

Condensed consolidated interim financial statements of

# **Mandalay Resources Corporation**

March 31, 2020  
(Unaudited)

# Mandalay Resources Corporation

March 31, 2020

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# Mandalay Resources Corporation

## Condensed consolidated interim statements of income (loss) and comprehensive income (loss) Three months ended March 31, 2020 and 2019

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended March 31,	
	2020	2019
	(\$'000)	(\$'000)
Revenue (Note 13)	41,566	29,916
Cost of operations		
Cost of sales, excluding depletion and depreciation (Note 14)	18,832	23,393
Depletion and depreciation	8,595	7,252
	27,427	30,645
Income (loss) from mining operations	14,139	(729)
Expenses		
Administration	1,831	1,276
Care and maintenance and other operating expenses	605	875
Share-based compensation (Note 12(b))	112	181
Gain on disposal of property, plant and equipment	-	(1,821)
	2,548	511
Income (loss) from operations	11,591	(1,240)
Other income (expenses)		
Finance costs (Note 15)	(5,619)	(1,673)
(Loss) gain on financial instruments (Note 16)	(6,153)	124
Interest and other income	211	217
Foreign exchange (loss) gain	(1,783)	528
	(13,344)	(804)
Loss before income taxes	(1,753)	(2,044)
Income tax expense (recovery)		
Current	466	(97)
Deferred	2,313	(613)
Income tax expense (recovery)	2,779	(710)
<b>Net loss for the period</b>	<b>(4,532)</b>	<b>(1,334)</b>
Other comprehensive loss, net of tax		
Item that may subsequently be reclassified to net loss		
Foreign currency translation	(10,545)	(3,031)
Comprehensive loss for the period	(15,077)	(4,365)
<b>Net loss per share</b>		
Basic and diluted	(0.05)	(0.03)
<b>Weighted average number of common shares outstanding (Note 17)</b>		
Basic and diluted ('000)	91,084	46,689

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Condensed consolidated interim statements of financial position

As at March 31, 2020 and December 31, 2019

(Expressed in U.S. dollars)

(Unaudited)

	March 31, 2020	December 31, 2019
	(\$'000)	(\$'000)
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 4)	21,454	24,462
Cash held in escrow (Note 4)	5,043	-
Reclamation deposits	9,594	10,909
Trade receivables and other assets (Note 5)	15,397	11,893
Inventories	13,282	12,266
Prepaid expenses	1,647	2,098
	<b>66,417</b>	<b>61,628</b>
Non-current assets		
Reclamation and other deposits	15,725	18,014
Trade receivables and other assets (Note 5)	2,804	1,941
Property, plant and equipment (Note 6)	166,121	176,355
Deferred tax asset	-	654
	<b>184,650</b>	<b>196,964</b>
	<b>251,067</b>	<b>258,592</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables (Note 8)	15,347	21,927
Borrowings (Note 9)	10,378	40,286
Lease liabilities (Note 7)	1,728	1,970
Five-year exchangeable loan (Note 10)	8,173	22,562
Reclamation and site closure costs provision	9,594	10,909
Income taxes payable	1,126	783
Other provisions (Note 11)	1,299	1,488
Financial instruments (Note 16)	3,414	4,076
	<b>51,059</b>	<b>104,001</b>
Non-current liabilities		
Borrowings (Note 9)	54,001	418
Lease liabilities (Note 7)	3,090	3,542
Reclamation and site closure costs provision	30,566	31,438
Other provisions (Note 11)	1,321	1,560
Financial instruments (Note 16)	6,816	-
Deferred tax liability	7,427	5,881
	<b>103,221</b>	<b>42,839</b>
	<b>154,280</b>	<b>146,840</b>
<b>Equity</b>		
Share capital (Note 12)	229,821	229,809
Share option reserve (Note 12)	4,273	4,173
Foreign currency translation reserve	(50,639)	(40,094)
Retained deficit	(86,668)	(82,136)
	<b>96,787</b>	<b>111,752</b>
	<b>251,067</b>	<b>258,592</b>

Approved by the Board of Directors and authorized for issuance on May 13, 2020.

**(Signed) Dominic Duffy**

Dominic Duffy, President and Chief Executive Officer

**(Signed) Robert Doyle**

Robert Doyle, Director

# Mandalay Resources Corporation

## Condensed consolidated interim statements of changes in equity

Three months ended March 31, 2020 and 2019

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

(Unaudited)

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance, December 31, 2019</b>	<b>91,081</b>	<b>229,809</b>	<b>4,173</b>	<b>(40,094)</b>	<b>(82,136)</b>	<b>111,752</b>
Net loss	-	-	-	-	(4,532)	(4,532)
Other comprehensive loss for the period	-	-	-	(10,545)	-	(10,545)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,545)</b>	<b>(4,532)</b>	<b>(15,077)</b>
Share-based compensation (Note 12(b))	-	-	112	-	-	112
Redemption of RSU (Note 12(d))	10	12	(12)	-	-	-
<b>Balance, March 31, 2020</b>	<b>91,091</b>	<b>229,821</b>	<b>4,273</b>	<b>(50,639)</b>	<b>(86,668)</b>	<b>96,787</b>

