

Mandalay Resources Corporation Announces Fourth Quarter and Full-Year 2019 Financial Results

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TORONTO, Feb. 20, 2020 - [Mandalay Resources Corp.](#) ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced its audited financial results for the year ended December 31, 2019.

The Company's consolidated financial results for the year ended December 31, 2019, 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.

For the fourth quarter of 2019, the Company generated revenue of \$22.7 million, adjusted EBITDA of \$4.7 million and an adjusted net loss before special items of \$4.2 million, or \$0.05 loss per share.

For the full-year 2019, Mandalay generated revenue of \$107.8 million and adjusted EBITDA of \$18.8 million. The Company reported a consolidated net loss for the year of \$18.6 million, or \$0.23 loss per share. Of this consolidated net loss, \$5.0 million was related to the non-cash write down of several of the Company's non-core assets.

Commenting on the results, Dominic Duffy, President and CEO of Mandalay, noted, "As previously reported, 2019 was a challenging year for the Company and a year of transition. We have been building the future of the Company and creating the foundation for upcoming periods of sustainable growth and profitability as we enter high-grades areas of each mine."

Mr. Duffy added, "The Company's 2019 financial performance was adversely impacted by operational challenges from the Brunswick vein at Costerfield. Despite this, the fourth quarter of 2019 saw significant improvements in processed grades as production from the Youle vein increased, averaging 6.9 g/t gold and 3.6% antimony over the quarter and 8.5 g/t gold and 3.9% antimony over December. As a result, the fourth quarter of 2019 generated \$10.4 million in revenue, a 46% improvement relative to the previous quarter. The Company is encouraged with the grades encountered at Youle to date, confirming the vein to be extremely high-grade, and able to be the catalyst for substantial improvement at Costerfield."

Mr. Duffy added, "At Björkdal, the site maintained its stable production and sales, generating \$23.0 million in adjusted EBITDA for 2019. The increase in revenue year-over-year was aided by the higher levels of ounces sold and stronger realized gold prices. Considerable strides were made at site in reducing overall costs. Full year 2019 cash and all-in costs were \$945 and \$1,205 per ounce of gold produced, a reduction of around 18% for both, as compared to 2018. This was accomplished mainly through increased production and realized cost savings."

Mr. Duffy added, "In addition, the Company successfully completed transactions on its non-core assets in 2019 with the aim to add value and minimize or eliminate care and maintenance costs, including option agreements for Cerro Bayo and Challacollo, the sale of Challacollo concessions to third parties, and the sale of the Ulu project in Nunavut. Lupin remains on a path to full closure, funded by the existing reclamation security."

Mr. Duffy concluded, "Mandalay ended the year with a cash balance of \$24.5 million. The Company continues to be committed and actively working towards long-term debt restructuring options in order to alleviate the short-term repayment obligations on its current facilities. The Company has advanced

discussions with lenders in respect of a potential new senior credit facility. We are expecting to have an announcement to the market on this in due course.

Fourth Quarter and Full-Year 2019 Financial Summary

The following table summarizes the Company's financial results for the three months and year ended December 31, 2019 and 2018:

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
	\$'000	\$'000	\$'000	\$'000
Revenue	22,737	22,711	107,795	112,168
Cost of sales	17,034	23,799	83,623	92,990
Adjusted EBITDA*	4,732	(1,893)	18,804	13,311
Income from mine ops before depreciation, depletion	5,703	(1,088)	24,172	19,178
Adjusted net loss before special items*	(4,224)	(11,475)	(10,403)	(20,523)
Consolidated net loss	(5,328)	(31,299)	(18,649)	(63,718)
Capital expenditure	(10,225)	(15,997)	(37,969)	(51,284)
Total assets	258,592	237,703	258,592	237,703
Total liabilities	146,840	141,567	146,840	141,567
Adjusted net loss per share*	(0.05)	(0.25)	(0.13)	(0.45)
Consolidated net loss per share**	(0.07)	(0.69)	(0.23)	(1.41)

*Adjusted EBITDA, adjusted net loss before special items and adjusted net loss per share are non-IFRS measures, defined at the end of this press release.

**As a result of share consolidation on July 2, 2019, the Company has restated its number of common shares and the income (loss) per share for all periods presented.

In the fourth quarter of 2019, Mandalay sold 2,171 fewer gold equivalent ounces than in the fourth quarter of 2018. The Company's realized gold price increased by 12% as compared to fourth quarter of 2018, while the realized price of antimony declined by 26%. The net effect is that Mandalay's revenue of \$22.7 million in the fourth quarter of 2019 was in line with the fourth quarter of 2018.

Cash cost per ounce of \$1,128 decreased by 14% in the fourth quarter of 2019 compared to the prior year quarter, mainly due to the cost of sales. Cost of sales during the fourth quarter of 2019 versus the fourth quarter of 2018 were \$2.6 million lower at Costerfield and \$4.3 million lower at Björkdal. Consolidated general and administrative costs were broadly in line between the quarters.

Mandalay generated adjusted EBITDA of \$4.7 million in the fourth quarter of 2019, versus negative adjusted EBITDA of \$1.9 million in the fourth quarter of 2018. This led to a consolidated net loss of \$5.3 million for the fourth quarter of 2019, versus a loss of \$31.3 million in the fourth quarter of 2018.

Mandalay ended 2019 with \$24.5 million in cash and cash equivalents (including \$15.0 million of restricted cash).

