Mandalay Resources Corporation Announces Second Quarter Financial Results for 2017

TORONTO, ON, August 10, 2017 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of $44.1 million, adjusted EBITDA of $12.1 million and consolidated net loss of $10.1 million, or $0.02 loss per share, for the second quarter of 2017.

The Company's condensed and consolidated interim financial results for the quarter ended June 30, 2017, 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 second quarter of 2017 results, Dr. Mark Sander, President and CEO of Mandalay, noted, "Mandalay's financial performance in the second quarter of 2017 was negatively affected by the operating suspension at Cerro Bayo in response to the June 9, 2017, flooding of the Delia NW mine, as previously discussed in the Company's production and sales report issued for the quarter (see Mandalay July 12, 2017, press release). Suspension of operations caused reduced silver and gold production, and therefore revenue, at higher cost per ounce than planned.

"Operations at Cerro Bayo remain suspended pending completion of the investigation of the cause of the event and the risk assessment of restarting mining in the vicinity of Laguna Verde. In addition, the Chilean regulator, Sernageomin, has issued a decree that it must approve a request to reopen based on the results of the risk assessment. This process is likely to add an additional one to two months to the one to two months months needed to complete the risk assessment, making it unlikely that we will be in a position to restart mine development and production this year. Therefore, we are providing revised guidance for 2017 assuming no Cerro Bayo production or capital spending for the rest of the year while maintaining guidance for Björkdal and Costerfield."

Dr. Sander continued, "Looking at the Company's operations, Björkdal delivered record gold production for the quarter at low cash cost per ounce. The annualized rate of production during the quarter was approximately 64,000 ounces per year. We are pleased that the grade control program continues to function well and that the debottlenecking actions we took in the open pit and underground mines at the end of the first quarter performed exactly as planned. Second quarter results reflected higher than planned mill feed grades as well as higher mining rates and we expect continued good performance from Björkdal for the rest of the year."

Dr. Sander continued, "Costerfield continued to deliver dependable performance in the second quarter of 2017, producing 14,300 gold equivalent ounces at a very sound cash cost of $648 per ounce, and at an all-in cost of $962 per ounce. We expect continued performance at these levels for the balance of the year."

Dr. Sander concluded, "The Company's balance sheet remains in a strong position after the re-structure of the exchangeable loan with Gold Exchangeable Limited. We paid off half of the $60 million of the loan and amendended the terms of the remaining $30 million, including an extension of the maturity date to May 2022 (see Mandalay May 24, 2017 press release). When combined with our new $40 million revolving credit facility announced in July, 2017, (see Mandalay July 25, 2017, press release), we have ample funding to maintain our capital investment program in our existing mines, restart Cerro Bayo, and maintain working capital. We also have the ability to act quickly on attractive acquisition opportunities that may arise, which remains a core strategic objective for the Company."

Second Quarter 2017 Financial Highlights

The following table summarizes the Company's financial results for the three and six months ended June 30, 2017 and 2016:

	Three months Ended June 30, 2017	Three months Ended June 30, 2016	Six months Ended June 30, 2017	Six months Ended June 30, 2016
	$'000	$'000	$'000	$'000
Revenue	44,124	54,166	89,497	104,608
Cost of Sales	30,030	29,927	62,018	61,353
Adjusted EBITDA*	12,130	22,127	23,542	39,389
Income from mine operations before depreciation and depletion	14,094	24,239	27,479	43,255
Adjusted net income before special items*	(6,933)	5,154	(9,284)	7,781
Consolidated net (loss) income	(10,105)	3,611	(12,456)	4,760
Cash capex*	12,998	11,472	25,090	20,529
Total assets	320,062	355,100	320,060	355,100
Total liabilities	126,811	142,996	126,811	142,996
Adjusted net (loss) income per share*	$(0.02)	$0.01	$(0.02)	$0.02
Consolidated net (loss) income per share	$(0.02)	$0.01	$(0.03)	$0.01

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

During the second quarter of 2017, Mandalay sold 12% fewer ounces of gold equivalent versus the second quarter of 2016. At the same time, average silver and antimony prices rose 2% and 41% quarter-over-quarter, respectively, while the average gold price remained almost constant quarter-over-quarter. The net effect is that Mandalay's revenue of $44.1 million in the second quarter of 2017 was $10.1 million lower than in the second quarter of 2016.

