Mandalay Resources Corporation Announces Financial Results and Quarterly Dividend for First Quarter 2017

TORONTO, ON, May 10, 2017 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of $45.4 million, adjusted EBITDA of $11.4 million and consolidated net loss of $2.3 million, or $0.01 loss per share, for the first quarter of 2017.

In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of $2.7 million (6% of the trailing quarter's gross revenue), or $0.0060 per share (CDN$0.0083 per share), payable on June 1, 2017, to shareholders of record as of May 22, 2017.

The Company's condensed and consolidated interim financial results for the quarter ended March 31, 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 first quarter of 2017 results, Dr. Mark Sander, President and CEO of Mandalay, noted, "Mandalay's financial performance in the first quarter of 2017 was a marked improvement over performance in the fourth quarter of 2016 and follows on as expected from the production and sales report previously issued for the quarter (see Mandalay April 12, 2017 press release). These improved results reflect a combination of continued strengthening of our operations and improving metal prices. We expect to see production continuing to increase throughout 2017, with a consequent improvement in unit costs going forward. We reiterate our previous full-year guidance for consolidated production, cash cost, capital spending and exploration spending. The Company's balance sheet remains in a strong position with near-zero debt net of cash."

Dr. Sander continued, "Looking at the Company's operations, at Björkdal, we are pleased that the grade control program continues to function well and we are implementing several incremental operational improvements to increase the rate at which our higher-grade ore is mined and delivered to the plant. These improvements are expected to increase the average grade of processed material going forward, increasing production of saleable gold and reducing cash cost per ounce of saleable gold.

"The operational improvements that we have implemented at Björkdal include the following:

- At the end of the first quarter of 2017, we added underground loading and haulage capacity to increase the haulage of stope ore, which is the highest-grade material delivered from the mines. This is expected to result in an increased rate of delivery of high-grade underground ore throughout the remainder of the year.

- We have ordered longer booms for our jumbos, which will increase the rate of development underground at minimal incremental additional cycle time or cost increases.

- The Lake Zone mining concession is fully granted at this point. We can now process previously mined and stockpiled high-grade development ore from the concession, providing a short-term boost to second quarter production, and we can resume development and stoping in the concession in the longer-term.

- We have eliminated the emerging bottleneck due to the slow blast hole drilling rate in the open pit by changing contractors in the first quarter. The new contractor has increased both the number of drills and the number of crews; it has successfully mobilized and ramped up to our target rate of drilling. This will have the effect of increasing the rate of delivery of open pit ore to the plant going forward.

- We implemented Phase 1 of our low-grade ore sorting program, consisting of crushing and screening material between 0.35 and 1.00 grams per tonne gold from the active mine and historic stockpiles in early January for zero capital expenditure. Initial indications from the first months of operation have been very positive. The process will be optimized throughout the second quarter in an attempt find the optimum screen size to maximize the grade of fines processed immediately while crushing the B-ore to 100% minus 100 mesh so that it can be fed without further re-handling (and cost) to the anticipated optical sorting plant planned for construction later this year; and

- The construction of the flotation expansion, expected to improve gold recoveries by approximately 1.7%, continues on time and on budget toward commissioning later this year."

Dr. Sander continued, "Costerfield continued to deliver dependable performance in the first quarter of 2017, producing 12,891 gold equivalent ounces at a very sound cash cost of $719 per ounce, and an all-in cost of $1,033 per ounce. Capital development commenced in the Cuffley Deeps area during the quarter, which will access higher-grade areas of the lode, the benefit of which we expect to see in increased production of gold equivalent ounces and lower cash cost per gold equivalent ounce as the year progresses.

At Cerro Bayo, the operation has noticeably stabilized after the difficult third and fourth quarters of 2016. Safety has shown a marked improvement and the ore reserve model on which the revised guidance of February 16, 2017 was based is performing well. Financial results for the quarter closely adhered to the revised mine plan underlying that revised guidance. Grades began to lift towards the end of the first quarter as more stopes became available in Coyita North. We expect grades to continue to lift the remainder of the year as production from Coyita North grows."