	Number of shares issued	Share capital	Share option reserve	Foreign currency translation reserve	Retained deficit	Total equity
	('000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance, December 31, 2018</b>	<b>45,160</b>	<b>192,078</b>	<b>10,404</b>	<b>(36,196)</b>	<b>(70,150)</b>	<b>96,136</b>
Net loss	-	-	-	-	(1,334)	(1,334)
Other comprehensive loss for the period	-	-	-	(3,031)	-	(3,031)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,031)</b>	<b>(1,334)</b>	<b>(4,365)</b>
Share-based compensation (Note 12(b))	-	-	181	-	-	181
Shares issued for cash (Note 12(a))	35,940	31,715	-	-	-	31,715
Conversion of bridge loan into common shares (Note 12(a))	9,936	8,000	-	-	-	8,000
Share issuance cost (Note 12(a))	-	(2,078)	-	-	-	(2,078)
<b>Balance, March 31, 2019</b>	<b>91,036</b>	<b>229,715</b>	<b>10,585</b>	<b>(39,227)</b>	<b>(71,484)</b>	<b>129,589</b>

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Condensed consolidated interim statements of cash flows

Three months ended March 31, 2020 and 2019

(Expressed in U.S. dollars)

(Unaudited)

	Three months ended	
	March 31,	
	2020	2019
	(\$'000)	(\$'000)
<b>Operating activities</b>		
Net loss	(4,532)	(1,334)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depletion and depreciation	8,595	7,252
Share-based compensation (Note 12(b))	112	181
Gain on disposal of property, plant and equipment	-	(1,821)
Finance cost (Note 15)	5,619	1,673
Loss (gain) on financial instruments (Note 16)	6,153	(124)
Interest and other income	(211)	(217)
Foreign exchange loss (gain)	2,326	(394)
Income tax expense (recovery)	2,779	(710)
Reclamation expenditures	(238)	(662)
Changes in non-cash operating working capital items		
Trade receivables and other assets	(5,519)	(306)
Inventories	(1,418)	2,197
Prepaid expenses	311	(5)
Trade and other payables	(5,367)	(5,200)
Other provisions	(37)	(284)
Cash generated from operations	8,573	246
Interest and other income received	211	217
Interest and bank charges paid	(1,226)	(1,406)
Net cash flows from (used in) operating activities	7,558	(943)
<b>Investing activities</b>		
Expenditure for property, plant and equipment	(9,662)	(7,412)
Receipt from reclamation deposits	1,285	-
Payment to reclamation deposits	-	(4,691)
Proceeds from sale of non-core assets (Note 6)	-	2,090
Net cash flows used in investing activities	(8,377)	(10,013)
<b>Financing activities</b>		
Proceeds from borrowings (Note 9)	63,111	5,000
Repayments of borrowings	(58,351)	(3,392)
Amounts transferred to escrow (Note 4)	(5,043)	-
Lease payments (Note 7)	(377)	(204)
Proceeds from bridge loan (Note 12(a))	-	8,000
Shares issued for cash (Note 12(a))	-	32,273
Share issuance cost (Note 12(a))	-	(2,078)
Net cash flows from financing activities	(660)	39,599
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(1,529)	(16)
Net increase (decrease) in cash and cash equivalents	(3,008)	28,627
Cash and cash equivalents, beginning of the period	24,462	8,395
<b>Cash and cash equivalents, end of the period</b>	<b>21,454</b>	<b>37,022</b>
Cash and cash equivalents consist of		
Cash	21,454	37,022
	<b>21,454</b>	<b>37,022</b>

See accompanying notes to the condensed consolidated interim financial statements

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

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### 1. Description of business and nature of operations

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

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

### 2. Basis of preparation

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

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

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

Judgments made by management in the application of International Financial Reporting Standards (“IFRS”) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2019.

### 3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at and for the year ended December 31, 2019. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2019.

The condensed consolidated interim financial statements provide comparative information in respect of the previous period. The Company has restated its previous period’s number of common shares and all per share amounts (including income (loss) per share) to reflect the effect of the share consolidation (see Note 12(a)).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 4. Cash and cash equivalents

As at March 31, 2020, the Company had a cash balance of \$21,454,000 (December 31, 2019 – \$24,462,000). The Company had no cash equivalent as at March 31, 2020 (December 31, 2019 – \$nil).

As part of the Bridge Loan agreement (see Note 12(a)), the Company was required to maintain a reserve of cash or cash equivalents equal to the lesser of (a) \$15,000,000 and (b) the outstanding principal amount of the five-year exchangeable loan. This required reserve remained after conversion of the Bridge Loan and as at March 31, 2020, this amount was \$8,150,000, being the outstanding principal amount of the five-year exchangeable loan. Subsequent to March 31, 2020, the Company has repaid the five-year exchangeable loan, therefore this minimum cash reserve is no longer required.

As part of entering into the Syndicated Facility (see Note 9), the Company's cash and cash equivalents, must at all times not be less than \$10,000,000. The Company is in compliance with this condition as at March 31, 2020.