Total cost of sales across the Company was approximately constant when comparing the second quarter of 2017 to the second quarter of 2016. At Costerfield, cost of sales increased by $1.0 million, where fewer tonnes at lower grade were mined and processed to produce fewer gold equivalent ounces than in the year-ago period. Per tonne mining and milling costs at Costerfield remained nearly constant through this expected decline in ore grades. Total cost of sales at Cerro Bayo increased by $1.3 million in the second quarter of 2017 relative to the second quarter of 2016 mainly due to inventory movement from a reduction in the level of ore inventory at June, 2017. Cost of sales decreased by $2.0 million at Björkdal, due to the build-up of ore inventory over the quarter from the record quarter of production in the second quarter of 2017, compared to the inventory movement recognized in the second quarter of 2016. Consolidated administrative costs remained virtually constant, increasing slightly by $0.2 million in the second quarter of 2017.

Mandalay generated $12.1 million in adjusted EBITDA in the current quarter, $0.7 million higher than in the previous quarter, and $10 million lower than the second quarter of 2016. This led to a consolidated net loss of $10.1 million in the second quarter of 2017 versus a loss of $2.3 million in the first quarter of 2017. Second quarter results were adversely affected by the expenses of search efforts related to the flooding incident at Cerro Bayo and accrual of estimated future costs stemming from the event. Non-cash adjustments include the write-off of the remaining carrying value of mining interests associated with the Delia NW mine, a loss of $0.5 million of property, plant and equipment, and certain other costs.

Mandalay ended the second quarter with $18.4 million in cash and cash equivalents.

Second Quarter Operational Highlights

The table below summarizes the Company's capital expenditures and operational unit costs for the three and six months ended June 30, 2017 and 2016:

		Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
		$'000	$'000	$'000	$'000
Costerfield					
	Gold produced (oz)	8,933	12,252	16,920	24,685
	Antimony produced (t)	765	962	1,506	1,962
	Gold equivalent produced (oz)	14,300	17,023	27,191	33,989
	Cash cost* per oz gold equivalent produced	$648	$530	$682	$521
	All-in cost* per oz gold equivalent produced	$962	$772	$996	$756
	Underground capital devel. & open pit prestrip	1,099	Nil	1,876	Nil
	Capital purchases	1,465	1,289	2,480	1,594
	Capital exploration	1,398	1,155	2,386	2,113
Cerro Bayo					
	Silver produced (oz)	359,457	462,462	794,533	977,678
	Gold produced (oz)	3,174	3,818	5,909	8,154
	Cash cost* per oz silver net byproduct credit	$12.31	$8.45	$13.29	$9.26
	All-in cost* per oz silver net byproduct credit	$24.05	$16.54	$23.25	$17.84
	Underground capital devel. & open pit prestrip	2,518	2,505	5,882	3,903
	Capital purchases	339	1,031	1,354	2,458
	Capital exploration	114	787	497	1,306
Björkdal					
	Gold produced (oz)	16,112	12,648	26,760	24,833
	Cash cost* per oz gold produced	$824	$967	$954	$897

		Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
		$'000	**$'000**	**$'000**	**$'000**
	All-in cost* per oz gold produced	$1,081	$1,212	1,220	1,138
	Underground capital devel. & open pit prestrip	2,596	2,138	5,860	4,885
	Capital purchases	1,297	1,752	3,050	2,757
	Capital exploration	671	748	1,082	1,491
Consolidated					
	Gold equivalent produced (oz)	38,491	39,653	70,972	79,618
	Average cash cost* per oz gold equivalent	$853	$811	$914	$781
	Average all-in cost* per oz gold equivalent	$1,173	$1,095	$1,243	$1,069
	Underground capital devel. & open pit prestrip	6,213	4,643	13,618	8,788
	Capital purchases	3,698	4,166	7,089	6,955
	Capital exploration	2,568	3,103	4,759	5,668

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

Costerfield gold-antimony mine, Victoria, Australia

Costerfield's production of 14,300 ounces gold equivalent in the second quarter of 2017 was higher than in the first quarter of 2017, although it remained approximately 16% less than in the year-ago quarter. Lower production in the second quarter of 2017 compared to the second quarter of 2016 was expected, as a year ago Mandalay was mining in the heart of the highest-grade portion of the Cuffley lode and currently is mining lower-grade parts of the deposit. Absolute operating costs continued to be well-controlled at Costerfield. Lower production arising from lower grades translated into higher cash costs per ounce of gold equivalent than in the year-ago quarter.

