



Mandalay Resources Corporation Announces Production and Sales Results for the Fourth Quarter and Full-Year 2016

TORONTO, ON, January 16, 2017 — Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) announced today its production and sales results for the fourth quarter and full-year 2016. In the fourth quarter of 2016, Mandalay produced a consolidated 31,293 saleable ounces of gold equivalent and sold 29,399 ounces of gold equivalent.

Mark Sander, Chief Executive Officer of Mandalay, commented, "For the full year, we produced 145,497 ounces of gold equivalent, our third highest production year since Mandalay became a producer in late 2009 and only slightly below our revised 2016 full-year guidance (see Mandalay November 2, 2016 press release)."

Dr. Sander continued, "Björkdal produced 10,934 ounces of saleable gold in the fourth quarter of 2016. The quarter includes the month of December, in which Björkdal produced the highest monthly amount of gold since 2003 (under previous ownership). Björkdal's annual production of 48,143 ounces in 2016 is approximately 10% higher than in the previous year and demonstrates year-over-year growth in this, the second full year of Mandalay ownership. This performance shows that our grade control program is producing the desired results. Now that our improved mine planning and execution processes are coordinated, we expect continuous improvements going forward.

"Tests at Björkdal during 2016 showed a significant increase of gold grade in the fine fraction of crushed and screened low-grade material (ranging from 50% to 90+% gold upgrade on <20 to <50 mm size material). The remaining coarser size fractions, of course, contain correspondingly reduced gold grades. However, we also demonstrated that a commercial optical sorting process significantly upgraded the gold content of the coarse fractions by rejecting unvened and low-grade particles and we are now proceeding with detailed engineering for construction of a permanent ore sorting plant later this year.

"In January, 2017, we began to apply this new knowledge of gold grade versus size fraction by initiating commercial-scale crushing and screening of our lower grade "B" quality ore from the active mine and stockpiles, which is generally material with a grade of less than 1.0 g/t gold. Whereas in the past, "B" ore was fed directly to the plant in order to fill the capacity underutilized by the volume of high-grade "A" quality ore, going forward in the short term, "B" ore will be screened and only the upgraded fine fraction will be fed to the plant. The coarse material will be stockpiled for later optical sorting when design and construction of the sorting facility is complete. With this process, we expect a short-term increase in the rate of gold fed to the plant by replacing lower grade, direct-feed "B" ore with upgraded fines from screened "B"

ore and a consequent increase in the rate of gold produced. In addition, when construction of the flotation expansion project is completed later this year, we also expect an increase in gold recovery of approximately 1.7%."

Dr. Sander continued, "Costerfield continued its strong performance throughout 2016, producing and selling near-record amounts of both gold and antimony. Mining and processing at Costerfield are well-controlled, with mill throughput and plant recoveries at approximately constant rates. Therefore, production volume is directly related to mill feed grades, which the mine has proved able to deliver with close reconciliation to the reserve model. The first half of 2016 saw production from the highest grade part of the mine, while the second half saw expected lower grades, which are expected to continue and are fully considered in previously issued 2017 guidance (see Mandalay November 2, 2016 press release)."

Dr. Sander added, "Cerro Bayo finished 2016 within our revised production guidance range. The impact of the production curtailment related to the contractor fatality in September extended into October (see Mandalay October 12, 2016 press release) and the actual post-curtailment development advance rates delivered by the contractor stabilized at a dependable rate later in the fourth quarter. We continue to review life of mine optimisations available at Cerro Bayo in light of emerging development and exploration drilling data as well as upcoming permitting milestones for the dewatering, rehabilitation and restart of the historic Marcela vein, which is an important part of the life of mine plan. Possible impacts on mineral resources, reserves and 2017 guidance are being evaluated at this time and will be disclosed with our normal press releases of full-year 2016 financial results and end-of-year 2016 mineral resources and reserves in February."

Saleable production for the three months ended December 31, 2016:

In the fourth quarter of 2016, the Company produced a total of 21,264 ounces gold, 792 tonnes antimony and 365,214 ounces silver, representing a total of 31,293 ounces of gold equivalent. For comparison, in the year-ago quarter, Mandalay produced 28,948 ounces gold, 937 tonnes of antimony and 725,243 ounces silver, representing a total of 43,393 ounces of gold equivalent.

- Production at Björkdal (Sweden) was 10,934 ounces gold as compared to 10,645 ounces gold in the fourth quarter of 2015. These results were higher than the prior-year period due to better grades resulting from Mandalay's focus on best-practice grade control.
- Production at Costerfield (Australia) was 7,523 ounces gold and 792 tonnes antimony, versus 11,582 ounces gold and 937 tonnes antimony in the fourth quarter of 2015. Lower production in the 2016 quarter was due to expected lower grades fed from the mine to the plant.