#### *Cash held in escrow*

The cash held in escrow relates to the amount drawn under the Syndicated Facility that is set aside to partially fund of the five-year exchangeable loan (see Note 9).

### 5. Trade receivables and other assets

Trade receivables and other assets consist of the following:

	March 31, 2020	December 31, 2019
	(\$'000)	(\$'000)
Trade receivables	13,045	7,787
VAT and other indirect tax receivables	2,085	2,255
Other receivables and assets	1,805	3,792
Restricted cash	903	-
Provisional pricing adjustment	363	-
	<b>18,201</b>	13,834
Less: non-current portion	<b>2,804</b>	1,941
<b>Total current portion</b>	<b>15,397</b>	11,893

There was no expected credit loss recognized as at March 31, 2020, or at December 31, 2019.

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract.



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 6. Property, plant and equipment

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cost</b>				
As at January 1, 2019	217,488	126,400	49,104	392,992
Additions	21,693	13,895	5,444	41,032
Disposals	-	(3,939)	(2,069)	(6,008)
Write-off of assets	-	-	(4,985)	(4,985)
Reclassification to mining interest	5,485	(647)	(4,838)	-
Change in estimate of reclamation bond	-	-	1,508	1,508
Foreign exchange	(4,443)	(2,166)	(196)	(6,805)
<b>As at December 31, 2019</b>	<b>240,223</b>	<b>133,543</b>	<b>43,968</b>	<b>417,734</b>
Additions	5,640	3,201	1,522	10,363
Reclassification to mining interest	582	-	(582)	-
Foreign exchange	(19,802)	(10,081)	(1,235)	(31,118)
<b>As at March 31, 2020</b>	<b>226,643</b>	<b>126,663</b>	<b>43,673</b>	<b>396,979</b>
<b>Accumulated depreciation</b>				
As at January 1, 2019	149,404	75,208	-	224,612
Expense	14,075	10,908	-	24,983
Disposals	-	(2,845)	-	(2,845)
Foreign exchange	(4,401)	(970)	-	(5,371)
<b>As at December 31, 2019</b>	<b>159,078</b>	<b>82,301</b>	<b>-</b>	<b>241,379</b>
Expense	5,698	2,766	-	8,464
Foreign exchange	(12,982)	(6,003)	-	(18,985)
<b>As at March 31, 2020</b>	<b>151,794</b>	<b>79,064</b>	<b>-</b>	<b>230,858</b>
<b>Carrying value</b>				
As at January 1, 2019	68,084	51,192	49,104	168,380
As at December 31, 2019	81,145	51,242	43,968	176,355
<b>As at March 31, 2020</b>	<b>74,849</b>	<b>47,599</b>	<b>43,673</b>	<b>166,121</b>

#### Carrying amount by segment

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at March 31, 2020</b>				
Costerfield	30,026	11,240	5,151	46,417
Björkdal	44,823	32,629	21,692	99,144
Cerro Bayo	-	1,744	785	2,529
La Quebrada	-	-	10,540	10,540
Challacollo	-	-	3,124	3,124
Other	-	1,986	2,381	4,367
	<b>74,849</b>	<b>47,599</b>	<b>43,673</b>	<b>166,121</b>

Particulars	Mining interests	Plant and equipment	Exploration and evaluation	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at December 31, 2019</b>				
Costerfield	34,677	13,208	5,822	53,707
Björkdal	46,468	34,079	21,412	101,959
Cerro Bayo	-	1,913	785	2,698
La Quebrada	-	-	10,480	10,480
Challacollo	-	-	3,039	3,039
Other	-	2,042	2,430	4,472
	<b>81,145</b>	<b>51,242</b>	<b>43,968</b>	<b>176,355</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

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### 6. Property, plant and equipment (continued)

For the three months ended March 31, 2020, there was \$99,000 of plant and equipment depreciation capitalized to mining interests (2019 – \$nil).

As at March 31, 2020, the Company had right-of-use assets of \$5,668,000 (2019 – \$6,465,000) included in property, plant and equipment, of which \$391,000 is at Costerfield and \$5,277,000 is at Björkdal (2019 – Costerfield: \$613,000 and Björkdal: \$5,852,000).

Details of non-operating exploration and evaluation assets are shown below:

(i) Cerro Bayo

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining for the potential sale of the Cerro Bayo mine in Chile. Cerro Bayo continues to be held under care and maintenance.

(ii) Challacollo

On November 12, 2019, the Company announced that it had entered into a definitive agreement with Aftermath Silver Ltd. (“Aftermath”) pursuant to which Aftermath would acquire Minera Mandalay Challacollo Limitada, a wholly owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of up to C\$10,500,000.

(iii) La Quebrada

La Quebrada is a non-core asset and the Company is currently not exploring on the property.

