Mandalay Resources Announces Financial Results and Quarterly Dividend for the Second Quarter of 2014

TORONTO, ON, August 6, 2014 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) announced today revenue of $44.9 million, adjusted EBITDA of $16.4 million and net income of $4.9 million or $0.01 per share for the second quarter of 2014. The Company's unaudited consolidated financial results for the three and six months ended June 30, 2014, 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.

In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of $2,693,278 (6% of the trailing quarter's gross revenue), or $0.0079 per share (CDN$ 0.0086 per share), payable on August 28, 2014 to shareholders of record as of August 18, 2014.

Brad Mills, Chief Executive Officer of Mandalay, commented, "Cerro Bayo and Costerfield delivered steady operational and financial performance in the second quarter. This result is especially pleasing given the various transition issues the business faced in the quarter as it ramped up production at Cerro Bayo to 1,400 tpd from 1,200 tpd and transitioned mining from the W-lode to the Cuffley lode at Costerfield. Cerro Bayo achieved its new design rate at the end of June and we started delivering the first stoping ore tonnes from Cuffley in August.

Unit costs for both mines were within the expected range for the period and half year. Cerro Bayo cash costs were notable at under $6/ounce of silver produced net of gold credits. Costerfield unit costs were impacted a bit negatively during the quarter due to variety of transition issues related to the Cuffley mine startup and are expected to improve significantly in the second half of the year. With both of the growth projects nearing completion, we expect to see volumes improve in the second half and costs decrease further.

During the quarter, the Company also secured $60 million in 5.875% five year debt to ensure the funding of the Challacollo development project and announced the acquisition of Elgin Mining Inc. With a quarter-end cash balance of $69 million and a working capital balance of $93 million, the Company is in an excellent financial position to deliver the growth of both the Challacollo project and Björkdal mine in the coming years."

Second Quarter 2014 Financial Highlights

The following table summarizes the Company's financial results for the second quarter of 2014 and 2013:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Revenue	44,887,966	35,903,497	82,979,810	77,528,185
Adjusted EBITDA	16,403,983	10,989,749	32,430,649	30,827,831
Income from mine operations	10,549,487	5,043,404	20,981,620	20,828,470
Net Income/ (Loss)	4,935,833	3,104,793	10,679,906	14,008,907
Total assets	273,952,425	184,849,080	273,952,425	184,849,080
Total liabilities	98,737,432	39,810,925	98,737,432	39,810,925
Earnings/ (Loss) per share	0.01	0.01	0.03	0.04

The increases in revenue, adjusted EBITDA and profit during the second quarter of 2014 over the same quarter in 2013 were principally due to the higher volumes sold and increases in metal prices.

Net income is inclusive of a non-cash, non-operating loss of $148,040 related to mark-to-market adjustments of financing warrants and an AUD/USD currency option and deferred tax income of $10,967. Excluding these items, income after tax from underlying operations for the second quarter was $5,072,906 ($0.01 per share). By comparison, in the second quarter of 2013 the Company's net income of $3,104,793 ($0.01 per share) was inclusive of non-cash, non-operating gain of $422,359 related to mark-to-market adjustments of financing warrants and deferred tax recovery of $1,757,773. Excluding these items, income after tax from underlying operations in the second quarter of 2013 was $924,661 ($0.00 per share).

On May 26, 2014, Mandalay paid a quarterly dividend in the aggregate amount of $2,334,883 (CDN$ 0.0074 per share). In May, 2014 Mandalay completed a $60 million five year 5.875% debt financing (see press release of May 14, 2014). Cash and cash equivalents of the Company were $69 million as of June 30, 2014 compared to $23.9 million as of June 30, 2013.

Second Quarter 2014 Operational Highlights

Costerfield gold-antimony mine, Victoria, Australia

In the second quarter of 2014, Costerfield produced 7,256 ounces ("oz") of saleable gold ("Au") and 855 tonnes ("t") of saleable antimony ("Sb"), versus 6,879 oz Au and 738 t Sb in the second quarter of 2013.

Cash cost per Au Eq. oz produced in the second quarter of 2014 was $989 versus $917 in the second quarter of 2013. The higher cash cost per oz in the second quarter of 2014 was mainly due to higher operating costs incurred in the transition of mining from the W-lode to the Cuffley lode and higher environmental and community related issues associated with addressing potential antimony crusher dust dispersion. The site all-in cost per Au eq. oz produced in the second quarter of 2014 was $1,278, versus $1,178 in the second quarter of 2013. The Company expects this cost to decline materially as it ramps up mining in the Cuffley lode.

Cerro Bayo silver-gold mine, Patagonia, Chile

During the second quarter of 2014, the Cerro Bayo mine produced 741,382 oz of saleable silver ("Ag") and a record 6,823 oz of saleable Au, versus 921,895 oz Ag and 6,167 oz Au in the second quarter of 2013. The variation in production quantities is attributable to the higher tonnes mined and processed in the current quarter as the Company increased production toward 1,400 tpd. Silver grades were lower than the comparable quarter and gold grades mined were higher.

Cash cost per oz Ag produced net of Au by-product was $5.83 during the second quarter of 2014, lower than the $6.12 in the second quarter of 2013, principally due to higher Au credits achieved arising from a higher Au price and higher Au production. Site all-in costs were $12.08/oz versus $11.54/oz in the previous year.

Conference Call

Mandalay Management will be hosting a conference call for investors and analysts on August 7, 2014 at 8:00 am (Toronto time). Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number (International/Local): (416) 764-8688
Participant Number (Toll free North America): (888) 390-0546
Conference ID: 46269373

A replay of the conference call will be available until 23:59 pm (Toronto time), August 21, 2014 and can be accessed using the following dial-in numbers:

Encore Toll Free Dial-in Number: 1-888-390-0541
Local Dial-in-Number: (416) 764-8677
Encore ID: 269373

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 and producing 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 and the Americas 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 in future year or years. 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 28, 2014, 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, cash cost per ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, site all-in cost per ounce of gold equivalent produced and site all-in cost per saleable ounce of silver produced net of gold credits, 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 measures of operating performance to assist in comparing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and to assist in financial performance from period to period on a consistent basis. 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 11 of management's discussion and analysis of the Company's financial statements for the second quarter of 2014.

Equivalent gold ounces produced is calculated by adding to gold ounces produced, the 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 equivalent ounces produced in the period is then divided by the equivalent gold ounces produced to yield the cash cost per equivalent ounce produced. The cash cost excludes royalty expenses. Values for 2013 have been re-calculated accordingly. Site all-in costs include total cash operating costs, royalty expense, depletion, depreciation, accretion and write-off of exploration and evaluation. The site all-in cost is then divided by the equivalent gold ounces produced to yield the site all-in cost per equivalent ounce produced.

The cash cost per silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals 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 silver ounces produced in the period. The cash cost excludes royalty expenses. The site all-in cost per silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, depletion, depreciation, accretion and write-off of exploration and evaluation to the cash cost net of gold byproduct credit dividing the resultant number by the silver ounces produced in the period.