



## **Mandalay Resources Corporation Announces First Quarter 2016 Financial Results and Quarterly Dividend**

TORONTO, ON, May 11, 2016 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of \$50.4 million, adjusted EBITDA of \$17.3 million and consolidated net income before special items of \$1.1 million or \$0.00 per share for the first quarter of 2016. The Company's unaudited consolidated interim financial results for the three months ended March 31, 2016, 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](http://www.sedar.com) and on the Company's website at [www.mandalayresources.com](http://www.mandalayresources.com). All currency references in this press release are in U.S. dollars except as otherwise indicated.

In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of \$3.0 million (6% of the trailing quarter's gross revenue), or \$0.0073 per share (CDN\$0.0094 per share), payable on June 3, 2016, to shareholders of record as of May 24, 2016.

The Company's consolidated net income for the quarter of \$1.1 million (\$0.00 per share) has been adjusted for special items to an adjusted net income of \$1.0 million (\$0.00 per share). Special items excluded from adjusted net income are: tax expense adjustment at Costerfield of \$1.4 million; write-off of \$3.4 million of residual mining interest at Fabiola and Yasna veins at Cerro Bayo and the associated tax savings of \$0.8 million; and tax savings of \$1.4 million upon cancellation of the royalty rights at Cerro Bayo purchased from Coeur Mining during the quarter. For a full reconciliation of the adjustments, please refer to the Adjusted EBITDA Reconciliation to Net Income table found on page 14 of the Company's MD&A for the first quarter of 2016.

Commenting on first quarter 2016 financial results, Dr. Mark Sander, President and CEO of Mandalay, noted, "Mandalay generated strong revenue and EBITDA in the first quarter of 2016, on an annualized pace exceeding last year's revenue and EBITDA, despite lower metal prices relative to the first quarter of 2015. As a result of our continuing low average cash production cost per saleable gold equivalent ounce ("oz Au Eq.") of \$751, we generated 34% EBITDA margins in the quarter. We ended the quarter with \$40.7 million in cash and cash equivalents, down from \$49.2 million at the beginning of the quarter, due to the \$4.0 million cash portion of the Cerro Bayo royalty acquisition and increases in accounts receivables of \$6.0 million mainly due to unsettled shipments sold late in the quarter. Having repurchased the Cerro Bayo royalty from Coeur Mining, the Company has no remaining private royalties on any of its current operations and our shareholders can expect to realize the full benefit of increasing production and metal prices going forward."

Dr. Sander continued, "During the first quarter of 2016, Costerfield continued its excellent operational and financial performance, producing its second highest ever quarterly total of 16,966 oz Au Eq., at a record low cash cost of \$512/oz Au Eq. and all-in cost of \$724/oz Au Eq. Since achieving its maximum daily design throughput rate of 450 tonnes ("t") per day in 2014, the Costerfield team has consistently delivered continuous operational improvements, which in the current quarter include mining record tonnes at record low cost/t and processing record tonnes at record low cost/t. Having completed all major capital items for the current life of mine plan at Costerfield, we receive substantial free cash flow each quarter from the operation. We are working to extend the mine life through drilling lodes below the King Cobra fault, approximately 100 metres deeper than the current Cuffley workings, and by applying recent, sustainably lower operating costs to evaluation of resources already drilled in the Brunswick lode adjacent to the plant."

Dr. Sander added, "Our underground grade control program at Björkdal started to demonstrate success in the first quarter for the first time since our acquisition of the project. We were able to deliver on-vein development grades in excess of 2.5 grams of gold per tonne ("g/t Au") and stoping grades in excess of 1.75 g/t Au for the last two months of the quarter. As a result, the mine produced its second highest amount of gold (12,185 oz) at its second lowest cash cost (\$821/oz Au) under Mandalay ownership. Key to further improvement is accelerating the rate of underground development so that we can consistently deliver 2 g/t Au reserve grade to the plant. This acceleration process is well underway. The Company also initiated a grab sample program for grade control in the open pit with the aim of better delineating the mineralization within blasts and improving the overall production grade from the open pit. The grade improvement from this procedural change is expected to be seen for the remainder of the year. We also expect to start our large scale (60,000 t) optical ore sorting test in the second quarter to assess our ability to upgrade lower-grade development ore that is currently being transported to the low-grade stockpile.

