

Elgin Mining Provides Update and Enters into Amended and Restated Arrangement Agreement with Mandalay Resources

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[Elgin Mining Inc.](#) ("Elgin Mining" or the "Company") (TSX:ELG) is pleased to provide the following update on the previously announced transaction with [Mandalay Resources Corp.](#) ("Mandalay") (TSX:MND). Elgin Mining has now reached a resolution on all outstanding reclamation obligations relating to its former coal operations in Kentucky, and these are to Mandalay's satisfaction. Elgin Mining has filed amended and restated interim financial statements and management's discussion and analysis for the three months ended March 31, 2014 to reflect this settlement. The parties have also entered into an amended and restated arrangement agreement ("Amended and Restated Arrangement Agreement") dated July 25, 2014 with respect to the previously announced acquisition by Mandalay of all the outstanding common shares of Elgin Mining for consideration consisting of C\$0.37 cash or 0.4111 of a Mandalay common share per Elgin Mining common share, subject to pro ration, by way of plan of arrangement (the "Arrangement").

The Amended and Restated Arrangement Agreement increases the amount of cash consideration available to C\$27 million (from C\$25 million as previously disclosed) in order to accommodate any exercise of Elgin Mining's outstanding share purchase warrants ("Warrants") as a result of Elgin Mining's acceleration of the expiry date of its Warrants to August 26, 2014. As a result of such acceleration, no Warrants will be outstanding after the close of business on August 26, 2014.

Q2-2014 Gold Production

The Björkdal mine had an excellent second quarter of production of 12,098 ounces of gold. Production was from the processing of a mix of open pit and underground ores. Gold production for Q3-2014 also started strongly in July, which is normally a low month for gold and ore production due to the vacation period in Sweden reducing the availability of both Company miners and mine contractors.

Shareholders' Meeting

Elgin's shareholders' meeting (the "Meeting") to approve the Arrangement is scheduled to occur on Wednesday, September 3, 2014 at 8:00 am EDT at the offices of Cassels Brock & Blackwell LLP, Scotia Plaza, 40 King Street West, Suite 2100, Toronto, Ontario. Relevant Meeting materials providing further details of the transaction are expected to be mailed on August 1, 2014. Assuming receipt of all necessary court and shareholder approvals and the satisfaction of all other conditions, closing is expected to occur on or about September 10, 2014.

Revised Interim Financial Reports for the Three Months ended March 31, 2014

The Company's previously filed interim financial statements for the three months ended March 31, 2014 reflected a provision for reclamation and closure for its former US coal operations in the amount of US\$2,562,834. This reclamation estimate was based on the amount of reclamation bonds posted by the Company and held by the state of Kentucky as financial security for the performance of the Company's required reclamation activities.

Since April 2014, the Company has been working with an experienced local consultant and external counsel to reach a settlement whereby the Company would achieve a full and final release of all remaining coal reclamation obligations. The final amounts of the reclamation settlements with both the state of Kentucky and the US Army Corps of Engineers, and including consultant fees, are expected to total US\$10,364,567. The Company has determined that the dollar amount of the settlements reached with the respective US government agencies provide a better estimate of the Company's reclamation liabilities that existed at March 31, 2014 than the amount previously provided for in the interim financial statements which were filed on May 13, 2014.

As a result, the Company has amended and restated its interim financial statements and management's

discussion and analysis for the three months ended March 31, 2014 to increase its coal reclamation liability to the expected costs of the settlements of US\$10,364,567, and to include disclosure of events occurring subsequent to the date of the filings on May 13, 2014.

Elgin Mining Inc.

Elgin Mining is a Canadian based company focused on production at the Björkdal gold mine in Sweden. In addition, Elgin Mining's portfolio includes the Lupin and Ulu gold projects located in Nunavut, Canada.

For further information, please visit the Company's web site at www.elginmining.com.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of securities legislation and which are based on the expectations, estimates and projections of management of Elgin as of the date of this news release unless otherwise stated. Forward-looking statements are generally identifiable by use of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" or the negative of these words or other variations on these words or comparable terminology. More particularly, and without limitation, this news release contains forward-looking statements and information concerning expectations regarding the consideration to be issued pursuant to the transaction, the ability of Elgin to consummate the transaction on the terms and in the manner contemplated thereby and the expected timing of the closing of the Arrangement. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the time required to prepare and mail meeting materials to Elgin shareholders, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary court, shareholder, stock exchange and regulatory approvals and the ability of the parties to satisfy, in a timely manner, the conditions to the closing of the transaction, as well as other uncertainties and risk factors set out in filings made from time to time by Elgin with the Canadian securities regulators, including, without limitation, Elgin's annual information form dated March 21, 2014, which is available on SEDAR at www.sedar.com. Actual results, developments and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements.

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