Björkdal gold mine, Sweden

In the second quarter of 2017, Björkdal achieved a record production quarter under Mandalay management as the mining bottlenecks reported with first quarter production were relieved and larger volumes of higher grade ore were consistently delivered to the mill. Consequently, cash operating costs in the current quarter were lower at $824 per ounce of gold, much lower than $967 per ounce gold reported in the year-ago quarter.

Cerro Bayo silver-gold mine, Patagonia, Chile

Cerro Bayo production in the second quarter of 2017 was lower than in the second quarter of 2016 due entirely to the operating suspension in response to the flooding event. Prior to the suspension, Cerro Bayo was closely tracking both production and cost performance anticipated in the revised guidance of February 16, 2017.

Challacollo, Chile

Mandalay completed its water exploration program in the second quarter of 2017, finding a significant supply of groundwater. The Company has applied for the surface rights to construct a permanent water production well in a process that will take several months.

La Quebrada

The La Quebrada copper-silver project in central Chile remained on care and maintenance throughout the period. Spending on care and maintenance at La Quebrada was less than $0.1 million during the second quarter of 2017.

Lupin and Ulu

The Lupin and Ulu gold projects in Nunavut, Canada were acquired with the Elgin acquisition in late 2014 and are currently held for sale as non-core assets. On October 31, 2016, the Company entered into a definitive agreement for the sale of both projects, however a transaction was not completed due to a C$9 million increase in the bonding requirements for the Lupin project that was imposed shortly before the planned closing date. In light of the increased bonding requirement, the Company is transitioning to final reclamation of the Lupin and Ulu projects, which it firmly believes can be accomplished for the original bonded amounts or less. At the same time, the Company has held discussions with stakeholders (Kitikmeot Inuit Association, Nunavut Water Board and Indigenous and Northern Affairs of Canada (INAC)) on the right-sizing of the Ulu site to enable WPC to conduct exploration work on the property, and continues discussions with WPC and INAC on a possible sale or optioning of the Lupin project, before final reclamation is complete.

2017 Revised Full Year Guidance

In light of the ongoing operating suspension at Cerro Bayo, the Company has revised its 2017 guidance. The revised guidance assumes that the Cerro Bayo operating suspension will continue for the balance of the year, leading to no further production and dramatically reduced capital spending. The Company maintains its previously issued guidance for Costerfield and Björkdal:

		Total	Cerro Bayo	Costerfield	Björkdal	Challacollo
Saleable Ag produced	oz mill.	**0.8**	0.8			
Saleable Au produced	oz '000	**85-95**	5.9	30-35	52-58	
Saleable Sb produced	t '000	**3.2-3.7**		3.2-3.7		
Total Saleable Au Eq produced*	oz ‘000	**114-128**	16	46-54	52-58	
Cash Cost per Au Eq. oz**	$/oz	**925-975**	1,086	710-780	860-910	
Capital expenditure	USD mill.	**44-49**	7	12-14	24-27	1
Exploration	USD mill.	**8**	2	3	3	

*assumes full-year 2017 prices: Au $1,185/oz, Ag $16.72/oz, Sb $7,701/t

**MND total cash cost per Au Eq. oz includes corporate overhead spending. Cash cost per Au Eq. oz is a non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on August 11, 2017 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:	13668200

A replay of the conference call will be available until 11:59 pm (Toronto time), August 25, 2017 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13668200

For further information:

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Chile and Sweden, and a development project 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. 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, a copy of which is 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. For a reconciliation between adjusted EBITDA and net income, please refer to page 14 of management's discussion and analysis of the Company's financial statements for the first quarter of 2017.

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.