MANDALAY RESOURCES

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2020

***AS OF FEBRUARY 25, 2021***

## 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, 2020, and the Company's Annual Information Form dated March 30, 2020 (the "AIF"), the 2019 Company's audited consolidated financial statements and accompanying 2019 MD&A, 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: risks surrounding the current COVID-19 pandemic, 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 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, 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 2020 Highlights:**

- **Consolidated gold equivalent production of 27,351 ounces** compared to 25,664 ounces in Q3 2020, and 18,594 ounces in Q4 2019. The increase in ounces produced in Q4 2020 as compared to Q4 2019 was due to higher grades processed at Costerfield and Björkdal.

- **Free cash flow[1] of $6.4 million** compared to $17.0 million in Q3 2020, and $0.6 million for Q4 2019. The decrease from Q3 2020 to Q4 2020 are mainly due to an increase in inventory and receipt of a delayed Costerfield shipment of $5.0 million. As compared to Q4 2019, the increase in free cash flow was the result of increased revenue from increased production.

- **Cash on hand was $34.2 million as of December 31, 2020,** compared to $32.9 million as at September 30, 2020, and $24.5 million as at December 31, 2019.

- **Consolidated cash cost[1] of $929 and all-in sustaining cost[1] of $1,350 per ounce of saleable gold equivalent production** compared to $826 and $1,355 per ounce, respectively in Q3 2020. This increase in unit cash costs was higher mainly due to higher costs and foreign exchange movements. In Q4 2019, these costs were $1,076 and $1,568 per ounce, respectively. The lower unit costs in Q4 2020 as compared to Q4 2019 were mainly due to the doubling of metal production from Costerfield.

- **Revenue of $45.3 million on gold equivalent sales of 24,742 ounces** compared to $49.8 million on 26,001 ounces in Q3 2020. This decrease can also be attributed to lower realized metal prices relative to Q3 2020 and a delayed shipment at Costerfield of $5.0 million. In Q4 2019, revenue was $22.7 million on gold equivalent sales of 16,228 ounces. The increase in Q4 2020 revenue as compared to Q4 2019 was the result of 52% more ounces sold and the aid of higher realized gold prices. The Company's realized gold and antimony prices in Q4 2020 were $1,856 and $5,492, respectively, while in Q4 2019 the realized prices were $1,404 and $5,737 for gold and antimony respectively.

- **Adjusted EBITDA[1] of $25.3 million** compared to $26.7 million in Q3 2020 and $4.7 million in Q4 2019. Q4 2020 includes record quarterly adjusted EBITDA at Costerfield of $20.0 million. The increase in adjusted EBITDA compared to Q4 2019 relates mainly to increased production and revenue as mentioned above.

- **Adjusted net income[1] of $12.1 million ($0.13 or C$0.17 income per share)** compared to adjusted net income of $9.8 million in Q3 2020 ($0.11 or C$0.14 income per share) and an adjusted net loss of $4.2 million ($0.05 loss or C$0.07 loss per share) in Q4 2019. Consolidated net income in Q4 2020 was $14.7 million, mainly due to a $10.7 million mark-to-market gain in respect to the gold hedging arrangements offset by a write down of Lupin assets of $1.6 million, revisions to reclamation liabilities of $5.6 million, and care and maintenance costs of $0.9 million, compared to a consolidated net loss of $0.6 million in Q3 2020 and a consolidated net loss of $5.3 million in Q4 2019.

  **Consolidated capital expenditures of $14.2 million** compared to $12.1 million in Q3 2020 and $10.2 million in Q4 2019.

1 Adjusted EBITDA, adjusted net income, free cash flow, cash and all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.

## Full-Year 2020 Highlights:

- **Consolidated gold equivalent production of 103,444 ounces** compared to 76,659 ounces in 2019. The increase in ounces produced as compared to the previous year was due to higher grades processed at Costerfield because of Youle becoming the primary ore source throughout 2020.

- **Free cash flow[2] of $25.3 million** compared to negative $28.4 million in 2019. This $53.7 million increase in free cash flow was the result of increased production and revenue.

- **Consolidated cash cost[2] of $843 and all-in sustaining cost[2] of $1,254 per ounce of saleable gold equivalent production** compared to $1,066 and $1,549 per ounce, respectively in 2019. 2020 unit costs as compared to 2019 were lower mainly due to Costerfield more than doubling its 2020 metal production.

- **Revenue of $179.0 million on gold equivalent sales of 99,935 ounces** compared to $107.8 million on 77,043 ounces in 2019. The increase in revenue as compared to 2019 is a result of 30% more ounces sold supported by higher realized gold prices.

- **Adjusted EBITDA[2] of $94.2 million** compared to $18.8 million in 2019. This represents more than a 400% increase compared to 2019, which mainly relates to increased revenue as mentioned above.

- **Adjusted net income[2] of $34.7 million ($0.38 or C$0.51 income per share)** compared to an adjusted net loss of $10.4 million ($0.13 loss or C$0.17 loss per share) in 2019. Consolidated net income in 2020 was $9.3 million, with the difference mainly due to a $21.5 million mark-to-market expense in respect to gold hedging arrangements, a write down of Lupin assets of $1.6 million, partly offset by $0.2 million of revisions to reclamation liabilities, compared to a consolidated net loss of $18.6 million in 2019.

- **Consolidated capital expenditures of $46.9 million** compared to $37.9 million in 2019, as mine-extending capital development and exploration expenditures increased in 2020.

[2] Adjusted EBITDA, adjusted net income, free cash flow, cash and all-in sustaining costs 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 Q4 and full-years 2020 and 2019:

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Björkdal** | | | | |
| Gold produced (oz) | 12,252 | 10,990 | 45,296 | 51,498 |
| | | | | |
| Gold sold (oz) | 10,746 | 9,120 | 45,312 | 52,280 |
| | | | | |
| Cash cost[1] per oz gold produced ($) | 1,251 | 1,071 | 1,112 | 945 |
| All-in sustaining cost[1] per oz gold produced ($) | 1,616 | 1,416 | 1,435 | 1,203 |
| | | | | |
| **Costerfield** | | | | |
| Gold produced (oz) | 12,236 | 4,749 | 44,958 | 15,258 |
| Antimony produced (t) | 858 | 684 | 3,903 | 2,032 |
| Gold equivalent produced (oz)[2] | 15,099 | 7,604 | 58,148 | 25,161 |
| | | | | |
| Gold sold (oz) | 10,943 | 4,332 | 42,120 | 14,922 |
| Antimony sold (t) | 915 | 665 | 3,744 | 2,026 |
| Gold equivalent sold (oz)[2] | 13,996 | 7,108 | 54,623 | 24,763 |
| | | | | |
| Cash cost[1] per oz gold eq. produced ($) | 668 | 1,083 | 634 | 1,313 |
| All-in sustaining cost[1] per oz gold eq. produced ($) | 1,077 | 1,640 | 1,010 | 2,024 |
| | | | | |
| **Consolidated** | | | | |
| Gold equivalent produced (oz)[2] | 27,351 | 18,594 | 103,444 | 76,659 |
| | | | | |
| Gold equivalent sold (oz)[2] | 24,742 | 16,228 | 99,935 | 77,043 |
| | | | | |
| Cash cost[1] per oz gold eq. ($) | 929 | 1,076 | 843 | 1,066 |
| All-in sustaining cost[1] per oz gold eq. ($) | 1,350 | 1,568 | 1,254 | 1,549 |
| | | | | |
| Average gold price ($/oz) | 1,876 | 1,482 | 1,734 | 1,392 |
| Average antimony price ($/t) | 6,260 | 6,187 | 5,787 | 6,722 |

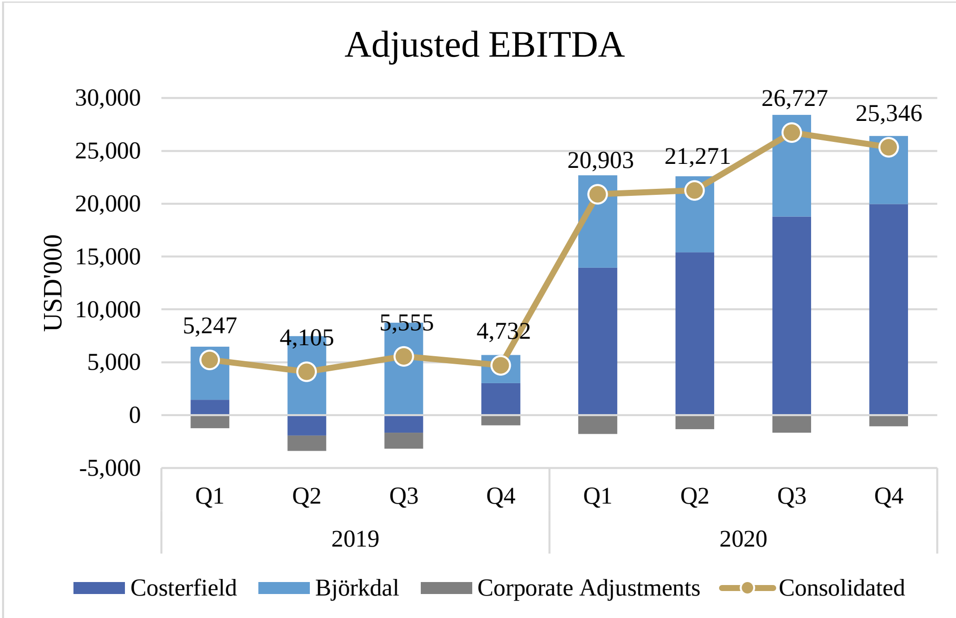
1. Cash and all-in sustaining costs are non-IFRS measures. The Company has restated consolidated cash cost to exclude corporate level general and administrative expenses in the current and comparative periods. Refer to Section 1.14 "Non-IFRS Measures" for further information.
2. Gold equivalent ounces (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 Q4 and full-years 2020 and 2019:

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 45,320 | 22,737 | 178,974 | 107,795 |
| Cost of sales | 18,798 | 17,034 | 78,782 | 83,623 |
| Income from operations (excl. depr. & depletion)(1) | 26,522 | 5,703 | 100,192 | 24,172 |
| General and administrative costs | 1,176 | 971 | 5,945 | 5,368 |
| Adjusted EBITDA(1) | 25,346 | 4,732 | 94,247 | 18,804 |
| Depreciation and depletion | 9,347 | 5,709 | 35,854 | 24,540 |
| Adjusted EBIT(1) | 15,999 | (977) | 58,393 | (5,736) |
| Finance costs | 4,226 | 1,706 | 16,312 | 6,721 |
| Unrealized (gain) loss on hedges | (10,756) | - | 21,475 | - |
| Tax, forex and others(2) | 7,807 | 2,645 | 11,297 | 6,192 |
| Adjusted net income (loss)(1) | 12,065 | (4,223) | 34,704 | (10,403) |
| Consolidated net income (loss) | 14,722 | (5,328) | 9,309 | (18,649) |
| Adjusted income (loss) per share(1) | 0.13 | (0.05) | 0.38 | (0.13) |
| Consolidated income (loss) per share | 0.16 | (0.07) | 0.10 | (0.23) |
| | | | | |
| Total assets | 301,284 | 258,592 | 301,284 | 258,592 |
| Total liabilities | 165,505 | 146,840 | 165,505 | 146,840 |
| Total equity | 135,779 | 111,752 | 135,779 | 111,752 |
| | | | | |
| Consolidated capital expenditures | | | | |
| Capital development | 5,936 | 5,217 | 23,572 | 20,906 |
| Property, plant and equipment purchases | 6,718 | 3,757 | 16,976 | 13,584 |
| Capitalized exploration | 1,540 | 1,251 | 6,330 | 3,479 |
| Total | 14,194 | 10,225 | 46,878 | 37,969 |

1. Income from operations (excl. depreciation & depletion), Adjusted EBIT, Adjusted EBITDA and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
2. Others includes such items as share based compensation and write down of assets.




**Exploration**

At Björkdal in Q4 2020, drilling continued on the Björkdal Deeps program which tested the depth and eastern extension of the Lake Zone veining. This program was completed in January 2021 with an infill drilling program commenced in Q1 2021 and expected to be complete in Q2 2021. Alongside this program, drilling commenced on the Lake Zone Skarn program with the intent to test for the presence of elevated grades though skarnified marble within the Lake Zone. This program is continuing and is expected to be complete in Q1 2021. A discrete drilling program investigating the western extension of the Central Zone was also carried out during Q4 2020. In Q1 2021, drilling commences on the eastern extension potential of the Main Zone as well as the upper extension and infill drilling on Aurora.

At Costerfield, Youle depth extension drilling was ongoing throughout Q4 2020 and will continue through 2021. Drilling also focused on the extension of the Minerva veining that sits above Youle. Two drill programs at the Browns prospect commenced following results from previous drilling (see press release dated June 22, 2020). The Swallowtail program is exploring a Youle style environment below the Browns historic mine and the Bogong program is investigating a parallel mineralized horizon. These programs will continue into Q1 2021. As well as the continuing programs, drilling of the Cuffley Deeps Resource and the underlaying Fox Fault prospect are due to commence in Q1 2021.

As at December 31, 2020, Mandalay's total Proven and Probable Mineral Reserves totalled 799,000 ounces of gold and 21,900 tonnes of antimony, compared to 752,000 ounces of gold and 17,800 tonnes of antimony at year-end 2019, a 6% and 12% increase, respectively year-on-year. These Mineral Reserves were added at an exploration cost of $23.24 per gold equivalent ounce.

**Debt Refinancing**

On March 17, 2020, the Company entered into a credit agreement with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("Macquarie") providing for (i) a senior secured revolving credit facility in an aggregate amount of up to $25 million and (ii) a senior secured term credit facility in an aggregate amount of up to $40 million (collectively, the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previously outstanding revolver facility with HSBC. In April 2020, proceeds from the Syndicated Facility were used to repay the existing Revolver Facility in full and to fund the redemption and exchange of all the remaining outstanding Gold Bonds. The Company made the first two repayments of $3 million on this facility at the end of Q3 and Q4 2020. As of December 31, 2020, $59 million remained owing on the combined facilities.

As part of closing the Syndicated Facility, Mandalay was required to enter into two gold hedge agreements with HSBC and Macquarie for a three-year period. The determination of the respective fair values for the two gold hedge agreements (liability or asset) is subject to key inputs, including among others, the price of gold. While the valuations recorded represent the Company's best estimate of the fair value of the gold hedge agreements as at each reporting period, they are not necessarily the amounts that will ultimately be settled upon the expiry of the contract quantities of gold over the term of the gold hedge agreements. Also, given the relatively long terms of the gold hedge agreements, there could be significant volatility with respect to the valuations recorded. Further detail of these hedges can be found in Section 1.5 "Liquidity, Solvency and Uses of Cash".

**COVID-19 Pandemic**

The COVID-19 pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary.

The Company is not able to estimate the duration of the pandemic and potential impact on its business if disruptions or delays in our operations occur or our ability to transfer our products to market. In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including a decreased ability to raise additional capital when needed on acceptable terms, if at all. As the situation continues to evolve, the Company will continue to closely monitor operating conditions in the countries we operate and respond accordingly. More details are included in the press release dated March 20, 2020, and on the Company's website.

**Outlook**

Mandalay expects to see continued improvements in production and costs from Costerfield and Björkdal entering 2021. At Costerfield, the Company expects production increases throughout 2021 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 2021 as the higher-grade Aurora zone and surrounding veins increase production allowing for a higher feed grade to be processed.

The Company currently expects its strong operating performance to continue, however, the COVID-19 pandemic creates uncertainties as experienced across the mining industry. At this time, the Company is maintaining its 2021 production guidance, but will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, as necessary.

The Company's 2021 guidance (incl. all-in sustaining costs) is below (see press release dated January 14, 2021):

| | Björkdal | Costerfield | Consolidated[1] |
|---|---|---|---|
| | 2021E | | |
| Gold production (oz) | 52,000-57,000 | 44,000-49,000 | 96,000-106,000 |
| Antimony production (t) | - | 2,700-3,300 | 2,700-3,300 |
| Gold eq. production (oz) [1] | 52,000-57,000 | 53,000-60,000 | 105,000-117,000 |
| Cash cost, $/oz gold eq. [2] | 900-1,050 | 675-825 | 800-1,000 |
| All-in sustaining $/oz gold eq. [2,3] | 1,200-1,350 | 950-1,100 | 1,100-1,350 |
| Capex, $/million | 32-36 | 16-20 | 48-56 |

1. Assumes average metal prices of: Au $1,860/oz, Sb $6,600/t
2. Cash cost and all-in sustaining costs are non-IFRS measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
3. Consolidated costs per Au Eq. oz includes corporate overhead spending, costs associated with the trial processing of waste dumps at Cerro Bayo and total care and maintenance costs.

## 1.1 RESULTS OF OPERATIONS

### Costerfield Gold-Antimony Mine, Victoria, Australia

*Costerfield Financial Results*

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 26,347 | 10,351 | 97,465 | 33,938 |
| Cost of sales | 6,240 | 7,306 | 29,229 | 32,810 |
| Income from operations (excl. depr. & depletion) | 20,107 | 3,045 | 68,236 | 1,128 |
| General and administrative costs [1] | 263 | 210 | 765 | 842 |
| Adjusted EBITDA [2,3] | 19,979 | 3,030 | 68,127 | 918 |
| Depreciation & depletion | 4,921 | 2,703 | 19,606 | 10,371 |
| Adjusted EBIT [3] | 14,923 | 132 | 47,865 | (10,085) |
| Unrealized (gain) loss on hedge | (8,929) | - | 3,443 | - |
| Finance costs, forex and others [4] | 3,426 | 274 | 7,575 | 565 |
| Income (loss) before tax | 20,426 | (142) | 36,847 | (10,650) |
| Current tax expense | 2,233 | - | 6,851 | - |
| Deferred tax expense (recovery) | (170) | 877 | 3,966 | (2,242) |
| Adjusted net income (loss)[3] | 9,434 | (1,019) | 29,473 | (8,408) |
| Consolidated net income (loss) after tax | 18,363 | (1,019) | 26,030 | (8,408) |
| | | | | |
| Capital development | 3,599 | 3,776 | 14,231 | 13,967 |
| Property, plant and equipment purchases | 1,886 | 349 | 4,951 | 3,422 |
| Capitalized exploration | 937 | 461 | 4,245 | 1,776 |
| Total capital expenditures | 6,422 | 4,586 | 23,427 | 19,165 |

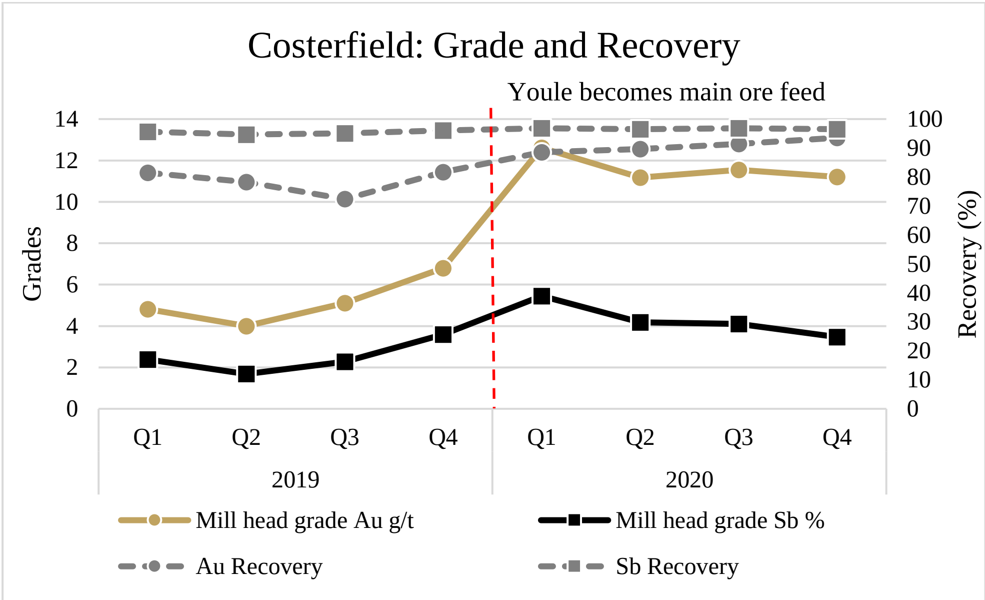
1. Includes intercompany transfer pricing costs of $135,000 and $656,000 in Q4 and full-year 2020, and $195,000 and $632,000 in the corresponding periods of 2019.