Fourth Quarter and Full-Year 2019 Operational Summary

The table below summarizes the Company's capital expenditures and operational unit costs for the three months and year ended December 31, 2019 and 2018:

Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019
\$'000	\$'000	\$'000

Björkdal

Gold produced (oz)	10,990	10,482	51,498
Cash cost* per oz gold produced	1,071	1,497	945
All-in cost* per oz gold produced	1,314	1,794	1,205
Capital development	1,441	2,229	6,939
Property, plant and equipment purchases	3,408	7,906	10,162
Capitalized exploration	768	266	1,472

Costerfield

Gold produced (oz)	4,749	4,948	15,258
Antimony produced (t)	684	561	2,032
Gold equivalent produced (oz)	7,604	8,691	25,161
Cash cost* per oz gold eq. produced	1,083	962	1,313
All-in cost* per oz gold eq. produced	1,453	1,391	1,742
Capital development	3,776	2,478	13,967
Property, plant and equipment purchases	349	1,498	3,422
Capitalized exploration	461	1,141	1,776

Consolidated

Gold equivalent produced (oz)	18,594	19,173	76,659
Cash cost* per oz gold eq. produced	1,128	1,311	1,133
All-in cost* per oz gold eq. produced	1,449	1,709	1,467
Capital development	5,217	4,707	20,906
Property, plant and equipment purchases	3,757	9,404	13,584
Capitalized exploration**	1,251	1,886	3,479

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

**Includes capitalized exploration relating to other non-core assets.

Björkdal gold mine, Skellefteå, Sweden

Björkdal produced 10,990 ounces of gold in the fourth quarter of 2019 with cash and all-in costs of \$1,071/oz and \$1,314/oz, respectively, compared to cash and all-in costs of \$1,497/oz and \$1,794/oz, respectively, in the fourth quarter of 2018.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 4,749 ounces of gold and 684 tonnes of antimony for 7,604 gold equivalent ounces in the fourth quarter of 2019. Due to the lower gold equivalent ounces produced, cash and all-in costs at Costerfield rose to \$1,083/oz and \$1,453/oz, respectively, compared to cash and all-in costs of \$962/oz and \$1,391/oz, respectively, in the fourth quarter of 2018.

Cerro Bayo silver-gold mine, Patagonia, Chile

On October 8, 2019, the Company entered into a binding option agreement with Equus Mining ("Equus") for the potential sale of the Cerro Bayo mine in Chile. The signing of this agreement had no impact on the carrying value of the Cerro Bayo mine as at December 31, 2019. See announcement press released October 8, 2019.

No production occurred at Cerro Bayo during 2019 and it remained on care and maintenance through the period. In fourth quarter of 2019, the Company spent \$0.6 million on care and maintenance expenses at Cerro Bayo compared to \$5.7 million (which includes \$5.1 million of consumables inventory write down) in the fourth quarter of 2018.

Lupin and Ulu, Canada

Care and maintenance spending at Lupin and Ulu was \$0.1 million during the fourth quarter ending December 31, 2019, approximately equivalent to the prior year periods. Reclamation spending at Lupin and care and maintenance at Ulu was \$0.2 million during the fourth quarter of 2019 compared to \$1.5 million in fourth quarter of 2018. For the year ending December 31, 2019, reclamation spending was \$1.9 million compared to \$4.3 million in the prior year period.

On December 24, 2019, the Company sold its Ulu mine to Blue Star Gold Corporation and received its final payment of CAD\$450,000 (total sales proceeds of CAD\$950,000 before sales of its share in Blue Star). As part of the sale, the Company identified an indicator of impairment for Ulu based on the sales value less costs to dispose. A write down of \$1.0 million was recognized during 2019.

As a result of the exercise of the signing of the Ulu option agreement, the Company identified an indicator of impairment for the Lupin mine, which is located near the Ulu property. The Company has valued the assets at fair value less costs to dispose of the asset. As a result of this, a write down of \$4.0 million was recognized in 2019.

Challacollo, Chile

On November 12, 2019, The Company announced that it has entered into a definitive agreement with [Aftermath Silver Ltd.](#) (“Aftermath”) in respect of the previously announced transaction in which Aftermath will acquire Minera Mandalay Challacollo Limitada (“MMC”), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile. Pursuant to the terms of the transaction, Aftermath will purchase 100% of MMC in exchange for total consideration of up to CAD\$10.5 million, consisting of CAD\$7.5 million in non-contingent consideration (the “Non-Contingent Consideration”) plus a 3% net smelter returns royalty on production at Challacollo, capped at CAD\$3.0 million.

The Non-Contingent Consideration is payable as follows:

- CAD\$1.0 million in cash payable on or before December 30, 2019;
- CAD\$1.0 million in cash payable on or before December 30, 2020; and
- CAD\$5.5 million in cash/shares payable on or before April 21, 2021.

During the fourth quarter of 2019, the Company had received the first CAD\$1.0 million payment. In addition, the Company signed on November 28, 2018, a binding agreement with a third party for the acquisition of certain easement properties which comprise part of the Challacollo property for consideration of \$2.0 million, which is net of payments due to the holders of royalties and other encumbrances on these concessions. During the fourth quarter of 2019, the Company had received \$1.0 million of this total amount.

La Quebrada, Chile

The La Quebrada copper-silver project in central Chile remained held for sale throughout the period.

Conference Call

Mandalay’s management will be hosting a conference call for investors and analysts on February 21, 2020 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: 13699142

A replay of the conference call will be available until 11:59 PM (Toronto time), March 06, 2020 and can be accessed using the following dial-in number:

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

Encore ID: 13699142

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 Sweden, and care and maintenance and development projects in Chile. The Company is focused on growing production at its gold and antimony operation in Australia, and gold production from its operation in Sweden to generate near-term cash flow.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including statements regarding guidance as to anticipated gold, 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 28, 2019 and Mandalay's prospectus supplement dated February 12, 2019, copies of which are 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.

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 gold and, all-in costs, 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. A reconciliation between adjusted EBITDA and net income will be included in the MD&A.

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 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.

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