(iv) Ulu and Lupin

The Company has sold its Ulu property to Blue Star Gold Corp. (“Blue Star”) during the year ended December 31, 2019 and received \$341,000 as sales proceeds. As part of the sale, the Company identified an indicator of impairment for Ulu. The Company had valued the assets at fair value less costs to dispose. A write-down of \$1,013,000 was recognized for Ulu in the Company’s statement of income (loss) and comprehensive income (loss) for the year ended December 31, 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 valued the assets at fair value less costs to dispose of the asset. As a result of this, a write-down of \$3,972,000 was recognized in the Company’s statement of income (loss) and comprehensive income (loss) during the year ended December 31, 2019.

The Company has spent \$240,000 on reclamation activities at the Lupin mine during the three months ended March 31, 2020 (2019 – \$542,000).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 7. Lease liabilities

	March 31, 2020		
	Less than 1 year	Between 1- 4 years	Total
	(\$'000)	(\$'000)	(\$'000)
Costerfield	271	120	391
Björkdal	1,457	2,970	4,427
<b>Total lease liabilities</b>	<b>1,728</b>	<b>3,090</b>	<b>4,818</b>

  

	December 31, 2019		
	Less than 1 year	Between 1- 4 years	Total
	(\$'000)	(\$'000)	(\$'000)
Costerfield	437	176	613
Björkdal	1,533	3,366	4,899
<b>Total lease liabilities</b>	<b>1,970</b>	<b>3,542</b>	<b>5,512</b>

For three months ended March 31, 2020, the Company recognized \$718,800 in operating expenses relating to variable lease payments (2019 – \$1,660,000).

#### ***Björkdal Equipment leases***

Björkdal's equipment leases are 80% financed of their purchase cost, bear interest at the one-month STIBOR plus 2.05%-3.21% per annum and require monthly lease payments. These leases are payable within five years of initial borrowing. Certain leases also have an equipment buy-out option at the end of the lease terms equal to 10% of the original equipment purchase cost. These leases are due to be repaid during the year ending December 31, 2024.

#### **Costerfield Equipment leases**

Costerfield leases bear interest at 5.50% per annum and requires monthly lease payments. These leases are due to be repaid during the year ending December 31, 2023.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 8. Trade and other payables

	March 31, 2020	December 31, 2019
	(\$'000)	(\$'000)
Trade payables	7,874	13,651
Accrued liabilities	5,940	6,513
Payroll and other taxes payable	1,527	1,735
Cash election option (Note 12(b))	6	16
Provisional pricing adjustment	-	12
	<b>15,347</b>	<b>21,927</b>

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

Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue for these sales is initially recognized at the current market price. Provisionally priced sales are marked to market at each reporting period date using the forward price for the period equivalent to that outlined in the contract.

### 9. Borrowings

	March 31, 2020	December 31, 2019
	(\$'000)	(\$'000)
Syndicated Facility	63,062	-
Equipment Facilities	1,317	704
Revolver Facility	-	40,000
	<b>64,379</b>	<b>40,704</b>
Less: current portion of total borrowings	<b>10,378</b>	<b>40,286</b>
Non-current portion of total borrowings	<b>54,001</b>	<b>418</b>

#### ***Syndicated Facility***

On March 16, 2020, the Company entered into a credit agreement with HSBC Bank Canada ("HSBC") and Macquarie Bank Limited ("Macquarie") providing for:

1. A senior secured Revolver Credit Facility in an aggregate amount of up to \$25,000,000; and
2. A senior secured Term Credit Facility in an aggregate amount of up to \$40,000,000 (together the "Syndicated Facility").

The Syndicated Facility amends and restates the Company's previous \$40,000,000 revolving credit facility with HSBC, which was scheduled to mature on July 24, 2020 (the "Revolver Facility"). The initial drawdown under the Syndicated Facility was used to repay the Revolver Facility in full and to fund the repurchase or redemption of the outstanding five-year exchangeable loan (see Note 10).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

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### 9. Borrowings (continued)

The Syndicated Facility has the following financial covenants:

- Debt Service Coverage Ratio of
  - I. not less than 1.25:1.00 for the Rolling periods (two quarters) ending March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, and
  - II. 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 \$95,000,000 plus 50% of net income (cumulative) earned after the Closing Date, less any write-downs related to non-core assets; and
- The aggregate of the Company's unrestricted cash shall not be less than \$10,000,000 at any time.

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

The Syndicated Facility has a three-year term and the Term Credit Facility shall be reduced by \$3,000,000 each quarter commencing September 30, 2020, until December 31, 2020, and thereafter repaid in eight equal quarterly installments of \$3,778,000 starting March 31, 2021, with the final payment of \$28,778,000 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 will hold security over the majority of the Company's material assets. The Syndicated Facility has an effective interest rate of 6.72%.

As at March 31, 2020, the Company was fully drawn down on the Syndicated Facility, however, \$5,043,000 of this balance was held in escrow to partly fund exchanges under and repayment of the five-year exchangeable loan (see Notes 4, 10 and 22).