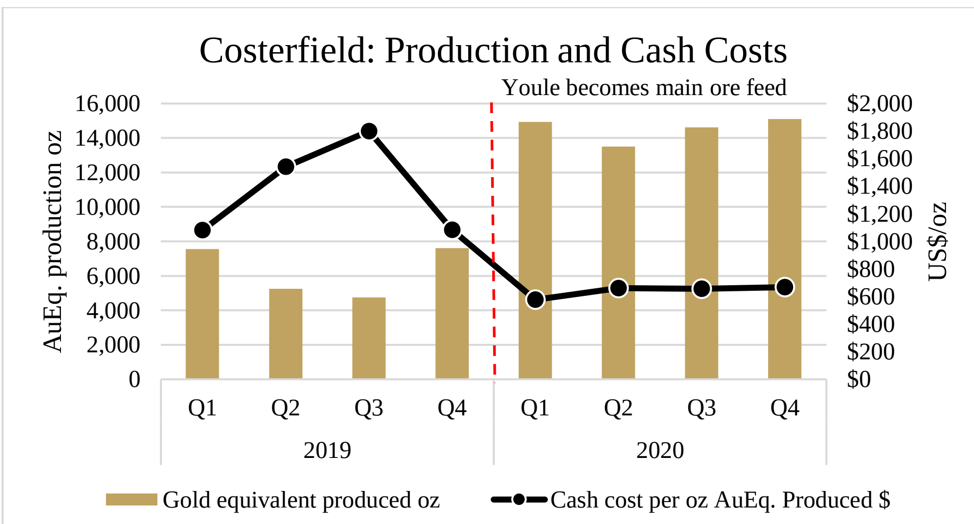
2. Does not include intercompany transfer pricing recharge costs.
3. Adjusted EBITDA, Adjusted EBIT and Adjusted net income (loss) are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
4. Finance costs includes realized loss on gold hedge of $1,094,000 and $1,976,000 in Q4 2020 and full-year 2020, respectively, these numbers were nil in 2019. Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing fees and stock-based compensation of $529,000 and $1,962,000 in Q4 and full year 2020, respectively and $210,000 and $699,000 for the corresponding periods in 2019.

### *Costerfield Operating Results*

| | | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| Operating development | m | 1,529 | 1,029 | 6,238 | 4,433 |
| Mined ore | t | 48,544 | 34,549 | 164,200 | 137,536 |
| Mined ore Au grade | g/t | 11.25 | 6.88 | 12.13 | 5.20 |
| Mined ore Sb grade | % | 3.57 | 3.59 | 4.50 | 2.57 |
| Mined contained Au | oz | 17,564 | 7,643 | 64,028 | 23,001 |
| Mined contained Sb | t | 1,733 | 1,239 | 7,394 | 3,535 |
| Mining cost per tonne ore | $/t | 136 | 146 | 143 | 148 |
| | | | | | |
| Processed ore | t | 40,660 | 32,240 | 150,433 | 141,090 |
| Processed ore mill head grade Au | g/t | 11.21 | 6.80 | 11.60 | 5.12 |
| Processed ore mill head grade Sb | % | 3.47 | 3.59 | 4.25 | 2.45 |
| Recovery Au | % | 93.53 | 81.69 | 90.85 | 78.84 |
| Recovery Sb | % | 96.54 | 96.02 | 96.69 | 95.46 |
| Saleable Au produced | oz | 12,236 | 4,749 | 44,958 | 15,258 |
| Saleable Sb produced | t | 858 | 684 | 3,903 | 2,032 |
| Saleable Au equivalent produced | oz | 15,099 | 7,604 | 58,148 | 25,161 |
| Processing cost per tonne ore | $/t | 37.90 | 38.21 | 37.88 | 34.38 |
| | | | | | |
| Au sold in gravity concentrate | oz | 7,382 | 1,489 | 25,143 | 5,463 |
| Au sold in floatation concentrate | oz | 3,561 | 2,843 | 16,977 | 9,459 |
| Au sold (total) | oz | 10,943 | 4,332 | 42,120 | 14,922 |
| Sb sold | t | 915 | 665 | 3,744 | 2,026 |
| | | | | | |
| Capital development metres | m | 460 | 811 | 2,580 | 2,871 |
| Capital development cost per metre | $/m | 7,821 | 4,660 | 5,515 | 4,866 |
| | | | | | |
| Cash cost per tonne ore processed [1,2] | $/t | 248 | 255 | 245 | 234 |
| Adjusted EBITDA per tonne ore processed [1,2] | $/t | 491.37 | 93.98 | 452.87 | 6.51 |
| Cash cost per oz Au equivalent produced [1,2] | $/oz | 668 | 1,083 | 634 | 1,313 |
| Site all-in sustaining cost per oz Au equivalent produced [1,2] | $/oz | 1,077 | 1,640 | 1,010 | 2,024 |

1. Does not include intercompany transfer pricing recharge costs.
2. Cash and site all-in sustaining costs 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, 2020 and 2019***

***Production*** — Saleable gold production for Q4 2020 was 12,236 ounces, a 2.6x increase from the 4,749 ounces produced in Q4 2019. Saleable antimony production for Q4 2020 was 858 tonnes, an increase from the 684 tonnes produced in Q4 2019. Gold equivalent production for Q4 2020 was 15,099 ounces, a 2.0x increase from the 7,604 gold equivalent ounces produced in Q4 2019. Processed gold grades were higher during Q4 2020 at 11.2 g/t gold as compared to 6.8 g/t gold in Q4 2019. Processed antimony grades were relatively stable at 3.5% and 3.6% during the periods.

- ***Revenue*** – Costerfield's revenue for Q4 2020 was $26.3 million, a 153% increase from $10.4 million in Q4 2019, mainly due to an increase in gold equivalent ounces sold and the support from higher realized gold prices, which were slightly offset by lower realized antimony prices. Gold equivalent ounces sold increased by 97% to 13,996 ounces in Q4 2020 compared to 7,108 ounces in Q4 2019. The increase in Q4 2020 sales compared to Q4 2019 was due to higher sales from increased comparable grades as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and depreciation at Costerfield was $6.2 million for Q4 2020, compared to $7.3 million during Q4 2019. The decrease in costs is mainly due to an increase in the value of inventory build-up during Q4 2020, compared to during Q4 2019.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield during Q4 2020 was $20.1 million, adjusted EBITDA was a record $20.0 million (the highest quarterly result to date), adjusted net income was $9.4 million and net income after tax was $18.4 million. Comparable results for Q4 2019 were income from mine operations before depreciation and depletion of $3.0 million, adjusted EBITDA was $3.0 million, adjusted net loss was $1.0 million and net loss after tax of $1.0 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $4.9 million in Q4 2020, compared to $2.7 million for Q4 2019 mainly due to higher unit depletion in Q4 2020.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in Q4 2020 was $668 compared to $1,083 in Q4 2019. All-in sustaining cost per ounce of gold equivalent produced in Q4 2020 was $1,077 compared to $1,640 in Q4 2019. These per ounce costs were lower as compared to Q4 2019 due improved grades leading to higher gold equivalent ounces produced as mentioned above.

- ***Capital Expenditures*** – Capital expenditures in Q4 2020 totaled $6.4 million ($3.6 million in capital development costs, $0.9 million for exploration, and $1.9 million in property, plant and equipment) compared with $4.6 million ($3.8 million in capital development costs, $0.5 million for exploration, and $0.3 million for property, plant and equipment) during Q4 2019. The increased capital expenditures in Q4 2020 was due to an increase in exploration activities and the purchase of mining equipment Q4 2020.

## Costerfield – Year Ended December 31, 2020 and 2019

- ***Production*** — Saleable gold production in 2020 was 44,958 ounces, a 195% increase from the 15,258 ounces produced in 2019. Saleable antimony production for 2020 was 3,903 tonnes, a 92% increase from the 2,032 tonnes produced in 2019. Gold equivalent production for 2020 was 58,148 ounces, an increase of 131% from 2019 when the Company produced 25,161 gold equivalent ounces. The increase in production was largely attributable to significantly higher overall grades processed from Youle as the deposit became the primary ore source throughout 2020.