First Quarter 2017 Financial Highlights

The following table summarizes the Company's financial results for the three months ended March 31, 2017; December 31, 2016; and March 31, 2016:

	Three months Ended March 31, 2017	Three months Ended December 31, 2016	Three months Ended March 31, 2016
	$'000	$'000	$'000
Revenue	45,373	32,391	50,442
Cost of Sales	31,988	32,812	31,426
Adjusted EBITDA*	11,412	(2,321)	17,262
Income from mine operations before depreciation and depletion	13,385	(421)	19,016
Adjusted net income before special items*	(2,349)	(10,768)	1,020
Consolidated net income	(2,349)	(25,542)	1,149
Cash capex	12,092	11,637	9,057
Total assets	349,790	350,232	357,117
Total liabilities	147,046	147,195	142,190
Adjusted net (loss) income per share*	$(0.01)	$(0.02)	$0.00
Consolidated net (loss) income per share	$(0.01)	$(0.06)	$0.00

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

During the first quarter of 2017, Mandalay produced 19% fewer ounces of gold equivalent versus the first quarter of 2016. At the same time, average gold and silver prices rose 3% and 17% quarter-over-quarter, respectively, while the average antimony price rose 51% quarter-over-quarter. The net effect is that Mandalay's revenue of $45.4 million in the first quarter of 2017 was $13.0 million higher than in the fourth quarter of 2016, and $5.1 million lower than in the first quarter of 2016.

Total cost of sales across the Company rose by $0.6 million to $32.0 million in 2017. Approximately $0.9 million of the increased cost of sales was incurred at Costerfield, where more 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. Approximately $3.2 million of increased cost of sales were incurred at Björkdal, where the rates of both operating capital development and operating open pit waste removal were increased in order to increase the rate of gold feed to the plant as Mandalay discarded below cut-off grade material in its grade control program. Total cost of sales at Cerro Bayo decreased $3.6 million in the first quarter of 2017 relative to the first quarter of 2016 as a result of cost control measures being undertaken to offset the reduction in mined ore volumes and decreases in concentrate freight, treatment and refining charges. Consolidated administrative costs remained virtually constant, increasing slightly to $0.8 million in the first quarter of 2017.

Mandalay generated $11.4 million in adjusted EBITDA in the current quarter, $13.7 million higher than in the previous quarter, and $5.6 million lower than the first quarter of 2016. This led to a consolidated net loss of $2.3 million in the first quarter of 2017 versus a loss of $25.5 million in the fourth quarter of 2016, which was burdened by the end-of-year write-offs at Cerro Bayo.

Mandalay ended the first quarter with $58.9 million in cash and cash equivalents.

First Quarter Operational Highlights

The table below summarizes the Company's capital expenditures and operational unit costs for the three months ended March 31, 2017, December 31, 2016 and March 31, 2016:

		Three months ended March 31, 2017 $'000	Three months ended Dec. 31, 2016 $'000	Three months ended March 31, 2016 $'000
Costerfield				
	Gold produced (oz)	7,987	7,523	12,433
	Antimony produced (t)	741	792	1,000
	Gold equivalent produced (oz)	12,891	12,403	16,966
	Cash cost* per oz gold equivalent produced	$719	$837	$512
	All-in cost* per oz gold equivalent produced	$1,033	$1,096	$724
	Underground capital devel. & open pit prestrip	777	Nil	Nil
	Capital purchases	1,024	1,033	305
	Capital exploration	988	1,010	958
Cerro Bayo				
	Silver produced (oz)	435,076	365,214	515,216
	Gold produced (oz)	2,735	2,807	4,336
	Cash cost* per oz silver net byproduct credit	$14.04	$17.48	$9.76
	All-in cost* per oz silver net byproduct credit	$22.54	$25.99	$18.78
	Underground capital devel. & open pit prestrip	3,228	2,014	1,399
	Capital purchases	417	260	1,427
	Capital exploration	519	762	519
Björkdal				
	Gold produced (oz)	10,648	10,934	12,185
	Cash cost* per oz gold produced	$1,150	$1,160	$821
	All-in cost* per oz gold produced	$1,431	$1,374	$1,059
	Underground capital devel. & open pit prestrip	2,923	2,144	2,767
	Capital purchases	1,764	2,000	992
	Capital exploration	411	948	485
Consolidated				
	Gold equivalent produced (oz)	32,481	31,293	39,965
	Average cash cost* per oz gold equivalent	$987	$1,101	$751
	Average all-in cost* per oz gold equivalent	$1,326	$1,385	$1,042
	Underground capital devel. & open pit prestrip	7,175	4,158	4,136
	Capital purchases	3,317	3,317	2,724
	Capital exploration	2,191	4,179	2,305

*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 12,891 ounces gold equivalent in the first quarter of 2017 was slightly more than in the fourth quarter of 2016 and approximately 25% less than in the year-ago quarter. Lower current production in the first quarter of 2017 compared to the first 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 cost per ounce of gold equivalent than in the year-ago quarter.

Björkdal gold mine, Sweden

In the first quarter of 2017, the average milled head grade was limited by bottlenecks with respect to underground haulage, which limited delivery of the higher-grade underground stope ore, and with respect to open pit blast-hole drilling, which limited tonnage production of ore and waste from the open pit. Both bottlenecks have now been relieved.

Lower grades in the first quarter of 2017 led to lower gold production than in the first quarter of 2016 (but comparable to the fourth quarter of 2016). Consequently, cash operating costs in the current quarter were higher at $1,150 per ounce gold than in the year-ago quarter.

Cerro Bayo silver-gold mine, Patagonia, Chile

Cerro Bayo production in the first quarter of 2017 was lower than in the first quarter of 2016, approximately as expected based on the revised mine plan implemented in response to the ore reserves downgrade at Cerro Bayo announced on February 23, 2017 and corresponding revised 2017 production guidance of February 16, 2017. In that revised guidance, the Company stated that the Delia SE mine would not be able to supply the previously expected volumes of high-grade material in 2017 and that ore grades, and therefore volumes mined and processed, would be substantially lower than previously planned for the year. Through March 31, 2017, the new reserves model is performing well in reserve reconciliations; the mine is delivering ounces and costs in approximation to the revised plan. While metal production is significantly lower and cash cost per silver ounce produced is higher than the year-ago quarter, both have recovered substantially from the fourth quarter of 2016.

Challacollo, Chile

Mandalay has received its water exploration license at the Challacollo silver-gold project in northern Chile, and is commencing its drill program in May to identify the water supply needed to support an eventual mining operation.

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 first quarter of 2017.

Lupin

The Lupin gold mine in Nunavut, Canada, currently held for sale, remained on care and maintenance throughout the period. Spending on care and maintenance at Lupin and Ulu was

$0.1 million during the first quarter of 2017, the same amount as in the first quarter of 2016. On October 31, 2016, the Company entered into a definitive agreement for the sale of the Lupin and Ulu gold projects to WPC Resources. On February 6, 2017, WPC Resources announced a private placement intended to finance the acquisition and advance the project. Mandalay anticipates the transaction to close by the third quarter of 2017.

Reiteration of Previous Full-Year Guidance

Mandalay reiterates its Company consolidated guidance for full-year production, cash cost, capital spending, and exploration spending previously issued (see Mandalay February 16, 2017 press release). Results at individual operations may vary up or down from guidance.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on May 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:	13661457

A replay of the conference call will be available until 23:59 pm (Toronto time), May 25, 2017 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13661457

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 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.