026	2,307
Capital development metres	m	811	672	2,871	2,644
Capital development cost per metre	$/m	4,660	3,689	4,866	3,875
Cash operating cost per tonne ore processed [1,2]	$/t	255	212	234	218
Adjusted EBITDA per tonne ore processed [1,2]	$/t	93.98	26.47	6.51	66.49
Cash cost per oz Au equivalent produced [1,2]	$/oz	1,083	962	1,313	961
Site all-in cost per oz Au equivalent produced [1,2]	$/oz	1,453	1,391	1,742	1,407

[1]Does not include intercompany transfer pricing recharge costs.
[2]Cash cost, site all-in cost per ounce of gold equivalent produced and Adjusted EBITDA are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

Costerfield – Three Months Ended December 31, 2019 and 2018

- ***Production*** — Saleable gold production for the fourth quarter of 2019 was 4,749 ounces, a 4% decrease from the 4,948 ounces produced in the fourth quarter of 2018. Saleable antimony production for Q4 2019 was 684 tonnes, a 22% increase from the 561 tonnes produced in Q4 2018. Gold equivalent production for Q4 2019 was 7,604 ounces, a decrease of 13% from Q4 2018 when the Company produced 8,691 gold equivalent ounces. In the fourth quarter, processed gold and antimony grades were the highest in any of the quarters in the past two years, although tonnage was lower as we commenced mining from Youle. In particular, the December processing grades at the mine were 8.5 g/t gold and 3.9% antimony. This, along with lower recoveries from the ore at Brunswick, led to slightly lower production compared to the same quarter in 2018.

- ***Revenue*** – Costerfield revenue for the fourth quarter of 2019 was $10.4 million, a 3% decrease from $10.7 million in the fourth quarter of 2018, mainly due to a decrease in gold equivalent ounces sold. The current quarter revenue was $3.3 million higher than the third quarter of 2019. Gold equivalent ounces sold decreased by 20% to 7,108 ounces in the fourth quarter of 2019 compared to 8,842 ounces in the fourth quarter of 2018. The decrease in fourth quarter 2019 sales compared to the fourth quarter of 2018 was due to lower sales from decreased comparable grades and recoveries, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $7.3 million for the fourth quarter of 2019, compared to $9.9 million for the same period of 2018. The decrease in cost is mainly due to decrease in production and a favorable movement in exchange rates.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during the fourth quarter of 2019 was $3.0 million, adjusted EBITDA was $3.0 million and net loss after tax was $1.0 million. Comparable results for the fourth quarter of 2018 were income from mine operations before depreciation and depletion of $0.8 million, adjusted EBITDA of $1.1 million and net loss after tax of $1.9 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $2.7 million in the fourth quarter of 2019, compared to $3.6 million for the same period in 2018 mainly due to lower production in the current quarter.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in the fourth quarter of 2019 was $1,083, compared to $962 in the fourth quarter of 2018. The site all-in cost per ounce of gold equivalent produced in the fourth quarter of 2019 was $1,453 versus $1,391 in the fourth quarter of 2018. These per ounce costs were higher than the year ago quarter due to lower gold equivalent ounces produced in the fourth quarter of 2019, partially offset by a lower overall cash cost.

- ***Capital Expenditures*** – Capital expenditures for the fourth quarter of 2019 totaled $4.6 million ($3.8 million in capital development costs, $0.5 million for exploration, and $0.3 million in property, plant and equipment) compared with $5.1 million ($2.5 million in capital development costs, $1.1 million for exploration, and $1.5 million for property, plant and equipment) during the same period in 2018. The decreased capital expenditures were mainly due to lower amounts spent on mining equipment and less on exploration in the current quarter.

Costerfield – Year Ended December 31, 2019 and 2018

- ***Production*** — Saleable gold production for the year ended 2019 was 15,258 ounces, a 29% decrease from the 21,610 ounces produced in 2018. Saleable antimony production for 2019 was 2,032 tonnes, a 6% decrease from the 2,173 tonnes produced in 2018. Gold equivalent production for 2019 was 25,161 ounces, a decrease of 30% from 2018, when the Company produced 35,849 gold equivalent ounces. Production and grades at Costerfield in 2019 were below Company expectations. The decrease in production compared to 2018 was largely attributable to significantly poorer gold recoveries and lower overall grades from Brunswick versus grades from the Augusta and Cuffley veins, which the Company was mining in 2018.