- ***Revenue*** – Costerfield's revenue in 2020 was $97.4 million, a 187% increase from $33.9 million in 2019, mainly due to increases in gold equivalent ounces sold and support from higher realized gold prices. Gold equivalent ounces sold increased by 121% to 54,623 ounces in 2020, compared to 24,763 ounces in 2019. The increase in sold ounces compared to 2019, were due to higher sales from increased comparable grades, as mentioned above.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Costerfield was $29.2 million in 2020, compared to $32.8 million for 2019. The lower operating costs in 2020 relates to comparable cost savings, an increase in inventory and a favorable foreign exchange movement.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Costerfield for 2020 was $68.2 million, adjusted EBITDA was $68.1 million – a record for the mine, adjusted net income was $29.5 million and net income after tax was $26.0 million. Comparable results for 2019 were income from mine operations before depreciation and depletion of $1.1 million, adjusted EBITDA was $0.9 million, adjusted net loss was $8.4 million and net loss after tax of $8.4 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Costerfield increased to $19.6 million in 2020, compared to $10.4 million for 2019, mainly due to higher depletion from unit production in 2020.

- ***Cost per Ounce*** – Cash cost per ounce of gold equivalent produced at Costerfield in 2020 was $634 compared to $1,313 in 2019. All-in sustaining cost per ounce of gold equivalent produced in 2020, was $1,010 versus $2,024 in 2019. The 2020 per ounce costs were lower than 2019 due to the doubling in gold equivalent ounces produced in 2020.

- ***Capital Expenditures*** – Capital expenditures in 2020 totaled $23.4 million ($14.2 million in capital development costs, $4.2 million for exploration, and $5.0 million in property, plant and equipment) compared with $19.2 million ($14.0 million in capital development costs, $1.8 million for exploration, and $3.4 million for property, plant and equipment) during 2019. The increased capital expenditures were mainly due an increase in property, plant and equipment and exploration spending in 2020.

## Björkdal Gold Mine, Sweden

### *Björkdal Financial Results*

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 18,973 | 12,386 | 81,509 | 73,857 |
| Cost of sales | 12,558 | 9,721 | 49,553 | 50,806 |
| Income from operations (excl. depr. & depletion) (3) | 6,415 | 2,665 | 31,956 | 23,051 |
| General and administrative costs (1) | 119 | 127 | 772 | 847 |
| Adjusted EBITDA (2,3) | 6,415 | 2,665 | 31,953 | 23,048 |
| Depreciation & depletion | 4,302 | 2,662 | 15,601 | 13,311 |
| Adjusted EBIT (3) | 1,994 | (124) | 15,583 | 8,893 |
| Unrealized (gain) loss on hedge | (1,827) | - | 18,032 | - |
| Finance costs, forex and others (4) | 331 | 763 | 304 | 3,276 |
| (Loss) income before tax | 3,490 | (887) | (2,753) | 5,617 |
| Current tax expense (recovery) | 130 | (123) | 2,439 | 748 |
| Deferred tax expense (recovery) | (3,111) | 187 | (2,759) | 116 |
| Adjusted net income (3) | 4,644 | (951) | 15,599 | 4,753 |
| Consolidated net (loss) income after tax | 6,471 | (951) | (2,433) | 4,753 |
| | | | | |
| Capital development | 2,337 | 1,441 | 9,341 | 6,939 |
| Property, plant and equipment purchases | 4,832 | 3,408 | 12,025 | 10,162 |
| Capitalized exploration | 586 | 768 | 1,929 | 1,472 |
| Total capital expenditures (5) | 7,755 | 5,617 | 23,295 | 18,573 |

1. Includes intercompany transfer pricing recharge costs of $119,000 and $769,000 in Q4 2020 and full-year 2020, respectively and $127,000 and $844,000 for the same periods in 2019.
2. Does not include intercompany transfer pricing recharge costs.
3. Income from operations (excl. depreciation & depletion) and Adjusted EBITDA, Adjusted EBIT and Adjusted net income are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS measures" for further information.
4. Finance costs includes realized loss on gold hedge of $2,245,000 and $3,449,000 for Q4 2020 and full-year 2020, respectively, these numbers were nil in 2019. Others includes such items as gain/loss on disposals of properties and intercompany transfer pricing recharge for marketing

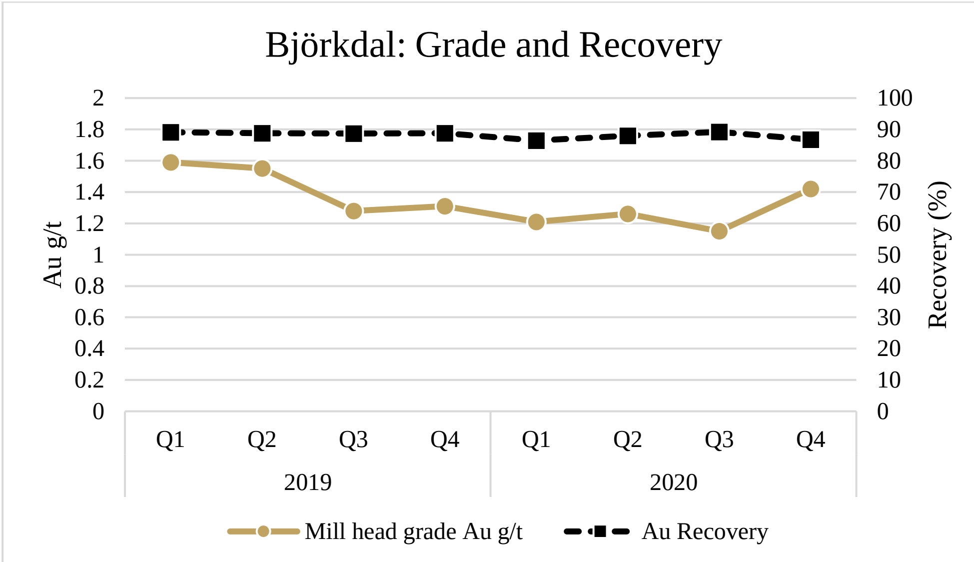
fees and stock-based compensation of $385,000 and $1,502,000 in Q4 2020 and full-year 2020, respectively, and $248,000 and $1,338,000 for the corresponding periods of 2019.

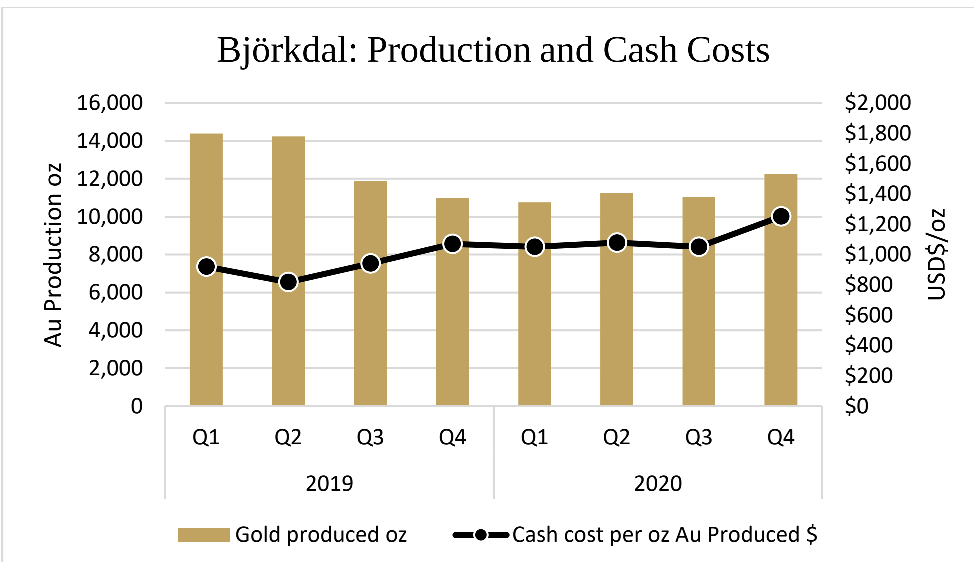
5. Includes capitalized depreciation on equipment.

### *Björkdal Operating Results*

| | | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| **Underground mining** (3) | | | | | |
| Operating development | m | 1,772 | 1,536 | 5,842 | 5,599 |
| Mined ore | t | 308,035 | 236,815 | 1,066,443 | 1,155,751 |
| Mined ore Au grade | g/t | 1.42 | 1.58 | 1.41 | 1.43 |
| Mined contained Au | oz | 14,054 | 12,054 | 48,396 | 53,168 |
| Mining cost per tonne ore | $/t | 22.09 | 25.37 | 22.35 | 22.72 |
| | | | | | |
| Processed ore | t | 328,687 | 288,494 | 1,319,620 | 1,261,604 |
| Processed ore mill head grade Au | g/t | 1.37 | 1.31 | 1.21 | 1.43 |
| Recovery Au | % | 86.72 | 88.80 | 87.80 | 88.89 |
| Saleable Au produced | oz | 12,252 | 10,990 | 45,296 | 51,498 |
| Processing cost per tonne ore | $/t | 9.64 | 8.49 | 8.15 | 7.14 |
| | | | | | |
| Au sold | oz | 10,746 | 9,120 | 45,312 | 52,280 |
| | | | | | |
| Capital development (underground) | m | 656 | 486 | 3,157 | 2,162 |
| Capital development cost per metre | $/m | 3,166 | 2,961 | 2,714 | 2,819 |
| | | | | | |
| Cash operating cost per tonne ore processed (1) | $/t | 46.62 | 40.79 | 38.17 | 38.59 |
| Adjusted EBITDA per tonne ore processed (1,2) | $/t | 19.52 | 9.24 | 24.21 | 18.27 |
| Cash cost per oz Au produced (1,2) | $/oz | 1,251 | 1,071 | 1,112 | 945 |
| Site all-in sustaining cost per oz Au produced (1,2) | $/oz | 1,616 | 1,416 | 1,435 | 1,203 |

1. Does not include intercompany transfer pricing recharge costs.
2. Adjusted EBITDA, cash and site all-in sustaining costs are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
3. The 2019 comparative information in Q4 2019 and full-year 2019 has been updated to exclude the open pit figures (in respect of which mining operations ceased in July 2019) to provide more relevant comparative information.