#### ***Syndicated Facility – Gold Derivative Contracts***

In conjunction with the Syndicated Facility, Mandalay entered into two separate gold derivative 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. These programs consist of a zero-cost collar contract for 75,000 ounces of saleable gold with a floor price of US\$1,550 per ounce and a ceiling of US\$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 underlying contracts within these two programs have a liability fair value of \$9,113,000 as at March 31, 2020, specifically \$8,800,000 for the Australian dollar forward contract and \$313,000 for the US dollar collar contract (see Note 16).

#### ***Revolver Facility***

During the year ended December 31, 2017, the Company entered into a \$40,000,000 senior secured revolving credit facility (the "Revolver Facility") with HSBC. The Revolver Facility was set to mature on July 24, 2020 but on March 16, 2020, the balance was repaid in full using the funds drawn from the Syndicated Facility.

#### ***Equipment Facilities***

As at March 31, 2020, the Company's Björkdal mine in Sweden had a balance of \$1,317,000 (December 31, 2019 – \$703,000) for equipment loan facilities (the "Equipment Facilities") with several Swedish banks to finance certain capital expenditures. The Equipment Facilities bear variable interest at the three-month STIBOR plus 2.26% per annum and are repayable in monthly installments plus interest and are due to be repaid by June 30, 2024. The Equipment Facilities are secured by the underlying equipment.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

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### 10. Five-year exchangeable loan

Mandalay previously issued debt securities by way of a concurrent offering of senior exchangeable bonds (the "Bonds") issued by Gold Exchangeable Limited (the "Issuer"), an unaffiliated special purpose vehicle incorporated in Jersey. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited, borrowed the proceeds of the Bond offering from the Issuer under the terms of a loan agreement and related funding agreement (the "Loan") which together mirrored the principal terms of the Bonds. The Company had equivalent redemption rights with respect to the Loan. If the Company exercised its redemption rights under the Loan, the Issuer was required to exercise its optional redemption rights under the Bonds.

The Bonds had the following features:

- maturity date of May 13, 2022;
- the Issuer is required to offer to repurchase a proportion of the Bonds outstanding at the relevant time if and to the extent that the contained gold equivalent Mineral Reserves (in ounces) at Mandalay's Costerfield mine falls below (initially) 232,000 gold equivalent ounces;
- nominal interest rate of 6.875% per annum; and
- exchange price of US\$135 (which equates to gold price of US\$1,400 per ounce).

#### *Bond Exchanges*

Prior to December 31, 2019, the Company had exchanged \$5,950,000 principal amount of Bonds at a cost of \$5,328,000. The outstanding principal amount of the Loan has been reduced in an amount equal to the principal amount of the Bonds that were exchanged and, after exchanges noted above and as at December 31, 2019, the outstanding principal amount of the Loan was \$24,100,000.

On March 18, 2020, the Company purchased for cancellation \$15,950,000 principal amount of Bonds at a cost of \$18,068,000. The outstanding principal amount of the Loan was reduced in an amount equal to the principal amount of the Bonds that were purchased and, after the purchases and exchanges noted above and as at March 31, 2020, the outstanding principal amount of the Loan (and of the Bonds) was \$8,150,000.

#### *Redemption Notice*

Under the terms of the Loan, the Company had the right to repay the Loan (and require the Issuer to complete a concurrent redemption of the Bonds) at its option if \$9,000,000 or less in the principal amount of Bonds remained outstanding. As the outstanding principal amount of the Bonds was less than this amount after the purchase on March 18, 2020, the Company caused the issuer to send a redemption notice to the remaining Bond holders. In response to the redemption notice, all remaining Bond holders exercised their exchange rights by April 22, 2020 (see Note 22). As a result, none of the Bonds remain outstanding and the entire amount of the Loan had been repaid by that date.

The Company classified the carrying amount of the Loan as a current liability, determined using the effective interest rate method, in the condensed consolidated interim statements of financial position of the Company as at March 31, 2020. The Bondholders' right to exchange represented an embedded derivative and was fair-valued as at March 31, 2020 (see Note 19).

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

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(Unaudited)

### 11. Other provisions

The Company's Costerfield and Cerro Bayo mines provide for a vacation provision for their current employees, in accordance with local statutory requirements.

	<b>Employee benefits</b>
	(\$'000)
Balance, December 31, 2018	3,305
Additions	2,372
Amounts paid	(2,613)
Foreign exchange	(16)
Balance, December 31, 2019	3,048
Additions	549
Amounts paid	(578)
Foreign exchange	(399)
<b>Balance, March 31, 2020</b>	<b>2,620</b>
Less: current portion	1,299
<b>Total non-current portion</b>	<b>1,321</b>

### 12. Share capital

As at March 31, 2020, the Company had an unlimited number of authorized common shares without par value and 91,091,090 common shares outstanding (As at December 31, 2019 – 91,080,673 common shares). All outstanding common shares are fully paid.

#### (a) Shares issued

- *Public offering*

During the three months ended March 31, 2019, the Company completed a public offering by issuing 35,940,000 common shares at a price of C\$1.20 per common share, which equates to gross proceeds of \$32,273,000 (C\$43,128,000) (the "Public Offering"). Share issuance costs for the Public Offering were \$2,664,000.