- ***Revenue*** – Costerfield revenue for the year ended December 31, 2019, was $33.9 million, a 29% decrease from $47.9 million for the year ending December 31, 2018, mainly due to a decrease in gold equivalent ounces sold. Gold equivalent ounces sold decreased by 35% to 24,763 ounces in the year ended December 31, 2019, compared to 37,987 ounces in 2018. The decrease in 2019 sold ounces compared to 2018, was due to poorer gold recoveries and lower grades and, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $32.8 million for the year ending December 31, 2019, compared to $37.8 million for 2018. The lower operating cost in the current period relates to lower production and favorable exchange rate movement between the periods.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during 2019, was $1.1 million, adjusted EBITDA was $0.9 million and net loss after tax was $8.4 million. Comparable results for 2018 were income from mine operations before depreciation and depletion of $10.1 million, adjusted EBITDA of $10.4 million and net loss after tax of $3.8 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield decreased to $10.4 million in the year ended December 31, 2019, compared to $15.4 million for 2018 mainly due to lower production.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in 2019, was $1,313, compared to $961 in 2018. The site all-in cost per ounce of gold equivalent produced in 2019, was $1,742 versus $1,407 in 2018. These per ounce costs were higher than the year ago period due to lower gold equivalent ounces produced in 2019, partially offset by a lower overall cost of sales.

- ***Capital Expenditures*** – Capital expenditures for 2019 totaled $19.2 million ($14.0 million in capital development costs, $1.8 million for exploration, and $3.4 million in property, plant and equipment) compared with $22.4 million ($10.2 million in capital development costs, $5.2 million for exploration, and $7.0 million for property, plant and equipment) during 2018. The increased capital development was due to the accelerated development to the Youle vein, offset by a lower amount spent on exploration and property, plant and equipment due to cost saving measures in 2019.

Björkdal Gold Mine, Sweden

Björkdal Financial Results

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	12,386	12,004	73,857	64,128
Cost of sales	9,721	14,028	50,806	55,103
Income from operations (excl. depr. & depletion) (3)	2,665	(2,024)	23,051	9,025
General and administrative costs (1)	127	36	847	749
Adjusted EBITDA (2,3)	2,665	(1,891)	23,048	9,169
Depreciation & depletion	2,662	3,107	13,311	13,393
Adjusted EBIT (3)	(124)	(5,167)	8,893	(5,117)
Finance costs, forex and others (4)	763	255	3,276	1,971
Income (loss) before tax	(887)	(5,422)	5,617	(7,088)
Current tax expense (recovery)	(123)	(18)	748	-
Deferred tax recovery	187	(1,155)	116	(2,386)
Consolidated net income (loss) after tax	(951)	(4,249)	4,753	(4,702)
Capital development	1,441	2,229	6,939	10,199
Property, plant and equipment purchases	3,408	7,907	10,162	15,844
Capitalized exploration	768	266	1,472	1,823
Total capital expenditures (5)	5,617	10,402	18,573	27,866

[1]Includes intercompany transfer pricing recharge costs of $127,000 and $844,000 for the three months and year ended December 31, 2019 and $169,000 and $893,000 in the same periods of 2018.
[2]Does not include intercompany transfer pricing recharge costs.
[3]Income from operations (excl. depreciation & depletion) and Adjusted EBITDA and Adjusted EBIT are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
[4]Others includes such items as intercompany transfer pricing recharge for marketing fees and stock based compensation of $248,000 and $1,338,000 for the three months and year ended December 31,2019 and $249,000 and $1,311,000 in the same periods of 2018.
[5]Includes capitalized depreciation on equipment.

