Mandalay Resources Corporation Announces Third Quarter Financial Results for 2018 and Issues Revised 2018 Guidance

TORONTO, ON, November 8, 2018 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced quarterly revenue of $21.8 million, adjusted EBITDA of negative $0.6 million and a consolidated net loss of $7.5 million for the third quarter of 2018.

The Company's condensed and consolidated interim financial results for the quarter ended September 30, 2018, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period, can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com. All currency references in this press release are in U.S. dollars except as otherwise indicated.

Commenting on the quarterly results, Mr. Dominic Duffy, President and CEO of Mandalay, noted, "Operationally, Mandalay had a challenging third quarter as we worked to address and correct production disruptions at both of our producing mines. The lower production and sales volumes for the quarter compared to previous quarters negatively impacted the Company's financial performance and led to uncharacteristically high unit costs, which we do not expect to recur in the coming quarters. Production and sales this quarter were significantly impacted by a delay in the on-vein development of the Brunswick lode at Costerfield, caused by the need for more dewatering than anticipated. This was combined with a changeover of the underground haulage contractor at Björkdal which caused a haulage bottleneck of higher-grade underground ore, resulting in the need to process lower-grade stockpiled material. We are, however, pleased to say that we have now begun development on the higher-grade Brunswick vein at Costerfield, and we are seeing higher-grade ore being processed at Björkdal early in the fourth quarter, as the underground haulage rates continue to increase at the mine."

Mr. Duffy continued, "Despite the positive signs we are seeing in production at these mines early in the fourth quarter, in light of the aforementioned production issues, we have revised our 2018 guidance, shown further below in this press release."

Mr. Duffy concluded, "With the operational issues of the third quarter now fundamentally behind us, Mandalay expects to finish with a stronger fourth quarter, generating positive momentum into 2019. Going forward, our primary focus is to fast-track production from the high-grade Youle deposit at Costerfield. Mandalay aims to release its Mineral Reserves and Resource update for Costerfield, which we expect will add Youle to our reserves, by the end of the year. This is expected to be instrumental to the Company laying out its longer-term production guidance for the years 2019-2021. We will also be putting an emphasis on exploration drilling and development along wider and higher-grade areas at Björkdal to further provide short-term, higher-grade underground ore feed."

During the third quarter, Mandalay had positive news regarding its non-core assets. First, the Company signed a non-binding letter of intent with Aftermath Silver Limited to sell its Challacollo property total consideration of CAD$11.6 million (see Mandalay August 1, 2018 press release). The Company also received $4.1 million (CAD$5.3 million) via a release of funds which had been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine. On

July 27, 2018, the Company filed its final closure and reclamation plan for the Lupin mine, which is expected to be approved approximately 12 months from its submission.

Third Quarter 2018 Financial Summary

The following table summarizes the Company's financial results for the three months and nine months ended September 30, 2018 and 2017:

	Three months Ended September 30, 2018	Three months Ended September 30, 2017	Nine months Ended September 30, 2018	Nine months Ended September 30, 2017
	$'000	$'000	$'000	$'000
Revenue	21,765	35,407	89,457	124,904
Cost of sales	21,023	22,403	69,191	84,421
Adjusted EBITDA*	(582)	10,650	15,204	34,192
Income from mine ops before depreciation, depletion	743	13,004	20,266	40,483
Adjusted net loss before special items*	(6,242)	(1,673)	(9,048)	(10,954)
Consolidated net loss	(7,468)	(7,181)	(32,418)	(19,634)
Cash capex	12,051	9,890	35,286	34,980
Total assets	266,493	331,241	266,493	331,241
Total liabilities	139,488	141,859	139,488	141,859
Adjusted net loss per share*	$(0.01)	$(0.00)	$(0.02)	$(0.02)
Consolidated net loss per share	$(0.02)	$(0.02)	$(0.07)	$(0.04)

*Adjusted EBITDA, adjusted net loss before special items and adjusted net loss per share are non-IFRS measures, defined at the end of this press release "Non-IFRS Measures".

In the third quarter of 2018, Mandalay sold 8,860 fewer gold equivalent ounces than in the third quarter of 2017. In the same period the Company's realized gold price declined 10% quarter-over-quarter, while the average price of antimony remained broadly constant. The net effect is that Mandalay's revenue of $21.8 million in the third quarter of 2018 was $13.6 million lower than in the third quarter of 2017.

While per ounce costs were higher in the third quarter of 2018 as a result of production disruptions and delays, total cost of sales was slightly lower at Costerfield and slightly higher at Björkdal in the third quarter of 2018 versus the third quarter of 2017. Cost of sales during the third quarter of 2018 versus the third quarter of 2017 were $0.6 million lower at Costerfield, and $2.0 million lower at Cerro Bayo due to the suspension in operations. Cost of sales increased at Björkdal by $1.3 million. Consolidated administrative costs decreased by $1.0 million across the Company.