"Cerro Bayo continued its transition from the depleted Yasna and Fabiola veins to the new Delia SE and Coyita mines during the first quarter of 2016. At Delia SE, we commenced stoping, a few months delayed due to slower on-vein and capital development than planned arising from poorer ground conditions than anticipated. The Company received governmental permission during the first quarter to begin extracting and processing ore from Coyita and on-vein development of ore blocks has now started. We plan to mobilize a contractor late in the second quarter to accelerate capital and on-vein development, increasing the developed state of the mines and allowing a return to mining and processing average reserve grades at our plant design rate of 1,400 t/day. Despite the development bottleneck, the mine and plant have been producing and processing high rates of ore at the lowest unit costs to date over the last few quarters. We anticipate a return to our historical strong financial performance at Cerro Bayo when the mine reaches its target state of development and head grades return to historical averages.

"We continued advancing our Challacollo development project during the quarter, applying for new water rights to support our preferred processing alternative. We also expect to recommence exploration on the property later in the year."

Dr. Sander concluded, "Given our strong overall performance in the quarter, we are maintaining our guidance for corporate consolidated 2016 production, average cash production costs, and capital spending as set out in our January 13, 2016 press release."

### **First Quarter 2016 Financial Highlights**

The following table summarizes the Company's financial results for the three months ended March 31, 2016 and 2015:

<b>Particulars</b>	<b>Three months Ended March 31, 2016</b>	<b>Three months Ended March 31, 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	50,442	56,779
Adjusted EBITDA	17,262	24,267
Income from mine operations before depreciation and depletion	19,016	25,785
Adjusted net income before special items	1,020	12,484
Consolidated net income	1,149	11,762
Cash capex	9,057	13,001
Total assets	357,117	357,202
Total liabilities	142,190	138,603
Adjusted net income per share	0.00	0.03
Consolidated net income per share	0.00	0.03

The declines in revenue and adjusted EBITDA during the first quarter of 2016 relative to the first quarter of 2015 were principally due to lower realized metal prices. (2.3% lower for Au, 10.8% lower for silver ("Ag"), and 35.0% lower for antimony ("Sb"). Factors affecting sales volumes include lower Ag and Au production at Cerro Bayo. Year-on-year operational country exchange rates declines of 8% for the Australian dollar, 12% for the Chilean peso and 1% for the Swedish krona as well as 29% lower petroleum prices partly helped offset the impact of lower metal prices.

During the first quarter of 2016, cash capex was approximately \$4.0 million lower than in the same quarter of 2015. Virtually all of this decrease was due to completion of the life of mine capital program at Costerfield, where spending was \$1.3 million in 2016 versus \$5.0 million in the first quarter of 2015.

During the three months ended March 31, 2016, the Company paid out a total of \$2.7 million in dividends and \$4.0 million for the cancellation of the Coeur Mining royalty at Cerro Bayo.

## **First Quarter 2016 Operational Highlights**

The table below summarizes the Company's capital expenditures and operational unit costs for the first quarter of 2016.

	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital development	9,896	6,891
Capital purchases	2,790	4,259
Capital exploration	2,565	2,000
Cerro Bayo: Cash cost per oz Ag produced net of Au byproduct credit	\$9.76	\$10.09
Cerro Bayo: Site all-in cost per oz Ag produced net of Au byproduct credit	\$18.78	\$17.61
Costerfield: Cash cost per oz Au Eq. produced	\$512	\$566
Costerfield: Site all-in cost per oz Au Eq. produced	\$724	\$774
Björkdal: Cash cost per oz Au produced	\$821	\$797
Björkdal: Site all-in cost per oz Au produced	\$1,059	\$1,016
Company average Cash Cost per oz Au Eq.	\$751	\$742
Company average All-in Cost per oz Au Eq.	\$1,042	\$1,010

Capital development includes the value of the Cerro Bayo royalty purchase of \$5.7 million.