Björkdal Operating Results

		Three months ended December 31		Year ended December 31	
		2019	2018	2019	2018
Operating development	m	1,536	1,258	5,599	4,229
Mined ore	t	236,815	267,266	1,155,751	871,625
Mined ore Au grade	g/t	1.58	1.32	1.43	1.37
Mined contained Au	oz	12,054	11,344	53,168	38,288
Mining cost per tonne ore	$/t	25.37	32.33	22.72	28.46
Processed ore	t	288,494	319,232	1,261,604	1,251,453
Processed ore mill head grade Au	g/t	1.31	1.17	1.43	1.30
Recovery Au	%	88.80	89.56	88.89	88.93
Saleable Au produced	oz	10,990	10,482	51,498	45,719
Processing cost per tonne ore	$/t	8.49	8.22	7.14	7.85
Au sold	oz	9,120	9,557	52,280	50,062
Capital development (open pit)	t	-	225,557	248,769	1,146,097
Capital development (underground)	m	486	497	2,162	2,135
Capital development cost per metre	$/m	2,961	3,199	2,819	3,324
Cash operating cost per tonne ore processed (1)	$/t	40.79	49.16	38.59	33.48
Adjusted EBITDA per tonne ore processed (1,2)	$/t	9.24	(5.92)	18.27	7.33
Cash cost per oz Au produced (1,2)	$/oz	1,071	1,497	945	1,159
Site all-in cost per oz Au produced (1,2)	$/oz	1,314	1,794	1,205	1,452

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

Björkdal - Three Months Ended December 31, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the fourth quarter of 2019 was 10,990 ounces, a 5% increase from the 10,482 ounces produced in the fourth quarter of 2018 due to higher underground grades milled.

- ***Revenue*** – Björkdal revenue for the fourth quarter of 2019 was $12.4 million, a 3% increase from $12.0 million in the fourth quarter of 2018. Gold ounces sold decreased by 5% to 9,120 ounces in the fourth quarter of 2019, compared to 9,557 ounces in the fourth quarter of 2018. The increase in revenue was therefore due to a higher realized gold price in the current quarter compared to the fourth quarter of 2018.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $9.7 million for the fourth quarter of 2019, lower than $14.0 million for the same period of 2018. The decrease in operating costs was mainly due to closure of open pit mining in July 2019.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the fourth quarter of 2019 was $2.7 million, adjusted EBITDA was $2.7 million and net loss after tax was $0.9 million. Comparable results for three months ended December 31, 2018 were loss from mine operations before depreciation and depletion of $2.0 million, adjusted EBITDA of negative $1.9 million and net loss after tax of $4.3 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $2.7 million in the fourth quarter of 2019, compared to $3.1 million for the same period in 2018 mainly due to closure of open pit mining during 2019.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the fourth quarter of 2019 was $1,071, 28% lower as compared to the fourth quarter of 2018 of $1,497. All-in cost per ounce of gold produced at Björkdal for the fourth quarter of 2019, was $1,314, 27% lower than the all-in cost per ounce of gold produced in the fourth quarter of 2018, of $1,794. These per ounce costs were lower in the fourth quarter of 2019, compared to the same period in 2018, primarily due to lower cost due to closure of open pit mining and higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the fourth quarter of 2019 totaled $5.6 million ($1.4 million in mine development costs, $0.8 million for exploration, and $3.4 million in property, plant and equipment) compared with $10.4 million ($2.2 million in mine development costs, $0.3 million for exploration, and $7.9 million for property, plant and equipment) during the same period in 2018. The reduction in capital expenditures was due primarily to tailings dam construction work at Björkdal in Q4 2018 that didn't occur in Q4 2019.

Björkdal - Year Ended December 31, 2019 and 2018

- ***Production*** – Saleable gold production at Björkdal for the year ended December 31, 2019, was 51,498 ounces, a 13% increase from the 45,719 ounces produced in the year ended December 31, 2018. The increase can be attributed to achieving a higher tonnage from the underground mine over the 2019 year, as well as additional tonnage from a high-grade skarn area.

- ***Revenue*** – Björkdal revenue for the year ended December 31, 2019, was $73.9 million, higher than $64.1 million in 2018. The increase in revenue in 2019 can be attributed to higher realized gold prices, as well as additional gold ounces sold during the year, as compared to 2018.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $50.8 million for the year ended December 31, 2019, lower than $55.1 million for 2018. The decrease in operating costs were primarily due to the suspension of the open pit mining in July 2019.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for the year ended December 31, 2019, was $23.1 million, adjusted EBITDA was $23.0 million and net income after tax was $4.8 million. Comparable results for 2018, were income from mine operations before depreciation and depletion of $9.0 million, adjusted EBITDA of $9.2 million and net loss after tax of $4.7 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal decreased slightly to $13.3 million in the year ended December 31, 2019, compared to $13.4 million for 2018.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for the year ending December 31, 2019, was $945, 18% lower than in 2018, of $1,159. All-in cost per ounce of gold produced at Björkdal for the year ended December 31, 2019, was $1,205, 17% lower than in 2018, of $1,452. These per ounce costs were lower in 2019 compared to 2018 primarily due to higher metal volumes produced.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for the year ended December 31, 2019, totaled $18.6 million ($6.9 million in mine development costs, $1.5 million for exploration, and $10.2 million in property, plant and equipment) compared with $27.8 million ($10.2 million in mine development costs, $1.8 million for exploration, and $15.8 million for property, plant and equipment) during 2018. The decrease in capital expenditures was due primarily to less capital development work occurring in the open pit compared to the previous year period, as well as less amounts spent on property, plant and equipment spend.