Mandalay generated a $0.6 million loss in adjusted EBITDA in the third quarter of 2018, versus $10.7 million in the third quarter of 2017. This led to a consolidated net loss of $7.5 million for the third quarter of 2018, versus $7.2 million in the third quarter of 2017.

Mandalay ended the third quarter with $26.7 million in cash and cash equivalents and with $30.0 million drawn (during 2017 and 2018) on the $40.0 million revolver facility.

Third Quarter 2018 Operational Summary

The table below summarizes the Company's capital expenditures and operational unit costs for the three and nine months ended September 30, 2018 and 2017:

		Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
		$'000	$'000	$'000	$'000
Björkdal					
	Gold produced (oz)	8,504	13,233	35,237	39,993
	Cash cost* per oz gold produced	$1,304	$871	$1,058	$926
	All-in cost* per oz gold produced	$1,615	$1,199	$1,350	$1,213
	Underground capital devel. & open pit prestrip	2,027	4,018	7,970	10,103
	Capital purchases	3,878	2,684	7,938	5,761
	Capital exploration	257	561	1,557	1,683
Costerfield					
	Gold produced (oz)	4,938	7,370	16,662	24,290
	Antimony produced (t)	505	804	1,613	2,310
	Gold equivalent produced (oz)	8,370	12,586	27,158	39,777
	Cash cost* per oz gold eq. produced	$988	$736	$961	$699
	All-in cost* per oz gold eq. produced	$1,420	$1,068	$1,412	$1,019
	Underground capital devel. & open pit prestrip	2,509	9	7,765	1,884
	Capital purchases	1,670	1,065	5,461	3,545
	Capital exploration	1,609	847	4,102	3,233
Cerro Bayo					
	Silver produced (oz)	-	-	-	794,533
	Gold produced (oz)	-	-	-	5,909
	Cash cost* per oz silver net byproduct credit	-	-	-	$13.50
	All-in cost* per oz silver net byproduct credit	-	-	-	$25.22
	Underground capital devel. & open pit prestrip	-	340	-	5,971
	Capital purchases	-	121	-	1,475
	Capital exploration	-	125	-	872
Consolidated					
	Gold equivalent produced (oz)	16,874	25,819	62,395	96,791
	Average cash cost* per oz gold eq.	$1,239	$907	$1,097	$912
	Average all-in cost* per oz gold eq.	$1,631	$1,301	$1,478	$1,258
	Underground capital devel. & open pit prestrip	4,536	4,916	15,735	19,155
	Capital purchases	5,548	3,887	13,399	10,812
	Capital exploration**	1,967	1,086	6,152	5,013

*Cash cost and all-in cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.
**Consolidated capital exploration figures include spend at Challacollo.

Björkdal gold mine, Sweden

Björkdal produced 8,504 ounces of gold in the third quarter of 2018 with cash and all-in costs of $1,304/oz and $1,615/oz, respectively. As a result of the aforementioned haulage bottlenecks of higher-grade underground ore, mill head grade was considerably lower in the third quarter of 2018, averaging approximately 0.94 g/t gold for the quarter, lower than the third quarter of 2017 grade of 1.45 g/t.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 8,370 gold equivalent ounces in the third quarter of 2018. Third quarter production was lower than in the previous year's quarter due to a combination of expected lower mining grades and available ore in the current producing areas. The Company has dewatered the Brunswick lode and expects an increase in production going forward. Simultaneously, the infill and extensional drilling program continues on the Youle lode.

Cerro Bayo silver-gold mine, Patagonia, Chile

No production occurred at Cerro Bayo in the third quarter of 2018 and it remained on care and maintenance through the period.

Challacollo, Chile

On August 1, 2018, the Company announced that it had entered into a non-binding letter of intent with 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 CAD$11.6 million (see Mandalay August 1, 2018 press release).

La Quebrada

The La Quebrada copper-silver project in central Chile remained held for sale throughout the period. Spending at La Quebrada was less than $0.1 million during the third quarter of 2018.

Lupin and Ulu

During the third quarter, the Company received $4.1 million (CAD$5.3 million) via a release of funds which had been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine.

