MANDALAY RESOURCES

Mandalay Resources Corporation Announces Second Quarter Financial Results for 2018

TORONTO, ON, August 8, 2018 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced revenue of $27.9 million, adjusted EBITDA of $3.6 million and an adjusted net loss of $3.7 million for the second quarter of 2018.

The Company's condensed and consolidated interim financial results for the quarter ended June 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, "The Björkdal operation had strong results for the quarter as ore control systems continue to maintain higher-grade delivery in the plant. During the quarter the operation completed automation controls in the plant which will allow an estimated 1% improved recovery, as well as improving gold payables in the plant due to more gold being taken out in the gravity circuit. Also, the effects of cost-reduction measures at the site have begun to take hold as cash costs per ounce continued to drop. We expect these measures to continue to manifest themselves at Björkdal going forward."

Mr. Duffy continued, "At Costerfield, we experienced a dip in production in the current quarter due to a delay in the development of the Brunswick lode. The production delay at Brunswick was the result of higher than expected dewatering required at the lode. On a positive note, dewatering of Brunswick has now been completed and we expect to see an increase in revenue from Costerfield for the remainder of the year as the Brunswick vein is brought into production. Additionally, at Costerfield the focus on exploration drilling continued into the high-grade Youle vein as we aim to bring this into the Company's year-end reserves and initiate development towards this vein later in 2018."

Mr. Duffy added, "During the second quarter, Mandalay experienced a free cash outflow of $7.9 million compared to $7.6 million for the corresponding quarter last year. We expect to see cash flow across the Company improve throughout the year as Brunswick is brought online. The Company's adjusted net loss of for the second quarter of 2018 was $3.7 million, compared to an adjusted net loss of $6.9 million in the same quarter of last year. The majority of our consolidated net loss for this quarter of $23.7 million is the result of a one-off impairment charge of $18.5 million that the Company incurred on our Challacollo asset, based on our recently announced non-binding letter of intent to sell the asset to Aftermath Silver for consideration of CAD$11.6 million."

Mr. Duffy concluded, "While the second quarter of 2018 required the Company to work through an operational challenge at Costerfield, we look forward to improved operations in the second half of the year. The Company continues to be well-funded to meet its capital plans and growth and ended the quarter with $15.5 million in cash and cash equivalents. Further, as at the end of the second quarter, the Company is still able to draw on $25.0 million from its revolver facility. Going forward, our primary focus is to fast-track the high-grade Youle deposit and bring it into production as soon as possible. We are also focused on improving cash margins at our two operating mines and on positioning the Company to carry out significant growth projects such as optical ore sorting at Björkdal and increased exploration spending and mine life extension at Costerfield."

Second Quarter 2018 Financial Highlights

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

	Three months Ended June, 2018	Three months Ended June, 2017	Six months Ended June, 2018	Six months Ended June, 2017
	$'000	$'000	$'000	$'000
Revenue	27,944	44,124	67,692	89,497
Cost of sales	22,348	30,030	48,168	62,018
Adjusted EBITDA*	3,651	12,130	15,786	23,542
Income from mine ops before depreciation, depletion	5,596	14,094	19,524	27,479
Adjusted net loss before special items*	(3,743)	(6,933)	(2,806)	(9,284)
Consolidated net loss	(23,711)	(10,105)	(24,950)	(12,456)
Cash capex	11,943	12,998	23,236	25,090
Total assets	259,461	320,062	259,461	320,062
Total liabilities	124,309	126,811	124,309	126,811
Adjusted net loss per share*	$(0.01)	$(0.02)	$(0.01)	$(0.02)
Consolidated net loss per share	$(0.05)	$(0.02)	$(0.06)	$(0.03)

*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 second quarter of 2018, Mandalay sold 13,657 less gold equivalent ounces then second quarter of 2017. In the same period the average gold prices rose 4% quarter-over-quarter respectively, while average price of antimony and silver (of which the Company produced and sold none in the second quarter) decreased by 6% and 4% respectively. The net effect is that Mandalay's revenue of $27.9 million in the second quarter of 2018 was $16.2 million lower than in the second quarter of 2017.

Total cost of sales was slightly higher at Costerfield and Björkdal in the second quarter of 2018 than in the second quarter of 2017. This was due to changes in inventory at both sites; absolute cash costs were comparatively lower. Cost of sales at Cerro Bayo was $9.0 million lower due to the suspension in operations, at Costerfield increased by $0.2 million and at Björkdal increased by $1.2 million. Consolidated administrative costs across the Company remained broadly constant.