Non-Core Properties

Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining ("Equus") for the sale of the Cerro Bayo mine in Chile. The signing of this agreement had no impact on the carrying value of the Cerro Bayo mine as at December 31, 2019. See announcement on the Company's website dated October 8, 2019.

During the fourth quarter of 2019, the Company spent $0.6 million on care and maintenance activities at Cerro Bayo compared to $5.7 million (which includes $5.1 million of consumables inventory write down) in the fourth quarter of 2018. The decrease in expense was mainly due to a reduction in the number of staff.

Challacollo

On November 12, 2019, The Company announced that it has entered into a definitive agreement with Aftermath Silver Ltd. ("Aftermath") in respect of the previously announced transaction in which Aftermath will acquire Minera Mandalay Challacollo Limitada ("MMC"), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile. Pursuant to the terms of the transaction, Aftermath will purchase 100% of MMC in exchange for total consideration of up to CAD$10.5 million, consisting of CAD$7.5 million in non-contingent consideration (the "Non-Contingent Consideration") plus a 3% net smelter returns royalty on production at Challacollo, capped at CAD$3.0 million.

The Non-Contingent Consideration is payable as follows:

- CAD$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019);
- CAD$1.0 million in cash payable on or before December 30, 2020; and
- CAD$5.5 million in cash/shares payable on or before April 21, 2021.

In addition, the Company signed on November 28, 2018, a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property for consideration of $2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions. During the fourth quarter of 2019, the Company had received $1.0 million of this total amount.

Lupin and Ulu

During the fourth quarter of 2019, the Company spent $0.1 million on care and maintenance activities at Lupin and Ulu compared to $0.1 million in the fourth quarter of 2018. Care and maintenance spending at Lupin and Ulu was $0.6 million for year ending December 2019, as compared to $0.6 million for year ending 2018. Reclamation spending at Lupin and Ulu was $0.2 million during the fourth quarter of 2019, compared to $1.5 million in fourth quarter of 2018. In 2019, reclamation spending was $1.9 million compared to $4.3 million in 2018.

On December 24, 2019, the Company sold its Ulu mine to Blue Star Gold Corporation and received CAD$450,000 as sales proceeds. As part of the transaction, the Company sold its remaining 5 million shares to a third party and received CAD$200,000 in proceeds. In addition, the Company transferred to Blue Star the full value of the reclamation bond security of $1,685,542 in January 2020. As part of the sale, the Company identified an indicator of impairment for Ulu based on the sales value less costs to dispose. A write down of $1.0 million was recognized during 2019.

As a result of the exercise of the signing of the Ulu option agreement, the Company identified an indicator of impairment for the Lupin mine, which is located near the Ulu property. The Company has valued the assets at fair value less costs to dispose of the asset. As a result of this, a write down of $4.0 million was recognized in 2019.