***Björkdal - Three Months Ended December 31, 2020 and 2019***

- ***Production*** – Saleable gold production at Björkdal in Q4 2020 was 12,252 ounces, an 11% increase from the 10,990 ounces produced in Q4 2019 due to increases in total processed ore tonnage and improved processed head grades.

- ***Revenue*** – Björkdal's revenue for Q4 2020 was $19.0 million, an increase of 53% from $12.4 million in Q4 2019. This increase was due to an 18% increase in gold ounces sold and support from higher realized gold prices in Q4 2020 as compared to Q4 2019. 10,746 gold ounces were sold in Q4 2020 as compared to 9,120 gold ounces.

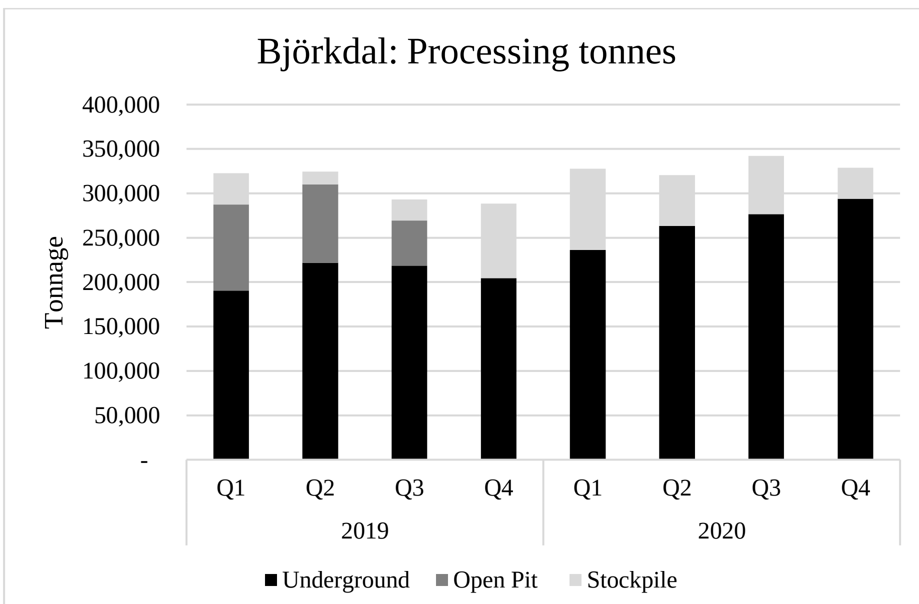
- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $12.6 million in Q4 2020, higher than $9.7 million for Q4 2019. The increase in operating costs was mainly due increased tonnage hauled from the underground and strengthening of the Swedish Krona against the U.S. Dollar.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal for Q4 2020 was $6.4 million, adjusted EBITDA was $6.4 million, adjusted net income was $4.6 million and net income after tax was $6.5 million. Comparable results for Q4 2019 were income from mine operations before depreciation and depletion of $2.7 million, adjusted EBITDA of $2.7 million, adjusted net loss was $0.9 million and net loss after tax of $0.9 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased to $4.3 million in Q4 2020, compared to $2.7 million for the same period in 2019 mainly due to an increased unit cost in the current period.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal for Q4 2020 was $1,251, 17% higher as compared to Q4 2019 of $1,071. All-in sustaining cost per ounce of gold produced for Q4 2020 was $1,616, 13% higher than the all-in sustaining cost per ounce of gold produced in Q4 2019 of $1,416. These per ounce costs were higher in Q4 2020 as compared to Q4 2019, primarily due to higher costs of production and the strengthening Swedish Krona against the U.S Dollar.

- ***Capital Expenditures*** – Capital expenditures at Björkdal for Q4 2020 totaled $7.7 million ($2.3 million in mine development costs, $0.6 million for exploration, and $4.8 million in property, plant and equipment) compared with $5.6 million ($1.4 million in mine development costs, $0.8 million for exploration, and $3.4 million for property, plant and equipment) during Q4 2019.




**Björkdal - Year Ended December 31, 2020 and 2019**

- ***Production*** – Saleable gold production at Björkdal in 2020 was 45,296 ounces, a 12% decrease from the 51,498 ounces produced in 2019. The decrease can be attributed to a 16% decrease in mill feed gold grade. The Company is focusing on increasing underground ore tonnage as a percentage of overall mill feed. As shown in the above table, as this trend continues, we expect an improvement in processed gold grades due to the declining feed of the low-grade stockpile ore through the mill.

- ***Revenue*** – Björkdal's revenue in 2020 was $81.5 million, higher than the $73.9 million generated in 2019. This was due to higher realized gold prices in 2020 compared to 2019 despite the lower production.

- ***Operating Costs*** – Cost of sales excluding depletion and amortization at Björkdal was $49.6 million in 2020, slightly lower than $50.8 million during 2019. The decrease in operating costs were mainly due to the weaker Swedish Krona against U.S. Dollar between the years.

- ***Income from Operations*** – Income from mine operations before depreciation and depletion at Björkdal in 2020 was $32.0 million, adjusted EBITDA was $32.0 million, adjusted net income was $15.6 million and net loss after tax was $2.4 million. Comparable results for 2019 were income from mine operations before depreciation and depletion of $23.1 million, adjusted EBITDA of $23.0 million, adjusted net income of $4.8 million and net income after tax was $4.8 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense at Björkdal increased to $15.6 million in 2020, compared to $13.3 million during 2019 due to an increase in per unit depletion rate in 2020 compared to 2019.

- ***Cost per Ounce*** – Cash cost per ounce of gold produced at Björkdal in 2020, was $1,112, 18% higher than the cash cost per ounce of gold produced in 2019 of $945. All-in sustaining cost per ounce of gold produced in 2020, was $1,435, 19% higher than the all-in sustaining cost per ounce of gold produced in 2019 of $1,203. These per ounce costs were higher in 2020 compared to 2019 due primarily to a decrease in produced ounces in 2020.

- ***Capital Expenditures*** – Capital expenditures at Björkdal in 2020 totaled $23.3 million ($9.3 million in mine development costs, $1.9 million for exploration, and $12.0 million in property, plant and equipment) compared with $18.6 million ($6.9 million in mine development costs, $1.5 million for exploration, and $10.2 million for property, plant and equipment) during 2019. The increase in capital expenditures was due primarily to more capital development meters underground compared to the previous year, as well as higher amounts spent on mining equipment, tailings spend and exploration.

## Non-Core Properties

### Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the sale of the Cerro Bayo mine in Chile. As at December 31, 2020, Equus had not exercised their option. Cerro Bayo continues to be under care and maintenance. See announcement dated October 8, 2019 for further details.

During Q1 2021, the Company is planning to restart the processing facility at Cerro Bayo to begin trial processing of waste dumps located at site containing silver and gold mineralization. During 2020, a sampling program was carried out to establish areas within the waste dumps that contain sufficiently graded mineralization that could be processed profitably. The current plan is a three-month trial period that could be extended if the project is found to be economically profitable.

On January 19, 2021, the Company received a refund of $1.9 million from the Chilean mining authority, Sernageomin, representing the security previously paid to cover reclamation bonding requirements for its Cerro Bayo mine. The Company has replaced this with a bonding insurance policy to cover the bonding requirements.

On June 23, 2020, the Chilean mining authority, Sernageomin, approved the modification of the reclamation plan at Cerro Bayo. As a result, the Company recorded a reversal of reclamation liability of $7.6 million; of this total, $1.4 million was credited against property, plant and equipment, $0.8 million credited against exploration and evaluation assets, and the remaining $5.4 million credited to the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2020.

During Q4 2020, the Company spent $0.6 million on care and maintenance activities at Cerro Bayo, the same as in Q4 2019. For the full-year 2020, the Company spent $2.2 million as compared to $2.7 million during 2019. The decrease in the annual expenditure was mainly due to a reduction in the number of staff and activities.

## 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 C$10.5 million, consisting of C$7.5 million in non-contingent consideration (the "Non-Contingent Consideration") plus a 3% net smelter returns royalty on production at Challacollo, capped at C$3.0 million.

The Non-Contingent Consideration is payable as follows:

- C$1.0 million in cash payable on or before December 30, 2019 (received in Q4 2019);
- C$1.0 million in cash payable on or before December 30, 2020 (received in Q4 2020); and
- C$5.5 million in cash or shares payable on or before April 30, 2021, or, at Aftermath's option, an additional C$3.0 million in cash or shares payable on or before April 30, 2021 plus an additional C$3.0 million in cash or shares payable on or before April 30, 2022.

In addition, on November 28, 2018, the Company signed 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. The Company received $1.0 million in both Q4 2019 and Q4 2020.

## Lupin

The Company spent $0.1 million and $0.3 million on care and maintenance activities at Lupin during Q4 2020 and full-year 2020, respectively, and for Q4 2019 and full-year 2019, it was $0.1 million and $0.6 million, respectively. Reclamation spending at Lupin was $4.7 million during Q4 2020 and $10.5 million full-year 2020, compared to $0.2 million in Q4 2019 and $1.9 million for the full-year 2019. Lupin is currently in the process of final closure and reclamation activities funded by progressive security reductions. Due to ongoing reclamation activities and review of impairment indicators, the Company had recognized a $5.2 million revision to the reclamation liability and a $1.6 million of write down of assets at the mine. Restricted cash as at December 31, 2020, of $11.4 million stands as a deposit against, and in excess of, the present value of reclamation cost obligations ($9.9 million).

## La Quebrada

The asset continues to be held for sale. Care and maintenance spending at La Quebrada was less than $0.1 million during Q4 and full-year 2020, which was similar for the comparative periods in 2019.