### **Costerfield gold-antimony mine, Victoria, Australia**

Costerfield mined and processed record amounts of ore (44,192 t and 39,635 t, respectively) at record low costs (\$125/t and \$33.36/t respectively). This excellent performance led to another good quarter in terms of quantities of Au and Sb produced and sold at low cash (\$512/oz Au Eq.) and all-in (\$724/oz Au Eq.) operating cost. Sustaining capital continued at a low rate, as all major capital programs necessary for the current life of mine plan were completed in the third quarter of 2015.

### **Björkdal gold mine, Sweden**

The full-scale implementation of the Company's underground on-vein grade control process was a success during the quarter. The Company is now focused on accelerating the mining rate using this process to improve the average grade milled in a sustained fashion. Despite this success, during the first quarter of 2016, the average milled grade of 1.35 g/t Au, was slightly less than the 1.37 g/t Au for the first quarter of 2015. This is because the grade control process results in discarding 30-40% of low-grade on-vein development material, which in the first quarter was replaced in the mill by stockpile material averaging only 0.73 g/t Au. Over the coming months, the Company expects that accelerating the rate of underground development will allow it to increase the feed rate of selected high-grade underground material to the mill, displacing lower-grade stockpile material to raise the overall gold grade and production.

Average mining costs rose from \$19.94/t in the first quarter of 2015 to \$24.57/t in 2016. Mining costs increased in the first quarter of 2016 as additional spending for grade control mapping,

sampling and assaying, and selective mining were incurred and total mining costs were spread over fewer tonnes due to low-grade on-vein development material being discarded in accordance with the Company's grade improvement plan. These mining costs were offset by higher gold production to produce gold at similar cash costs. Processing costs declined slightly from \$6.79/t in 2015 to \$6.48/t in 2016 while the plant recovered slightly over 88% of contained Au.

#### Cerro Bayo silver-gold mine, Patagonia, Chile

In the first quarter, the mines at Cerro Bayo delivered lower grades to the mill than in the previous year, resulting in lower silver and gold production. Excellent control of operating costs and favorable exchange rate movement resulted in lower per unit mining costs (declining to \$47.56/t from \$54.00/t in 2015) and processing costs (declining to \$20.89/t from \$23.85/t in 2015). The net result was production of fewer ounces of Ag (515,216) at higher cash cost net of gold credits (\$9.76/oz) than in the first quarter of 2015. All-in cost per Ag oz net of Au credits is \$18.78.

#### Challacollo, Chile

At the Challacollo silver-gold project in northern Chile, claims and applications for water exploration permits were filed. The Company expects to commence drilling for water upon receipt of permits.

#### La Quebrada and Lupin

The La Quebrada copper-silver project in central Chile and the Lupin gold mine in Nunavut, Canada, both currently held for sale, remained on care and maintenance through the period.

### **Conference Call**

Mandalay's management will be hosting a conference call for investors and analysts on May 12, 2016 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:	13635838

A replay of the conference call will be available until 23:59 pm (Toronto time), May 26, 2016 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13635838

**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 30, 2016 a copy of which is available under Mandalay's profile at [www.sedar.com](http://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 and all-in costs, which are all 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 our 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 earnings before interest, taxes, non-cash charges and finance costs. For a detailed reconciliation of net income to adjusted EBITDA, please refer to page 13 of management's discussion and analysis of the Company's financial statements for the first quarter of 2016.

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

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.

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, saleable gold equivalent ounces is calculated by multiplying the saleable quantities of Au, Ag and Sb in the period by the respective average market price of the commodities in the period, adding the three amounts to get "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 from the last business day; average Sb price in the period is calculated as the 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](http://www.metalbulletin.com).

The corporate average cash cost per saleable Au Eq. oz is calculated by summing the cash operating costs for producing the corporate total saleable oz Au Eq. in the period and dividing by the saleable Au Eq. oz.

The corporate average all-in sustaining cost per Au Eq. oz is calculated by summing across the Company the cash operating costs, royalty costs, accretion, depletion, depreciation and amortization. The total is then divided by the corporate total saleable Au Eq. oz to arrive at an average all-in sustaining cost/ oz Au Eq.