La Quebrada

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

1.2 FOURTH QUARTER FINANCIAL RESULTS

Summary Financial Performance

	Three months ended December 31		Year ended December 31	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	22,737	22,711	107,795	112,168
Cost of sales	17,034	23,799	83,623	92,990
Income/(loss) from operations (excl. depr. and depletion	5,703	(1,088)	24,172	19,178
Depreciation and depletion	5,709	7,026	24,540	30,486
Loss from mining operations	(6)	(8,114)	(368)	(11,308)
General and administrative costs	971	805	5,368	5,867
Adjusted EBITDA(1)	4,732	(1,893)	18,804	13,311
Finance costs, forex and others(2)	3,410	24,253	14,286	50,404
Consolidated loss before tax	(4,387)	(33,172)	(20,022)	(67,579)
Current tax expense/(recovery)	(123)	(18)	753	(307)
Deferred tax expense/(recovery)	1,064	(1,855)	(2,126)	(3,554)
Adjusted net loss before special items after tax(1)	(4,223)	(11,475)	(10,403)	(20,523)
Consolidated net loss after tax	(5,328)	(31,299)	(18,649)	(63,718)
Adjusted loss per share before special items(1)	(0.05)	(0.25)	(0.13)	(0.45)
Consolidated loss per share	(0.07)	(0.69)	(0.23)	(1.41)
Total assets	258,592	237,703	258,592	237,703
Total liabilities	146,840	141,567	146,840	141,567
Total equity	111,752	96,136	111,752	96,136
Capital expenditures – Consolidated(3)				
Underground capital develop. & open pit prestrip	5,217	4,707	20,906	20,442
Property, plant and equipment purchases	3,757	9,404	13,584	22,803
Capitalized exploration	1,251	1,886	3,479	8,039
Total capital expenditures	10,225	15,997	37,969	51,284

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

Summary Balance Sheet

	As at December 31, 2019	As at December 31, 2018
	$'000	$'000
Cash and cash equivalents	24,462	8,395
Inventories, accounts receivables and other current assets	37,166	30,505
Total current assets	**61,628**	**38,900**
Property, plant and equipment	176,355	168,380
Reclamation deposits and other non-current assets	20,609	30,423
Total assets	**258,592**	**237,703**
Five-year exchangeable loan(1)	22,562	25,235
Other current liabilities	81,439	62,857
Total current liabilities	**104,001**	**88,092**
Non-current liabilities	42,839	53,475
Equity attributable to common shareholders	111,752	96,136
Total equity and liability	**258,592**	**237,703**

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

Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income Reconciliation to Net Income

The table below reconciles Adjusted EBITDA, Adjusted EBIT and Adjusted Net Income to reported Net Income for Q4 and full year 2019 and 2018. These are non-IFRS performance measures, refer to Section 1.14 "Non-IFRS Measures" for further information.

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
	$'000	$'000	$'000	$'000
Consolidated net loss	(5,328)	(31,299)	(18,649)	(63,718)
Add:				
Write down of assets	-	14,176	4,985	32,709
Care and maintenance	1,105	5,649	3,261	10,486
Adjusted net loss	**(4,223)**	**(11,474)**	**(10,403)**	**(20,523)**
Add/less: Non-cash and finance costs				
Depletion and depreciation	5,709	7,026	24,540	30,485
(Gain) Loss on disposal of PPE	804	(883)	(1,050)	(748)
Write down of assets - other	-	1,936	-	1,936
Share based compensation expense	123	185	554	773
Interest and finance charges	1,704	1,544	6,721	5,580
Fair value adjustments loss (gain)	557	326	1,310	(799)
Current tax expense (recovery)	(123)	(18)	753	(307)
Deferred tax expense (recovery)	1,064	(1,855)	(2,126)	(3,554)
Foreign exchange loss (gain)	(639)	1,315	(754)	1,366
Interest and other income	(244)	5	(741)	(898)
Adjusted EBITDA	**4,732**	**(1,893)**	**18,804**	**13,311**
Depletion and depreciation	5,709	7,026	24,540	30,485
Adjusted EBIT	**(977)**	**(8,919)**	**(5,736)**	**(17,175)**

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

- ***Revenue*** – Consolidated revenue for the fourth quarter of 2019 was $22.7 million, similar to $22.7 million in the fourth quarter of 2018. Consolidated gold equivalent ounces sold decreased by 12% to 16,228 ounces in Q4 2019 compared to 18,399 ounces in Q4 2018. The decrease in gold ounces sold was offset by higher gold prices between the quarters.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $17.0 million for Q4 2019 compared to $23.8 million for Q4 2018. The 28% decrease in costs was mainly due to the suspension of open-pit mining at Björkdal, favorable exchange rates and cost saving measures.

- ***Income from Operations*** **–** Consolidated income from mine operations before depreciation and depletion for Q4 2019 was $5.7 million, adjusted EBITDA was $4.7 million and net loss after tax was $5.3 million. Comparable results Q4 2018, were loss from mine operations before depreciation and depletion of $1.1 million, adjusted EBITDA of negative $1.9 million and net loss after tax of $31.3 million.