- *Convertible bridge loan*

On February 20, 2019, the Company entered into a one-year convertible bridge loan agreement for \$8,000,000 with CE Mining Fund III L.P. (the "Bridge Loan"), an investment fund advised by Plinian Capital Limited, which in turn is controlled by Brad Mills, the Chairman of the Company's Board of Directors. The Bridge Loan bore interest at a rate of 10% and was convertible at CE Mining's option into Common Shares at a price per share C\$1.08. The Bridge Loan was unsecured and was subordinated to the Revolver Facility.

On March 29, 2019, this Bridge Loan was converted into 9,936,296 common shares.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 12. Share capital (continued)

- *Share consolidation*

On July 2, 2019, the Company completed a share consolidation on a basis of ten pre-consolidation shares for one post-consolidation share. Accordingly, as a result of share consolidation, the Company has restated its number of common shares and all per share amounts (including income (loss) per share) for all periods presented to reflect the effect of the share consolidation.

(b) *Share-based compensation*

	Three months ended	
	2020	March 31, 2019
	(\$'000)	(\$'000)
Share-based compensation on options	85	144
Change in fair value for cash election option	(19)	(5)
RSU amortization	46	42
	<b>112</b>	<b>181</b>

During the three months ended March 31, 2020, the Company granted 917,000 stock options (2019 – nil) at an exercise price of C\$0.61. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of C\$0.61 (2019 – \$nil) was calculated using the following weighted average assumptions. Expected stock price volatility and option life are based on the Company's historical share price volatility and option life.

	Three months ended
	March 31, 2020
Risk free interest rate	<b>1.25%</b>
Expected dividend yield	<b>0.00%</b>
Expected life of options in years	<b>7.00</b>
Expected stock price volatility	<b>87.09%</b>
Expected forfeiture rate	<b>0.00%</b>

The Company has established a "rolling" stock option plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Options generally vest over three years. Options issued until the year ended December 31, 2016, had a maximum term of five years, and from the year 2017, can have a maximum term of up to seven years.



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 12. Share capital (continued)

#### (c) Stock options

	Number of options	Weighted average exercise price C\$
Balance, December 31, 2018	1,947,790	6.77
Granted	570,000	1.10
Expired	(181,000)	9.80
Forfeited	(177,490)	4.98
Cancelled	(350,500)	9.00
<b>Balance, December 31, 2019</b>	<b>1,808,800</b>	<b>4.42</b>
Granted	<b>917,000</b>	<b>0.61</b>
Expired	(165,500)	9.10
Forfeited	(155,000)	4.13
<b>Balance, March 31, 2020</b>	<b>2,405,300</b>	<b>2.67</b>

No stock options were exercised during the three months ended March 31, 2020, or year ended December 31, 2019.

The following table summarizes information about the stock options outstanding and exercisable as at March 31, 2020:

	Options outstanding		Options exercisable		
	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C\$	Number of options exercisable	Weighted average exercise price C\$
	301,300	0.98	9.10	301,300	9.10
	290,000	4.25	6.00	290,000	6.00
	437,000	5.25	2.00	145,667	2.00
	460,000	6.25	1.10	-	-
	917,000	7.25	0.61	-	-
	<b>2,405,300</b>	<b>5.55</b>	<b>2.67</b>	<b>736,967</b>	<b>6.48</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 12. Share capital (continued)

#### (d) Restricted Share Units

The Company has a Restricted Share Unit Plan (the "RSU Plan") and has granted Restricted Share Units ("RSUs") to certain directors. Under the RSU Plan, those directors granted RSUs will receive the Company's common shares at no cost at the end of the vesting period which are based on graded vesting over three years. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company's dividend declarations during the vesting period. The RSU value is determined based on the fair value of the Company's share at the grant date and amortized over the vesting period, which is recorded in share-based compensation and share option reserve.

The number of RSUs as at March 31, 2020 is as follows:

	<b>Number of RSU awards</b>
Balance, December 31, 2018	193,480
Granted	209,596
Redeemed	(44,789)
Forfeited	(41,404)
<b>Balance, December 31, 2019</b>	<b>316,883</b>
Granted	491,802
Redeemed	(10,417)
<b>Balance, March 31, 2020</b>	<b>798,268</b>

For the three months ended March 31, 2020, the Company recorded \$45,600 (2019 – \$42,000) as a share-based compensation expense relating to RSUs.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 13. Revenue

#### *Disaggregation of revenue*

In the following table, the Company's revenue is disaggregated by primary geographical market, major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (see Note 18).