## 1.2 FOURTH QUARTER FINANCIAL RESULTS

### Summary Financial Performance

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020(4) | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 45,320 | 22,737 | 178,974 | 107,795 |
| Cost of sales | 18,798 | 17,034 | 78,782 | 83,623 |
| Income from operations (excl. depr. and depletion) | 26,522 | 5,703 | 100,192 | 24,172 |
| Depreciation and depletion | 9,347 | 5,709 | 35,854 | 24,540 |
| Income/(Loss) from mining operations | 17,175 | (6) | 64,338 | (368) |
| General and administrative costs | 1,176 | 971 | 5,945 | 5,368 |
| Adjusted EBITDA(1) | 25,346 | 4,732 | 94,247 | 18,804 |
| Finance costs | 4,226 | 1,706 | 16,312 | 6,721 |
| Unrealized (gain) loss on hedge | (10,756) | - | 21,475 | - |
| Tax, forex and others(2) | 8,726 | 1,704 | 795 | 7,565 |
| Consolidated income (loss) before tax | 13,803 | (4,387) | 19,811 | (20,022) |
| Current tax expense (recovery) | 2,362 | (123) | 9,295 | 753 |
| Deferred tax expense (recovery) | (3,281) | 1,064 | 1,207 | (2,126) |
| Adjusted net income (loss)(1) | 12,065 | (4,223) | 34,704 | (10,403) |
| Consolidated net income (loss) | 14,722 | (5,328) | 9,309 | (18,649) |
| Adjusted income (loss) per share(1) | 0.13 | (0.05) | 0.38 | (0.13) |
| Consolidated income (loss) per share | 0.16 | (0.07) | 0.10 | (0.23) |
| Total assets | 301,284 | 258,592 | 301,284 | 258,592 |
| Total liabilities | 165,505 | 146,840 | 165,505 | 146,840 |
| Total equity | 135,779 | 111,752 | 135,779 | 111,752 |
| | | | | |
| Capital expenditures – Consolidated(3) | | | | |
| Underground capital development & open pit pre-strip | 5,936 | 5,217 | 23,572 | 20,906 |
| Property, plant and equipment purchases | 6,718 | 3,757 | 16,976 | 13,584 |
| Capitalized exploration | 1,540 | 1,251 | 6,330 | 3,479 |
| Total capital expenditures | 14,194 | 10,225 | 46,878 | 37,969 |

1. Adjusted EBITDA, adjusted net income (loss) and adjusted income (loss) per share are non-IFRS performance measures. Refer to Section 1.14 "Non-IFRS Measures" for further information.
2. Others includes such items as share based compensation and (loss)/gain on financial instruments, if any.
3. Includes capitalized spend from non-operating sites.

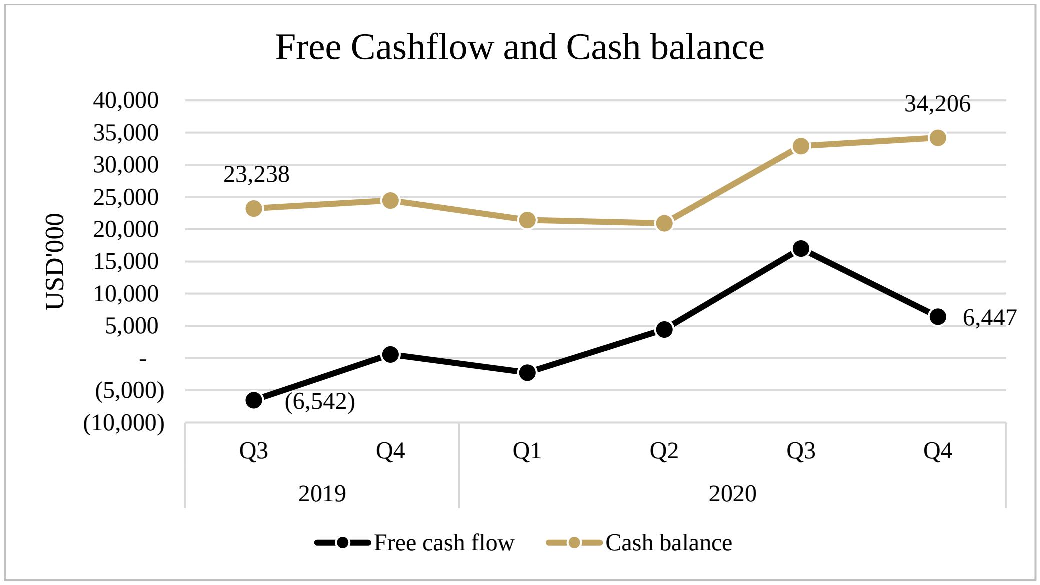
**Summary Balance Sheet**

| | As at December 31, 2020 | As at December 31, 2019 |
|---|---|---|
| | **$'000** | **$'000** |
| Cash and cash equivalents | 34,206 | 24,462 |
| Inventories, accounts rec. and other current assets | 51,403 | 37,166 |
| **Total current assets** | **85,609** | **61,628** |
| Property, plant and equipment | 197,614 | 176,355 |
| Reclamation deposits and other non-current assets | 18,061 | 20,609 |
| **Total assets** | **301,284** | **258,592** |
| Syndicated Facility – *current* | 15,111 | - |
| Other current liabilities | 59,168 | 41,439 |
| Five-year exchangeable loan | - | 22,562 |
| Revolver Facility | - | 40,000 |
| **Total current liabilities** | **74,279** | **104,001** |
| Syndicated Facility – *non-current* | 41,647 | - |
| Non-current liabilities | 49,579 | 42,839 |
| Equity attributable to common shareholders | 135,779 | 111,752 |
| **Total equity and liability** | **301,284** | **258,592** |

**Summary Cash flow**

The table below summarizes the Company's cash flow for Q4 and full-years 2020 and 2019 and reconciles free cash flow to reported net cash flows from (used in) operating activities for those periods. See Section 1.14 "Non-IFRS Measures" for more information.

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Net cash flows from operating activities** | **19,861** | **10,784** | **72,162** | **9,456** |
| Capital expenditures | (12,990) | (9,716) | (44,960) | (35,697) |
| Lease payments | (424) | (500) | (1,927) | (2,130) |
| **Free cash flow** | **6,447** | **568** | **25,275** | **(28,371)** |
| Net (payment) receipt from reclamation deposits | (2,674) | 152 | (2,632) | (3,716) |
| Proceeds from sale of non-core assets | 2,344 | 1,229 | 2,344 | 3,376 |
| Net (repayment) drawn on borrowings | (3,160) | (72) | (11,466) | 14,852 |
| Payment of gold derivative contracts | (2,842) | - | (4,927) | - |
| Shares issued for cash | - | - | 16 | 32,273 |
| Share issuance cost | - | - | - | (2,664) |
| Effects of exchange rate changes | 1,202 | (653) | 1,134 | 317 |
| Net cash flow | 1,317 | 1,224 | 9,744 | 16,067 |
| **Cash/cash equivalents, end of period** | **34,206** | **24,462** | **34,206** | **24,462** |




### 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-years 2020 and 2019. See Section 1.14 "Non-IFRS Measures" for more information.

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Consolidated net income (loss)** | 14,722 | (5,328) | 9,309 | (18,649) |
| **Add: Special items** | | | | |
| Fair value loss on fin. instruments – hedging | (10,756) | - | 21,475 | - |
| Care and maintenance costs | 891 | 1,105 | 2,495 | 3,261 |
| Revision of reclamation liability | 5,563 | - | (202) | - |
| Write down of assets | 1,645 | - | 1,645 | 4,985 |
| **Adjusted net income (loss)** | **12,065** | **(4,223)** | **34,704** | **(10,403)** |
| **Add/less: Non-cash and finance costs** | | | | |
| Depletion and depreciation | 9,347 | 5,709 | 35,854 | 24,540 |
| Loss (Gain) on disposal of PPE | (195) | 804 | (192) | (1,050) |
| Share based compensation expense | 196 | 123 | 759 | 554 |
| Interest and finance charges | 4,226 | 1,704 | 16,312 | 6,721 |
| Fair value adjustments loss (gain) | - | 557 | (4,076) | 1,310 |
| Current tax expense (recovery) | 2,362 | (123) | 9,295 | 753 |
| Deferred tax expense (recovery) | (3,281) | 1,064 | 1,207 | (2,126) |
| Foreign exchange loss (gain) | 820 | (639) | 1,042 | (754) |
| Interest and other income | (194) | (244) | (658) | (741) |
| **Adjusted EBITDA** | **25,346** | **4,732** | **94,247** | **18,804** |
| Depletion and depreciation | 9,347 | 5,709 | 35,854 | 24,540 |
| **Adjusted EBIT** | **15,999** | **(977)** | **58,393** | **(5,736)** |

### Cash Cost and All-in Sustaining Cost Reconciliation to Cost of Sales:

The table below reconciles cash cost, all-in sustaining cost to reported cost of sales for Q4 and full-years 2020 and 2019. Refer to Section 1.14 "Non-IFRS Measures" for further information.