- ***Depletion and Depreciation*** **–** Depletion and depreciation expense for the Company decreased to $5.7 million in Q4 2019 compared to $7.0 million for Q4 2018 due to mainly due to lower production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for Q4 2019 was $1,128, 13% lower than Q4 2018 of $1,311. Consolidated all-in cost per ounce of gold equivalent produced for Q4 2019 was $1,449, 15% lower than Q4 2018 of $1,709. These per ounce cash cost was lower in Q4 2019 as compared to Q4 2018 due to lower cost of sales at Costerfield.

- ***Capital Expenditures*** – Consolidated capital expenditures for Q4 2019, totaled $10.2 million ($4.6 million occurred at Costerfield and $5.6 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q4 2018 were $16 million ($5.1 million occurred at Costerfield, $10.4 million at Björkdal and non-core assets $0.5 million). The reduction in capital expenditures was due primarily to tailings dam construction work at Björkdal in Q4 2018 that didn't occur in Q4 2019.

Consolidated Financial Results - Year Ended December 31, 2019 and 2018

- ***Revenue*** **–** Consolidated revenue for the year ended December 31, 2019, was $107.8 million, a 4% decrease from $112.2 million in the year ended December 31, 2018, mainly due to a decrease in gold ounces sold partly offset by increase in gold price. Consolidated gold equivalent ounces sold decreased by 13% to 77,043 ounces in 2019, compared to 88,048 ounces in 2018.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $83.6 million for 2019, compared to $92.9 million for 2018. The 10% decline was primarily due to the suspension of open-pit mining at Björkdal, favorable foreign exchange rates and cost savings measures.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for 2019, was $24.2 million, adjusted EBITDA was $18.8 million, net loss before tax was $20.0 million and net loss after tax was $18.6 million. Comparable results for 2018, were income from mine operations before depreciation and depletion of $19.2 million, adjusted EBITDA of $13.3 million, net loss before tax of $67.5 million and net loss after tax of $63.7 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company decreased to $24.5 million in 2019, compared to $30.5 million for 2018 mainly due to lower production and closing of the open-pit at Björkdal during 2019.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for 2019, was $1,133, 1% lower than the cash cost per ounce of gold equivalent produced in 2018, of $1,148. Consolidated all-in cost per ounce of gold equivalent produced for 2019, was $1,467, 4% lower than the all-in cost per ounce of gold equivalent produced in 2018 of $1,537. These per ounce cash cost was lower in 2019 compared to 2018 due to lower overall cost of sales in 2019 compared to 2018, partially offset by lower production.

- ***Capital Expenditures*** – Consolidated capital expenditures for 2019, totaled $37.9 million ($19.2 million occurred at Costerfield, $18.6 million at Björkdal and $0.1 million at non-core assets). By comparison, total capital expenditures, including capitalized depreciation and exploration, in 2018, were $51.2 million ($22.4 million occurred at Costerfield, $27.9 million at Björkdal and $0.9 million at non-core assets). The reduction in capital expenditures was primarily due to cost saving measures at each site that were in place during year of 2019.

1.3 SUMMARY OF QUARTERLY RESULTS

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

	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019
	$'000	$'000	$'000	$'000
Revenue	22,737	28,798	26,344	29,916
Net loss	(5,328)	(1,403)	(9,750)	(1,344)
Net loss per share – Basic and diluted	(0.07)	(0.02)	(0.11)	(0.03)

	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018
	$'000	$'000	$'000	$'000
Revenue	22,711	21,765	27,944	39,747
Net loss	(31,299)	(7,468)	(23,711)	(1,237)
Net loss per share – Basic and diluted	(0.69)	(0.17)	(0.53)	(0.03)

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

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

1.4 MARKETS – CURRENCY EXCHANGE RATES

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

Currency	Average Rate October 1, 2019 - December 31, 2019	Average Rate October 1, 2018 - December 31, 2018	Average Rate January 1, 2019 – December 31, 2019	Average Rate January 1, 2018 – December 31, 2018
1A$ = C$	0.9026	0.9481	0.9229	0.9686
1 A$ = US$	0.6839	0.7169	0.6955	0.7475
1 US$ = C$	1.3198	1.3221	1.3270	1.2960
1 US$ = Chilean Peso	757	680	527	642
1 US$ = SEK	9.6104	9.0458	9.4561	8.5837