Three months ended March 31	Costerfield		Björkdal		Total	
	2020	2019	2020	2019	2020	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Primary geographical markets</b>						
Australia	20,138	9,132	-	-	20,138	9,132
Sweden	-	-	20,249	20,300	20,249	20,300
<b>Revenue from contracts with customers</b>	<b>20,138</b>	<b>9,132</b>	<b>20,249</b>	<b>20,300</b>	<b>40,387</b>	<b>29,432</b>
Provisional pricing adjustments	247	136	932	348	1,179	484
<b>Total revenue from mining operations</b>	<b>20,385</b>	<b>9,268</b>	<b>21,181</b>	<b>20,648</b>	<b>41,566</b>	<b>29,916</b>
<b>Commodities</b>						
Gold	14,693	5,319	20,249	20,300	34,942	25,619
Antimony	5,445	3,813	-	-	5,445	3,813
<b>Revenue from contracts with customers</b>	<b>20,138</b>	<b>9,132</b>	<b>20,249</b>	<b>20,300</b>	<b>40,387</b>	<b>29,432</b>
Provisional pricing adjustments	247	136	932	348	1,179	484
<b>Total revenue from mining operations</b>	<b>20,385</b>	<b>9,268</b>	<b>21,181</b>	<b>20,648</b>	<b>41,566</b>	<b>29,916</b>

### 14. Cost of sales

The cost of sales for the three months ended March 31, 2020, and 2019, consists of:

	Three months ended	
	2020	2019
	(\$'000)	(\$'000)
Raw materials and consumables	5,018	5,734
Salary and employee benefits	8,762	8,593
Contractors	3,710	4,810
Change in inventories	(1,227)	1,895
Royalties	161	128
Other	2,408	2,233
	<b>18,832</b>	<b>23,393</b>

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 15. Finance costs

The finance costs for the three months ended March 31, 2020, and 2019 consist of the following:

	Three months ended	
	March 31,	
	2020	2019
	(\$'000)	(\$'000)
Loss on partial repayment of five year exchangeable loan	2,118	267
Accelerated finance cost for repayment of five year exchangeable loan	1,506	-
Interest on five year exchangeable loan	587	358
Interest on Revolver Facility	863	820
Interest on other borrowings and other charges	404	143
Accretion of reclamation and site closure costs	141	85
	<b>5,619</b>	<b>1,673</b>

### 16. Financial instruments

The Company has recognized a loss on financial instruments of \$6,153,000 for the three months ended March 31, 2020 (2019 – gain of \$124,000). Details of this are given below:

#### (a) Five-year exchangeable loan

The Company has valued the conversion feature of the five-year exchangeable loan (see Note 10) using the Black-Scholes option pricing model. As at March 31, 2020, the derivative value of the conversion feature amounts to \$1,117,000 (2019 – \$4,076,000) and is recorded in current liabilities in the condensed consolidated interim statements of financial position. The Company recorded a fair value measurement gain of \$2,960,000 (2019 – gain of \$86,000) for the three months ended March 31, 2020. The value was estimated using the following Level 2 assumptions: risk free interest rate of 0.05% (2019 – 2.40%); volatility of 23% (2019 – 16%), gold forward curve adjustment of 19.44% (2019 – 0.70%).

#### (b) Marketable securities

On December 24, 2019, the Company sold 5,000,000 shares of Blue Star for \$150,000 as part of the sale of Ulu (see Note 6). There was no gain or loss during the three months ended March 31, 2020 (2019 – gain of \$38,000).

#### (c) Gold derivative contracts

During the three months ending March 31, 2020, the Company has entered into two programs with HSBC and Macquarie, as part of the Syndicated Facility. The Company has not applied hedge accounting for the derivative contracts within these two programs. The Company has recognized a fair value loss of \$9,113,000 during the three-month ending March 31, 2020 (2019 – \$nil).

The contracts are classified as Level 2, fair value through profit or loss financial instruments with fair value determined using the pricing models that utilize a variety of observable inputs that are a combination of quoted prices, applicable yield curves and credit spreads.

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 17. Net loss per share

As at March 31, 2020, and 2019, the weighted average number of common shares for the purpose of calculating diluted income (loss) per share reconciles to the weighted average number of common shares used in the calculation of basic income (loss) per share as follows:

	Three months ended March 31,	
	2020	2019
	('000)	('000)
<b>Net loss for the period</b>	<b>(\$4,532)</b>	<b>(\$1,334)</b>
<b>Basic and diluted weighted average number of shares outstanding</b>	<b>91,084</b>	<b>46,689</b>

The following stock options are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of the diluted income (loss) per share calculation because the Company has reported a loss for the three months ended March 31, 2020 and 2019.

	Three months ended March 31,	
	2020	2019
	('000)	('000)
Stock options	1,488	1,427
RSU	798	152

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

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(Unaudited)

### 18. Segmented information

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

	Three months ended March 31, 2020				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	20,385	-	21,181	-	41,566
Cost of sales, excluding depletion and depreciation	(6,404)	-	(12,428)	-	(18,832)
Depletion and depreciation	(4,948)	(169)	(3,442)	(36)	(8,595)
Income (loss) from mining operations	9,033	(169)	5,311	(36)	14,139
Other operating expenses	(690)	(117)	(660)	(476)	(1,943)
Care and maintenance and other operating expenses	-	(605)	-	-	(605)
Other expenses, except for fair value adjustment	(1,252)	(255)	(155)	(5,529)	(7,191)
Fair value adjustment loss	-	-	-	(6,153)	(6,153)
Income (loss) before income taxes	7,091	(1,146)	4,496	(12,194)	(1,753)
Current tax expense	-	-	(466)	-	(466)
Deferred tax expense	(2,235)	-	(78)	-	(2,313)
<b>Net income (loss)</b>	<b>4,856</b>	<b>(1,146)</b>	<b>3,952</b>	<b>(12,194)</b>	<b>(4,532)</b>
Net loss per share					
Basic and diluted					(\$0.05)
Cash expenditure for property, plant and equipment	4,710	144	4,808	-	9,662
Total non-current assets as at March 31, 2020	49,280	17,994	104,384	12,992	184,650
Total assets as at March 31, 2020	66,338	19,863	128,739	36,127	251,067
Total liabilities as at March 31, 2020	11,408	18,440	26,974	97,458	154,280