Mandalay generated $3.7 million in adjusted EBITDA in the current quarter, $8.5 million lower than in the previous quarter, and $8.5 million lower than the second quarter of 2017. This led to a consolidated net loss of $23.7 million (including $18.5 million of impairment of Challacollo) for the second quarter of 2018, versus a loss of $10.1 million in the second quarter of 2017.

Mandalay ended the second quarter with $15.5 million in cash and cash equivalents and with $15 million drawn (during 2017) on the total $40 million revolving credit facility. Subsequent to quarter end, the Company recovered C$5.345 million as a result of a reduction in the Letter of Credit that secures Mandalay's reclamation obligations in respect of the Lupin mine.

Second Quarter 2018 Operational Highlights

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

		Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June, 2017
		$'000	$'000	$'000	$'000
Björkdal					
	Gold produced (oz)	14,017	16,112	26,733	26,760
	Cash cost* per oz gold produced	$876	$824	$980	$954
	All-in cost* per oz gold produced	$1,155	$1,081	$1,265	$1,220
	Underground capital devel. & open pit prestrip	3,009	3,162	5,943	6,085
	Capital purchases	1,085	1,313	4,060	3,077
	Capital exploration	944	712	1,300	1,122
Costerfield					
	Gold produced (oz)	5,137	8,933	11,724	16,920
	Antimony produced (t)	503	765	1,108	1,506
	Gold equivalent produced (oz)	8,331	14,300	18,787	27,191
	Cash cost* per oz gold equivalent produced	$1,049	$648	$949	$682
	All-in cost* per oz gold equivalent produced	$1,512	$962	$1,408	$996
	Underground capital devel. & open pit prestrip	3,140	1,098	5,256	1,875
	Capital purchases	2,157	1,455	3,791	2,480
	Capital exploration	1,423	1,397	2,493	2,386
Cerro Bayo					
	Silver produced (oz)	-	359,457	-	794,533
	Gold produced (oz)	-	3,174	-	5,909
	Cash cost* per oz silver net byproduct credit	-	$12.31	-	$13.29
	All-in cost* per oz silver net byproduct credit	-	$24.05	-	$23.25
	Underground capital devel. & open pit prestrip	-	2,403	-	5,631
	Capital purchases	-	937	-	1,357
	Capital exploration	-	228	-	748
Consolidated					
	Gold equivalent produced (oz)	22,348	38,491	45,520	70,972
	Average cash cost* per oz gold equivalent	$1,028	$853	$1,044	$914
	Average all-in cost* per oz gold equivalent	$1,405	$1,173	$1,434	$1,243
	Underground capital devel. & open pit prestrip	6,149	6,663	11,199	13,591
	Capital purchases	3,242	3,705	7,851	6,914
	Capital exploration	2,552	2,630	4,186	4,585

*Cash cost and all-in cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

Björkdal gold mine, Sweden

Björkdal delivered consistent performance during the second quarter of 2018, and the cash and all-in costs were $876/oz and $1,155/oz, respectively. Mill head grade averaged approximately 1.56 g/t for the quarter, as expected, although lower than the previous year's comparable quarter's 1.87 g/t.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 8,331 gold equivalent ounces in the second quarter of 2018. Second quarter production was lower than in the previous year quarter due to a combination of expected lower mining grades and available ore in the current producing areas. The Company intercepted the Brunswick lode during the second quarter and is currently dewatering this lode. Mandalay expects a significant increase in production once dewatering is completed and mining initiated during the third quarter. 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 second quarter and it remained on care and maintenance through the second quarter.

Challacollo, Chile

As at June 30, 2018, the Challacollo asset was revalued at the fair value of the asset based on the terms of the non-binding letter of intent with Aftermath Silver. As a result, an impairment charge of $18,533,000 was recognized in the consolidated statement of comprehensive income for the three months ended June 30, 2018.

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 second quarter of 2018.

Lupin and Ulu

In April 2018, Mandalay received the sum of $311,000 from WPC Resources pursuant to the terms of the option agreement between Mandalay and WPC under which WPC has the right to acquire the Ulu gold exploration property in Nunavut, Canada.

On April 18, 2018, the Nunavut Water Board reached a decision to recommend that the security deposit held in respect of the Letter of Credit, that has been posted by Mandalay in respect of its reclamation obligation with respect to the Lupin mine, be reduced by C$5.345 million. This amount has now been released to the Company.

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About Mandalay Resources Corporation:

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.

Forward-Looking Statements

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 31, 2017 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.