Markets – Commodity Prices

Market prices of gold on average were higher in the fourth quarter and year ended December 31, 2019, compared to the same periods of 2018. Market prices of antimony was lower in the fourth quarter and year ended December 31, 2019, compared to the same periods of 2018. Realized prices in the fourth quarter and year ended December 31, 2019 was broadly similar to average market prices for gold, and lower for antimony. The average market and realized commodity prices for the reporting period are summarized in the table below:

Commodity	Prices October 1, 2019 December 31, 2019	Prices October 1, 2018 December 31, 2018	Prices January 1, 2019 December 31, 2019	Prices January 1, 2018 December 31, 2018
Realized gold US$/oz[1]	1,404	1,253	1,409	1,280
Average gold US$/oz – London PM close (Metal Bulletin)	1,482	1,229	1,392	1,269
Realized antimony US$/tonne[1]	5,737	7,771	6,258	8,145
Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin)	6,187	8,204	6,722	8,312

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

1.5 LIQUIDITY, SOLVENCY AND USES OF CASH

At December 31, 2019, the Company's working capital was negative $42.4 million compared to negative $49.2 million at December 31, 2018. Working capital would have been negative $19.8 million as of December 31, 2019, had the Loan (as defined below) been classified as long-term debt. The Company had cash and cash equivalents of $24.5 million at December 31, 2019, as compared to $8.4 million at December 31, 2018.

On February 20, 2019, the Company received the net proceeds of an $8.0 million convertible bridge loan (the "Bridge Loan") and completed a public offering of subscription receipts for gross proceeds of $32.3 million (the "Public Offering", and collectively with the Bridge Loan, the "Financing") and on March 29, 2019, the Company received the net proceeds from the Public Offering.

In connection with the Financing, the Company was required to establish two separate cash reserves. Under the terms of the Bridge Loan, the Company is required to maintain a cash reserve in respect of its obligations under the Loan (as defined below) equal to the lesser of $15.0 million and the outstanding principal amount of the Bonds. In addition, in connection with its receipt of a waiver from HSBC of the financial covenants in the Facility for all the quarters of 2019, the Company has agreed that the aggregate of its unrestricted cash (as defined in the Facility) plus undrawn availability under the Facility shall be not less than $10.0 million. These two cash reserve requirements do overlap and are not in addition to each other.

As at December 31, 2019, the Company was in breach of two covenants of its revolver facility, however, it has received a waiver from HSBC for these breaches. As at December 31, 2019, the Facility is classified as a current liability as it is due within 12 months.

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

As the Revolver Facility matures during 2020, the Company is committed to and actively working towards long-term debt restructuring options in order to alleviate the short-term repayment obligations on its current facilities. The Company has advanced discussions with lenders in respect of a potential new senior credit facility.

1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

Five-Year Exchangeable Loan

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

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

The Issuer may redeem the Bonds at its option:

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

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

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

Repurchase and Amendment

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

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

- extending the maturity date of the Bonds to May 13, 2022;
- deleting a condition of the Bonds that required that beginning on May 14, 2017, as additional security for the Bonds, the Issuer was required to start depositing the aggregate number of shares of the SPDR Gold Trust issuable upon exchange of the Bonds into a custody account;
- adding a new covenant to the Bonds pursuant to which the Issuer will be required to offer to repurchase a proportion of the Bonds outstanding at the relevant time if and to the extent that the contained gold equivalent (in ounces) at the Company's Costerfield mine falls below (initially) 232,000 gold equivalent ounces;
- increasing the interest rate payable on the Bonds from 5.875% per annum to 6.875% per annum effective as of May 13, 2017; and
- reducing the exchange price of the Bonds from US$149.99 to US$135.00 (which equates to gold prices of US$1,556 per ounce, and US$1,400 per ounce, respectively).

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

Bond Exchanges

On December 3, 2018, the Company was required to repurchase $2.3 million principal amount of Bonds for a cost of $2.0 million as a result of an exchange request. As at December 31, 2019, there was a current liability of $22.5 million recognized on the statement of financial position related to this Loan. The outstanding principal amount of the Bonds at year-end was $24.1 million.

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

Illustrative Exchange and Repayment Costs

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

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

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

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

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

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

$40 Million Revolving Credit Facility

On July 25, 2017, the Company announced the Facility. The Facility matures on July 24, 2020. Proceeds from the Facility are used for working capital, capital expenditures, permitted acquisitions and other general corporate purposes. As this Facility matures during 2020, the Company is committed and actively working towards long-term debt restructuring options and remains in discussions with a syndicate of lenders, including HSBC Canada, in respect of a potential new senior credit facility.