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Cost of sales, excluding depletion and depreciation** | **18,798** | **17,034** | **78,782** | **83,623** |
| **Add:** | | | | |
| General and administrative costs | 127 | 14 | 109 | 211 |
| **Less:** | | | | |
| Change in inventory | 7,188 | 3,081 | 10,980 | (1,660) |
| Royalties | (704) | (120) | (2,655) | (443) |
| **Total cash cost** | **25,409** | **20,009** | **87,216** | **81,731** |
| | | | | |
| Saleable Au equivalent produced (oz) | 27,351 | 18,594 | 103,444 | 76,659 |
| **Cash cost per oz gold produced ($)** | **929** | **1,076** | **843** | **1,066** |

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Total Cash cost** | **25,409** | **20,009** | **87,216** | **81,731** |
| **Add:** | | | | |
| General and administrative costs | 1,048 | 972 | 5,833 | 5,368 |
| Capital development | 5,935 | 5,217 | 23,571 | 20,906 |
| Capital purchases – sustaining | 4,001 | 2,683 | 10,080 | 9,664 |
| Capital exploration – infill drilling | - | - | 216 | 77 |
| Royalties | 704 | 120 | 2,655 | 443 |
| Accretion on rehabilitation provisions | (183) | 149 | 101 | 572 |
| **All-in sustaining cost** | **36,914** | **29,150** | **129,672** | **118,761** |
| | | | | |
| Saleable Au equivalent produced (oz) | 27,351 | 18,594 | 103,444 | 76,659 |
| **All-in sustaining cost per oz gold produced ($)** | **1,350** | **1,568** | **1,254** | **1,549** |

### Consolidated Financial Results - Three Months Ended December 31, 2020 and 2019

- ***Revenue*** – Consolidated revenue for Q4 2020 was $45.3 million, higher than $22.7 million in Q4 2019. Consolidated gold equivalent ounces sold increased by 52% to 24,742 ounces in Q4 2020 compared to 16,228 ounces in Q4 2019. This increase in gold ounces sold supported by higher realized gold prices between the quarters resulted in higher revenue.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $18.8 million for Q4 2020 compared to $17.0 million for Q4 2019. The 9% increase in 2020 costs was mainly at Björkdal.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion for Q4 2020 was $26.5 million, adjusted EBITDA was $25.3 million, adjusted net income was $12.1 million and net income after tax was $14.7 million. Comparable results for Q4 2019 were income from mine operations before depreciation and depletion of $5.7 million, adjusted EBITDA of $4.7 million, adjusted net loss of $4.2 million and a net loss after tax of $5.3 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company increased to $9.3 million Q4 2020 compared to $5.7 million for Q4 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced for Q4 2020 was $929, 14% lower than Q4 2019 of $1,076. Consolidated all-in sustaining cost per ounce of gold equivalent produced for Q4 2020 was $1,350, 14% lower than Q4 2019 of $1,568. These per ounce cash cost was lower in Q4 2020 as compared to Q4 2019 due to the doubling of metal production at Costerfield.

- ***Capital Expenditures*** – Consolidated capital expenditures for Q4 2020, totaled $14.2 million ($6.4 million occurred at Costerfield and $7.7 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration, in Q4 2019 were $10.2 million ($4.6 million occurred at Costerfield, $5.6 million at Björkdal). The increase in capital expenditures was due to increased exploration and mining equipment at both sites.

### Consolidated Financial Results - Year Ended December 31, 2020 and 2019

- ***Revenue*** – Consolidated revenue generated in 2020 was $179.0 million, a 66% increase from $107.8 million in 2019 mainly due to an increase in gold ounces sold along with higher realized gold prices. Consolidated gold equivalent ounces sold increased by 30% to 99,935 ounces in 2020 compared to 77,043 ounces in 2019.

- ***Operating Costs*** – Consolidated cost of sales excluding depletion and amortization was $78.8 million in 2020 compared to $83.6 million during 2019. The 6% improvement was primarily due to cost savings at Costerfield and a favorable movement in foreign exchange rates.

- ***Income from Operations*** – Consolidated income from mine operations before depreciation and depletion in 2020 was $100.2 million, adjusted EBITDA was $94.2 million, adjusted net income was $34.7 million and net income after tax was $9.3 million. Comparable results in 2019 were income from mine operations before depreciation and depletion of $24.2 million, adjusted EBITDA of $18.8 million, adjusted net loss of $10.4 million and net loss after tax of $18.6 million.

- ***Depletion and Depreciation*** – Depletion and depreciation expense for the Company increased to $35.9 million in 2020 as compared to $24.5 million during 2019 mainly due to higher production.

- ***Cost per Ounce*** – Consolidated cash cost per ounce of gold equivalent produced in 2020 was $843, 21% lower than the cash cost per ounce of gold equivalent produced in 2019 of $1,066. Consolidated all-in sustaining cost per ounce of gold equivalent produced in 2020 was $1,254 lower than the all-in sustaining cost per ounce of gold equivalent produced in 2019 of $1,549. These per ounce costs were lower in 2020 compared to 2019 due to the 30% increase in gold equivalent produced, partly offset by higher costs at Björkdal.

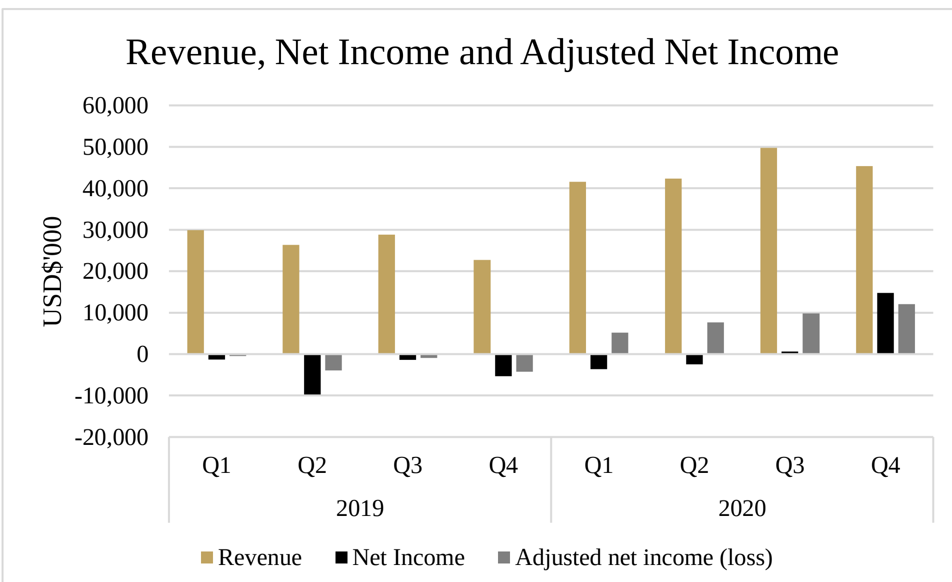
- ***Capital Expenditures*** – Consolidated capital expenditures in 2020 totaled $46.9 million ($23.4 million occurred at Costerfield and $23.3 million at Björkdal). By comparison, total capital expenditures, including capitalized depreciation and exploration in 2019 were $38.0 million ($19.2 million occurred at Costerfield, $18.6 million at Björkdal and $0.1 million at non-core assets), showing increase at both sites.

## 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 2020 | Quarter 3 2020 | Quarter 2 2020 | Quarter 1 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 45,320 | 49,753 | 42,335 | 41,566 |
| Adjusted net income | 12,065 | 9,823 | 7,632 | 5,186 |
| Net income (loss) | 14,722 | 635 | (2,439) | (3,608) |
| Adjusted net income per share – Basic | 0.13 | 0.11 | 0.08 | 0.06 |
| Net income (loss) per share – Basic and diluted | 0.16 | 0.01 | (0.03) | (0.04) |

| | 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 |
| Adjusted net loss | (4,223) | (961) | (3,926) | (459) |
| Net loss | (5,328) | (1,403) | (9,750) | (1,334) |
| Adjusted net loss per share – Basic | (0.05) | (0.01) | (0.04) | (0.01) |
| Net loss per share – Basic and diluted | (0.07) | (0.02) | (0.11) | (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 periods are summarized in the table below:

| Currency | Average Rate October 1, 2020 – December 31, 2020 | Average Rate October 1, 2019 – December 31, 2019 | Average Rate January 1, 2020 – December 31, 2020 | Average Rate January 1, 2019 – December 31, 2019 |
|---|---|---|---|---|
| 1A$ = C$ | 0.9533 | 0.9026 | 0.9255 | 0.9229 |
| 1 A$ = US$ | 0.7317 | 0.6839 | 0.6905 | 0.6955 |
| 1 US$ = C$ | 1.3028 | 1.3198 | 1.3403 | 1.3270 |
| 1 US$ = Chilean Peso | 760 | 757 | 771 | 527 |
| 1 US$ = SEK | 8.6102 | 9.6104 | 9.2123 | 9.4561 |

**Markets – Commodity Prices**

Realized and market prices of gold on average were higher in Q4 2020 as compared to Q4 2019. Realized and market prices of antimony were slightly lower in Q4 2020 as compared to Q4 2019. The average market and realized commodity prices for the reporting period are summarized in the table below:

| Commodity | Prices October 1, 2020 December 31, 2020 | Prices October 1, 2019 December 31, 2019 | Prices January 1, 2020 December 31, 2020 | Prices January 1, 2019 December 31, 2019 |
|---|---|---|---|---|
| Realized gold US$/oz[1] | 1,856 | 1,404 | 1,804 | 1,409 |
| Average gold US$/oz – London PM close (Metal Bulletin) | 1,876 | 1,482 | 1,734 | 1,392 |
| Realized antimony US$/tonne[1] | 5,492 | 5,737 | 5,659 | 6,258 |
| Average antimony US$/tonne – Rotterdam Warehouse (Metal Bulletin) | 6,260 | 6,187 | 5,787 | 6,722 |

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

As at December 31, 2020, the Company's working capital was $11.3 million compared to negative $42.4 million at December 31, 2019. The Company had cash and cash equivalents of $34.2 million as at December 31, 2020, as compared to $24.5 million at December 31, 2019.