2018 Revised Full-Year Guidance

In light of the Brunswick production delay at Costerfield and the haulage bottlenecks at Björkdal during 2018, the Company has revised its 2018 guidance as follows:

	Björkdal	Costerfield	Cerro Bayo	Consolidated
Saleable Au produced (koz)	45-48	21-23	-	66-71
Saleable Sb produced (kt)	-	2.1-2.3	-	2.1-2.3
Saleable Au Eq produced (koz)*	45-48	34-38	-	79-86
Cash cost**, $/oz Au Eq	1,020-1,190	920-1,000	NA	1,060-1,100
All-in cost, $/oz Au Eq	1,320-1,390	1,400-1,480	NA	1,450-1,510
CAPEX, $ million (exploration, included in CAPEX)	23-24 2	24-25 6	- -	47-49 8
Net C&M, $ million	NA	NA	2.5-3	2.5-3
Corp. Admin, $ million	NA	NA	NA	5-6

*Assumes full-year 2018 metal prices of: Au $1,267/oz, Sb $8,386/t
**Cash cost per Au Eq. oz includes corporate overhead spending. Cash cost per Au Eq. oz is a non-IFRS measure. See "Non-IFRS Measures" at the end of this press release.

2018 Original Full-Year Guidance

	Björkdal	Costerfield	Cerro Bayo	Consolidated
Saleable Au produced (koz)	56-63	27-30	-	83-93
Saleable Sb produced (kt)	-	2.8-3.2	-	2.8-3.2
Saleable Au Eq produced (koz)*	56-63	45-50	-	101-113
Cash cost, $/oz Au Eq	820-920	720-770	NA	835-910
All-in cost, $/oz Au Eq	1,060-1,210	1,150-1,250	NA	1,155-1,280
CAPEX, $ million (exploration, included in CAPEX)	18-21 3.4	18-21 2.9	- -	37-41 6.3
Net C&M, $ million	NA	NA	2.5-3	2.5-3
Corp. Admin, $ million	NA	NA	NA	6-6.7

*Assumes full-year 2018 metal prices of: Au $1,306/oz, Sb $8,361/t

Changes in Mandalay's revised capex for 2018 resulted from:

- Björkdal – Additional funds were required for the lifting of the western wall in the tailings facility, which was partially offset by lower exploration spending, as Mandalay is focusing only on the higher-grade and wider zones underground

- Costerfield – Additional capital spend for capital development to, and drilling of, the Youle lode

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on November 8, 2018 at 8:00 am (Toronto time).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number:	(201) 689-8341
Participant Number (Toll free):	(877) 407-8289
Conference ID:	13684820

A replay of the conference call will be available until 11:59 pm (Toronto time), November 22, 2018 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13684820

<u>For Further Information:</u>

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<u>About Mandalay Resources Corporation:</u>

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile. The Company is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in production gold, copper, silver and antimony projects in Australia, the Americas and Europe to generate near-term cash flow and shareholder value.

<u>Forward-Looking Statements</u>

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including guidance as to anticipated gold, silver, and antimony production and production costs in the future and the potential for a restart of operations at the Company's Cerro Bayo mine. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A description of additional risks that could result in actual results and developments differing from those contemplated by forward-looking statements in this news release can be found under the heading "Risk Factors" in Mandalay's annual information form dated March 29, 2018 and in its short form base shelf prospectus dated February 12, 2018, copies of which are available under Mandalay's profile at www.sedar.com. Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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, readers should not place undue reliance on forward-looking statements.

Non-IFRS Measures

This news release may contain references to adjusted EBITDA, adjusted net income, cash cost per saleable ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, site all-in cost per saleable ounce of gold equivalent produced, site all-in cost per saleable ounce of silver produced net of gold credits, all-in costs and cash capex, all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Management uses adjusted EBITDA as a measure of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and to fund future capital expenditures, as well as to assist in comparing 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 defines adjusted EBITDA as income from mine operations, net of administration costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. A reconciliation between adjusted EBITDA and net income will be included in the MD&A.

The Company defines cash capex as cash spent on mining interests, property, plant and equipment, and exploration as set out in the cash flow statement of the financial statements.

The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. This term does not have a standard meaning and is intended to provide the reader with additional information.

For Costerfield, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Cerro Bayo, the cash cost per saleable silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals saleable ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the saleable silver ounces produced in the period. The cash cost excludes royalty expenses. The site all-in cost per saleable silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, accretion, depletion, depreciation, and amortization to the cash cost net of gold byproduct credit, dividing the resultant number by the saleable silver ounces produced in the period.

Also, for Cerro Bayo, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable silver ounces produced times the average silver price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Björkdal, the total cash operating cost associated with the production of saleable gold ounces produced in the period is then divided by the saleable gold ounces produced to yield the cash cost per saleable gold ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable gold ounces produced to yield the site all-in cost per saleable gold ounce produced

For the Company as a whole, cash cost per saleable gold equivalent ounce is calculated by summing the gold equivalent ounces produced by each site and dividing the total by the sum of cash operating costs at the sites plus corporate overhead spending.