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

The Facility includes the following financial covenants:

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

As at December 31, 2019, the Company was in breach of the Leverage Ratio and Current Ratio for this facility. On February 12, 2020, the Company obtained a waiver of these breaches. As at December 31, 2019, the facility is classified as a current liability as it is due within 12 months.

As at December 31, 2019, the Revolver Facility was fully drawn.

Fair-value Adjustments

As at December 31, 2019, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

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

As at December 31, 2019, the Company has recomputed the derivative portion of the Loan at $4.1 million, as compared to $2.7 million as at December 31, 2018. As a result, there is a mark-to-market adjustment loss of $0.5 million in the fourth quarter of 2019 was booked as compared to loss of $0.4 million in the fourth quarter of 2018.

For year ended December 31, 2019 the market adjustment loss of $1.4 million was booked as compared to $0.9 million of gain for the same period of 2018.

Marketable securities – As part of the sale of Ulu, the Company sold 5,000,000 shares to Blue Star for CAD$200,000. A fair value measurement gain of $75,000 (2018 – gain of $77,000) was recorded for 2019.

Contractual Obligations as at December 31, 2019

Contractual obligations	Payments due by year ($ '000)			Total ($ '000)
	Less than 1 year	1-3 years	4-5 years	
Five-year exchangeable loan*	24,150	-	-	24,150
HSBC Revolver Facility	40,000	-	-	40,000
Lease obligations	1,970	3,542	-	5,512
Other equipment loan obligations	286	418	-	704
Total contractual obligations	**66,406**	**3,960**	-	**70,366**

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

1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.8 TRANSACTIONS WITH RELATED PARTIES

Mr. Sanjay Swarup was the Chief Financial Officer of the Company until August 16, 2018. He was also the Director of SKS Business Services, which provides contractual accounting services to the Company. The Company continues to use the services of SKS Business Services, however the below table shows the amounts paid while Mr. Swarup was the Chief Financial Officer of the Company.

	Three months ended December 31		Year ended December 31	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
SKS Business Services consultancy services	-	-	-	117

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

1.9 FINANCIAL INSTRUMENTS

General

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

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

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

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

1.10 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

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

II. Internal Controls and Financial Reporting

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

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

III. Limitation of Controls and Procedures

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

1.11 OUTSTANDING SHARES

As of the date of this MD&A, the Company had 91,080,673 common shares issued and outstanding. The weighted average number of shares outstanding during the fourth quarter and year ended December 31, 2019 used for the calculation of per share results was 91,056,875 and 80,110,371 respectively.

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

Financing

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

Outstanding Stock Options

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

Exercise Price CAD$	As of December 31, 2019	As of February 20, 2020	Expiry Date
1.10	520,000	460,000	30 June, 2026
2.00	467,000	457,000	30 June, 2025
6.00	315,000	298,333	30 June, 2024
9.10	321,300	321,300	23 March, 2021
9.10	185,500	185,500	24 March, 2020
Total	**1,808,800**	**1,722,133**	

During the three months and year ended December 31, 2019, no options were exercised, or in the 2018 comparative quarter. There were 1,812,800 options outstanding as of December 31, 2019, which could result in issuance of shares.

Restricted Share Units

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

The number of RSUs as at December 31, 2019, is as follows:

	Number of RSU Awards
Balance, December 31, 2017	**68,835**
Granted	156,250
Redeemed	(31,605)
Outstanding at December 31, 2018	**193,480**
Granted	209,596
Redeemed	(44,789)
Forfeited	(41,404)
Outstanding at December 31, 2019	**316,883**

1.12 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, Dominic Duffy (MAusIMM(CP)), Mandalay's President and CEO and a "qualified person" (as that term is defined in National Instrument 43-101).

1.13 SUBSEQUENT EVENTS

On January 13, 2020, Björkdal received $1,793,000 cash which was the release of the previously held reclamation bond.

1.14 NON-IFRS MEASURES

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

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

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

1. *Income from operations (excl. depreciation & depletion)* – The Company defines Income from operations (excl. depreciation & depletion) Revenue net of cost of sales excluding depreciation, depletion and any write-off of assets.

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

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

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

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

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

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

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

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