- Production at Cerro Bayo (Chile) was 2,807 ounces gold and 365,214 ounces silver, versus 6,901 ounces gold and 725,243 ounces silver in the fourth quarter of 2015 as recovery from the safety-related operational curtailment in September extended into the fourth quarter.

Saleable production for the year ended December 31, 2016:

In the full-year 2016, the Company produced a total of 145,497 ounces of gold equivalent, our third best year ever and slightly below the revised guidance of 149-152 thousand ounces of gold equivalent (see Mandalay November 2, 2016 press release). This includes 103,245 saleable ounces of gold, our second highest total ever, 3,598 tonnes of antimony and 1,731,031 ounces of silver.

- Björkdal produced 48,143 ounces gold, a record under Mandalay ownership, although slightly below our revised guidance.
- Costerfield produced 41,310 ounces gold and 3,598 tonnes antimony, slightly lower volumes than in the previous year and consistent with our revised guidance.
- Cerro Bayo produced 13,792 ounces gold and 1,731,031 ounces silver, in line with our revised guidance and less than in the previous year.

Table 1 – Fourth Quarter and Total Year Saleable Production for 2016 and 2015

Metal	Source	Three months ended 31 December 2016	Three months ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Gold (oz)	Costerfield	7,523	11,582	41,310	42,491
	Cerro Bayo	2,807	6,901	13,792	22,572
	Björkdal	10,934	10,645	48,143	44,039
	Total	21,264	28,948	103,245	109,102
Antimony (t)	Costerfield	792	937	3,598	3,712
Silver (oz)	Cerro Bayo	365,214	725,243	1,731,031	2,545,984
Average quarterly prices:					
Gold US\$/oz		1,218	1,104		
Antimony US\$/t		7,498	5,604		
Silver US\$/oz		17.17	14.76		
Au Eq. (oz) ¹	Costerfield	12,403	16,335	60,076	65,675
	Cerro Bayo	7,956	16,593	37,278	56,965
	Björkdal	10,934	10,465	48,143	44,039
	Total	31,293	43,393	145,497	166,679

¹ Quarterly gold equivalent ounces ("Au Eq. oz") produced is calculated by multiplying the saleable quantities of gold ("Au"), silver ("Ag"), and antimony ("Sb") in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of Au in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken of the last business day; average Sb price in the period is calculated as the average of the daily average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average Ag price in the period is calculated as the average of the daily London Broker's silver spot price for

all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Sales for the three months ended December 31, 2016:

The Company sold 19,445 ounces gold, 883 tonnes antimony, and 320,175 ounces silver, representing a total of 29,399 ounces of gold equivalent.

- Costerfield sold 8,040 ounces gold and 883 tonnes antimony.
- Cerro Bayo sold 2,426 ounces gold and 320,175 ounces silver.
- Björkdal sold 8,979 ounces gold.

Sales for the year ended December 31, 2016:

The Company sold 103,467 ounces gold, 3,573 tonnes antimony and 1,796,693 ounces silver, representing a total of 146,564 ounces of gold equivalent.

- Costerfield sold 40,161 ounces gold and 3,573 tonnes antimony.
- Cerro Bayo sold 15,419 ounces gold and 1,796,693 ounces silver.
- Björkdal sold 47,887 ounces gold.

Table 2 – Third Quarter and Total Year Sales for 2016 and 2015

Metal	Source	Three months ended 31 December 2016	Three months ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Gold (oz)	Costerfield	8,040	11,402	40,161	40,686
	Cerro Bayo	2,426	5,854	15,419	24,489
	Björkdal	8,979	9,385	47,887	42,823
	Total	19,445	26,641	103,467	107,998
Antimony (t)	Costerfield	883	967	3,573	3,563
Silver (oz)	Cerro Bayo	320,175	623,184	1,796,693	2,778,836
Average quarterly prices:					
Gold US\$/oz		1,218	1,104		
Antimony US\$/t		7,498	5,604		
Silver US\$/oz		17.17	14.76		
Au Eq. (oz) ¹	Costerfield	13,480	16,310	58,937	62,985
	Cerro Bayo	6,940	14,182	39,740	62,090
	Björkdal	8,979	9,385	47,887	42,823
	Total	29,399	39,877	146,564	167,808

¹Quarterly Au Eq. oz sold is calculated by multiplying the saleable quantities of Au, Ag, and Sb in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a “total contained value based on market price”, and

then dividing that total contained value by the average market price of Au for the period. The source for all prices is www.metalbulletin.com with price on weekend days and holidays taken of the last business day.

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Sweden and producing and exploration 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 statements regarding the Company's production of gold, silver and antimony for the 2016 fiscal year. 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 30, 2016, a copy of which is available under Mandalay's profile at www.sedar.com. In addition, there can be no assurance that any inferred resources that are discovered as a result of additional drilling will ever be upgraded to proven or probable reserves. 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.