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

### 18. Segmented information (continued)

	Three months ended March 31, 2019				
	Australia	Chile	Sweden	Canada	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	9,268	-	20,648	-	29,916
Cost of sales, excluding depletion and depreciation	(7,758)	-	(15,635)	-	(23,393)
Depletion and depreciation	(2,989)	(233)	(4,028)	(2)	(7,252)
Income (loss) from mining operations	(1,479)	(233)	985	(2)	(729)
Other operating income (expenses)	(314)	1,515	(581)	(256)	364
Care and maintenance and other operating expenses	-	(875)	-	-	(875)
Other income (expense), except for fair value adjustment	222	(36)	(444)	(670)	(928)
Fair value adjustment gain	-	-	-	124	124
Income (loss) before income taxes	(1,571)	371	(40)	(804)	(2,044)
Current tax recovery	-	-	97	-	97
Deferred tax recovery	477	-	136	-	613
<b>Net income (loss)</b>	<b>(1,094)</b>	<b>371</b>	<b>193</b>	<b>(804)</b>	<b>(1,334)</b>
Net loss per share					
Basic and diluted					(\$0.03)
Cash expenditure for property, plant and equipment	4,452	182	2,778	-	7,412
Total non-current assets as at March 31, 2019	49,606	20,054	96,762	32,482	198,904
Total assets as at March 31, 2019	58,868	24,071	116,449	66,845	266,233
Total liabilities as at March 31, 2019	18,908	20,899	23,692	73,144	136,643

# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements as at March 31, 2020 and December 31, 2019

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

### 18. Segmented information (continued)

For the three months ended March 31, 2020, the Company had four customers from whom it earned more than 10% of its total revenue (2019 – four customers).

Revenue from these customers is summarized as follows:

	Three months ended	
	March 31, 2020	March 31, 2019
	(\$'000)	(\$'000)
Costerfield (gold and antimony)		
Customer 1	12,268	7,033
Customer 2	6,216	2,235
	18,484	9,268
Björkdal (gold)		
Customer 3	17,135	16,527
Customer 4	4,045	4,121
	21,180	20,648
<b>Total</b>	<b>39,664</b>	<b>29,916</b>

### 19. Fair value measurement

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

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

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

As at March 31, 2020, other receivables and marketable securities are based on Level 1 inputs. Provisional pricing feature included in trade and other payables and derivative financial instruments are based on Level 1 inputs. Reclamation and other deposits, the five year-exchangeable loan and long-term debt are based on Level 2 inputs. The Company constantly monitors events or changes in circumstances which may cause transfers between the levels of the fair value hierarchy.



# Mandalay Resources Corporation

## Notes to the condensed consolidated interim financial statements

as at March 31, 2020 and December 31, 2019

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

(Unaudited)

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### 20. Related party transactions

Kingsdale Advisors (“Kingsdale”) is a shareholder services and strategic advisory firm which provided the Company with corporate advisory services in the amount of \$15,000 during the three months to March 31, 2020. Amy Freedman is Chief Executive Officer of Kingsdale and is on the Board of Directors of Mandalay.

On February 20, 2019, Mandalay completed the Public Offering and Bridge Loan (the “Financing”). The Bridge Loan was entered into with an affiliate of CE Mining Fund III L.P. (“CE Mining”), an investment fund advised by Plinian Capital Limited, which is controlled by Brad Mills, Chairman of the Board of Directors of Mandalay. 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 Mandalay 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 Mandalay’s Board of Directors, provided that one such nominee must be Brad Mills. The purpose of the Financing was to secure additional funding to allow Mandalay to satisfy its working capital requirements and fund ongoing capital development and exploration programs.

### 21. Commitments and contingencies

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

The Company’s Björkdal and Costerfield mines have entered into several equipment leases and the detailed future minimum payments relating to these leases are outlined in Note 7.

### 22. Subsequent events

Under the terms of the Loan, the Company had the right to repay the Loan (and require the Issuer to complete a concurrent redemption of the Bonds) at its option if \$9,000,000 or less in the principal amount of Bonds remained outstanding. As the outstanding principal amount of the Bonds was less than this amount after the purchase on March 18, 2020, the Company caused the Issuer to send a redemption notice to the remaining Bond holders. In response to the redemption notice, all remaining Bond holders exercised their exchange right to exchange by April 22, 2020. As a result, none of the Bonds remain outstanding and the entire amount of the Loan has been repaid.