On March 17, 2020, the Company entered into a credit agreement with HSBC and Macquarie providing for (i) a senior secured revolving credit facility in an aggregate amount of up to US$25 million and (ii) a senior secured term credit facility in an aggregate amount of up to US$40 million (the "Syndicated Facility"). The Syndicated Facility amends and restates the Company's previous US$40 million revolving credit facility with HSBC, which was scheduled to mature on July 24, 2020 (the "Prior Credit Facility"). The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds. The Syndicated Facility has a term of three years and the Company has repaid $6.0 million of this facility in the second half of 2020. In addition to repaying the Existing Facility and repurchasing or redeeming Gold Bonds, proceeds from the Syndicated Facility will be used for general corporate and working capital purposes. As at December 31, 2020, the Company was in compliance with all covenants of its Syndicated Facility. For more details, please refer to Section 1.6 "Contractual commitments and contingencies".

During Q1 2020, in conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold a year. This consists of a zero-cost collar U.S Dollar hedge for 75,000 ounces of saleable gold with a floor price of $1,550 per ounce and a ceiling of $1,617 per ounce; and an Australian Dollar gold forward contract for the remaining 75,000 ounces of salable gold at AU$2,390 per ounce. As at the end of 2020, the Company had delivered 25,000 ounces for a realized payment of $4.9 million to the two programs and will deliver the remaining 125,000 ounces over the next two and half years, or 4,167 ounces per month. As production increases, as expected in 2021 versus 2020, the percentage of sales under these hedge programs decreases.

## 1.6 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

**$65 Million Syndicated Facility**

On March 17, 2020, the Company entered into the Syndicated Facility, which consists of:

1. A senior secured Revolver Credit Facility in an aggregate amount of up to $25.0 million; and
2. A senior secured Term Credit Facility in an aggregate amount of up to $40.0 million.

The initial drawdown under the Syndicated Facility was used to repay the Prior Credit Facility in full and to fund the repurchase or redemption of the outstanding Gold Bonds.

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of
  - not less than 1.25:1:00 for the Rolling periods (two quarters) ending March 31, 2020, December 31, 2020, December 31, 2020 and December 31, 2020, and
  - not less than 1.50:1:00 for the Rolling periods (two quarters) ending March 31, 2021 and thereafter;
- Leverage Ratio of not more than 3.00:1.00 at all times;
- Adjusted Tangible Net Worth of not less than $95.0 million plus 50% of net income (cumulative) earned after Closing Date, less any write-downs related to non-core assets and add/less any fair value loss/gain related to the gold derivative contracts; and
- the aggregate of the Company's unrestricted cash shall not be less than $10.0 million at any time.

As at December 31, 2020, the Company was in compliance with all financial covenants on the Syndicated Facility.

The Syndicated Facility has a three-year term and the Term Credit Facility shall be reduced by $3.0 million each quarter commencing September 30, until December 31, 2020, and thereafter repaid in eight equal quarterly installments of $3.8 million starting March 31, 2021, with the final payment of $28.8 million on the maturity date, March 16, 2023, which includes repayment of the Revolver Credit Facility in full. The Syndicated Facility allows for early repayments with no associated penalties and holds security over the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%. The nominal interest rate at the end of the 2020 year was 4.25%+LIBOR.

As at December 31, 2020, after the second $3,000,000 repayment, the outstanding principal value of the Syndicated Facility was $59,000,000.

In conjunction with the Syndicated Facility, Mandalay entered into two separate hedging programs with HSBC and Macquarie for a total of 150,000 ounces of saleable gold over the Syndicated Facility's three-year term commencing monthly in July 2020, or 50,000 ounces of saleable gold per year. This consists of a zero-cost U.S Dollar collar hedge for 75,000 ounces of saleable gold with a floor price of $1,550 per ounce and a ceiling of $1,617 per ounce; and an Australian Dollar gold forward contract for the remaining 75,000 ounces of saleable gold at AU$2,390 per ounce. The Company recognized an unrealized fair value gain of $10.8 million and an unrealized fair value loss of $21.5 million for Q4 2020 and the full-year 2020, respectively, relating to these hedges. As the gain or loss from the valuation of these hedges can be volatile due to the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time, the Company has classified the valuation as a special item.

During Q4 2020 and full-year 2020 the Company paid $2.8 million and $4.9 million as settlement of expired gold derivatives contracts, respectively. Depending on certain factors, mainly the price of gold, the Company may be required to settle gold derivative contracts in the future.

**Contractual Obligations as at December 31, 2020**

| Contractual obligations | Payments due by year ($ '000) | | | Total ($ '000) |
|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 4-5 years | |
| Syndicated Facility | 15,111 | 43,889 | - | **59,000** |
| Lease obligations | 1,991 | 3,577 | - | **5,568** |
| Other equipment loan obligations | 880 | 741 | - | **1,621** |
| **Total contractual obligations** | **17,982** | **48,207** | **-** | **66,189** |

## 1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## 1.8 TRANSACTIONS WITH RELATED PARTIES

Kingsdale Advisors ("Kingsdale") is a shareholder services and strategic advisory firm which provided the Company with corporate advisory services in the amount of $25,000 during the year ended December 31, 2020. Amy Freedman is Chief Executive Officer of Kingsdale and is on the Board of Directors of Mandalay.

## 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 (see gold hedging programs in Section 1.6 Contractual Commitments And Contingencies).

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, 2020, 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.

There has been no change in the Company's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

#### 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 91,236,167 common shares issued and outstanding. The weighted average number of shares outstanding during Q4 and full-year 2020 used for the calculation of per share results were 91,230,630 and 91,165,777.

In 2020, the following events occurred with, or added to the total amount, of outstanding shares, stock options and restricted share units of the Company:

*Omnibus Equity Incentive Plan*

On May 20, 2020, the shareholders of the Company approved a rolling Omnibus Equity Incentive Plan (the "Omnibus Plan") which provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units, performance share units and deferred share units as described in the Company's Management Information Circular dated April 3, 2020. The Omnibus Plan replaced the Company's Stock Option Plan and Restricted Share Unit Plan which remain in effect with respect to stock options and restricted share units issued prior to the adoption of the Omnibus Plan, but no further stock options and restricted share units will be issued thereunder. The total number of common shares reserved for issuance pursuant to awards granted under the Omnibus Plan and all other security-based compensation outstanding under the Stock Option Plan and RSU Plan shall not exceed 10% of the issued and outstanding common shares from time to time.

*Stock Options*

Prior to the Omnibus Plan, during 2013, the Company had established a "rolling" stock option plan (the "Option Plan") in compliance with the TSX's policy for granting stock options. The exercise price of each stock 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. Options issued until December 31, 2016, had a maximum term of five years, and thereafter have a maximum term of up to seven years.

The stock options issued and outstanding as at December 31, 2020, are as follows:

| Exercise Price C$ | As of December 31, 2020 | As of February 25, 2021 | Expiry Date |
|---|---|---|---|
| 0.61 | 917,000 | 917,000 | 30 September, 2027 |
| 1.10 | 440,000 | 440,000 | 30 September, 2026 |
| 2.00 | 264,500 | 264,500 | 30 September, 2025 |
| 6.00 | 140,000 | 140,000 | 30 September, 2024 |
| 9.10 | 126,300 | 126,300 | 23 March, 2021 |
| **Total** | **1,887,800** | **1,887,800** | |

During 2020, 20,000 options were exercised, while none were exercised in 2019. There were 1,887,800 options outstanding as of December 31, 2020, which could result in the issuance of shares.

*Restricted Share Units*

Prior to the Omnibus Plan, 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 RSUs issued and outstanding as at December 31, 2020, are as follows:

| | Number of RSU Awards |
|---|---:|
| **Balance, December 31, 2018** | **193,480** |
| Granted | 209,596 |
| Redeemed | (44,789) |
| Forfeited | (41,404) |
| **Outstanding at December 31, 2019** | **316,883** |
| Granted | 491,802 |
| Redeemed | (135,493) |
| **Outstanding at December 31, 2020** | **673,192** |

## 1.12 QUALIFIED PERSONS

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

## 1.13 SUBSEQUENT EVENTS

On January 19, 2021, the Company received a refund of $1.9 million from the Chilean mining authority, Sernageomin, representing security previously paid to cover reclamation bonding requirements for its Cerro Bayo mine. The Company has replaced this with a bonding insurance policy to cover the bonding requirements.

## 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 free cash flow 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 sustaining 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) as revenue net of cost of sales excluding depreciation, depletion and any write down 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* – 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 nature and, in some cases, expected infrequency of the events giving rise to them. Starting in the first quarter of 2020, adjusted net income was calculated by excluding the impact of any loss or gain on financial instruments associated with gold hedging programs. This is because this amount can be volatile from the valuation methods involved, as well as the long-term nature of the hedge and the price of gold from time to time. Refer to Section 1.2 for a 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 sustaining cost per ounce of saleable gold equivalent produced* – Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense and accretion of reclamation provision. Sustaining capital reflects the capital required to maintain each site's current level of operations. For all sites, the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining 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 operating site overhead expense in the period divided by the total saleable gold equivalent ounces produced in the period. The cash cost excludes royalty

and corporate level general and administrative expenses. This definition was updated this quarter to exclude corporate G&A expenses to better align with industry standard.

9. *Consolidated all-in sustaining cost per ounce of saleable gold equivalent produced* – The corporate all-in sustaining cost per saleable ounce gold equivalent produced in the period equals the sum of cash costs associated with the production of gold equivalent ounces at all operating sites in the period plus corporate overhead expense in the period plus sustaining mining capital, royalty expense, accretion of reclamation provision, divided by the total saleable gold equivalent ounces produced in the period. Refer to Section 1.2 for a reconciliation between consolidated cash cost per ounce and consolidated all-in sustaining cost per ounce, on the one hand, and cost of sales and consolidated cash cost per ounce, on the other hand.
10. *Free cash flow* – The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. It is calculated starting with the net cash flows from operating activities (as per IFRS) and then adding capital expenditures and lease payments. Refer to Section 1.2 for a reconciliation between free cash flow and net cash flows from operating activities.