

Mandalay Resources Corporation Announces Non-Binding Letter of Intent to Sell the Challacollo Silver-Gold Project in Chile

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TORONTO, Aug. 01, 2018 -- [Mandalay Resources Corp.](#) ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) is pleased to announce that it has entered into a non-binding letter of intent with Aftermath Silver (“Aftermath”) (TSX-V:AAG.H), pursuant to which Aftermath will acquire Minera Mandalay Challacollo Limitada (“MMC”), which currently owns the Challacollo silver-gold project located in Region I (Tarapaca) of Chile (the “Challacollo Project”), in exchange for total consideration of CAD\$11,625,000 (the “Consideration”).

Dominic Duffy, President and Chief Executive Officer of Mandalay, commented, “We are pleased to announce the proposed sale of the Challacollo Project to Aftermath Silver. One of Mandalay’s key strategic objectives for 2018 was to maximize the value of our portfolio through the sale of non-core assets. The proposed sale of Challacollo will allow us to realize substantial value for the asset, while continuing our focus on streamlining operations at our two producing assets, strengthening our balance sheet, and positioning Mandalay for future growth.”

Mr. Duffy concluded, “We are pleased to be working with the Aftermath team, who have the significant industry experience and complementary skillsets that we believe are necessary to create additional value for developing a project such as Challacollo. Aftermath is led by a team of highly experienced industry executives including Michael Williams (President & CEO of [Vendetta Mining Corp.](#)), Sean Hurd (Mining Financier and Executive), Peter Voulgaris (a geologist and engineer with over 20 years of experience, including some of Australia’s largest gold mines and at Ivanhoe Mine’s Oyu Tologu project), and David Terry (a geologist, advanced project specialist, and independent Director of Golden Arrow Resources). We look forward to working with them on this transaction, and look forward to seeing the value they will unlock at Challacollo.”

Pursuant to the proposed terms of the transaction, the Consideration payable to Mandalay for MMC would consist of:

1. CAD\$1,000,000 in cash payable on the closing date of the transaction (the “Closing Date”);
2. CAD\$1,250,000 in cash payable not later than the 18-month anniversary of the Closing Date;
3. CAD\$1,500,000 in cash payable not later than the first to occur of:
 - completion of a National Instrument 43-101 feasibility study in respect of the Challacollo Project,
 - completion of a National Instrument 43-101 mineral resource estimate in respect of the Challacollo Project with total resources of not less than 50,000,000 silver equivalent ounces, and
 - 18 months from when the Environmental Assessment Decision (“Resolución de Calificación Ambiental”) associated with the environmental assessment process that is currently in progress for the execution of a drilling campaign at the Challacollo Project is granted;
4. a payment to be paid not later than November 30, 2019 consisting of, at Aftermath’s option,
 - CAD\$7,875,000 cash; or
 - that number of common shares of Aftermath (the “Aftermath Shares”) equal to (i) CAD\$7,875,000 divided by (ii) the closing price of the Aftermath Shares on the trading day immediately prior to the day on which such payment is made (the “Share Price”); or
 - any combination of cash and Aftermath Shares with an aggregate value (based on the Share Price) of CAD\$7,875,000, provided that in no event the number of Aftermath Shares issued to Mandalay represent, immediately following the issuance of such shares, more than 49% of the number of outstanding Aftermath Shares.

In connection with the transaction:

- Aftermath will assume Mandalay's existing contingent share and silver delivery payment obligations with respect to the Challacollo Project under the terms of a share purchase agreement dated December 19, 2013 among Silver Standard Resources Inc., Silver Standard Ventures Inc., Mandalay and Mandalay Resources (Chile) SPA, and other existing royalties; and
- Aftermath and Mandalay will enter into an investor rights agreement pursuant to which Mandalay will have the right to participate in future equity offerings by Aftermath in order to maintain its pro rata ownership interest and, for as long as Mandalay owns at least 10% of Aftermath's outstanding shares, to nominate one member of Aftermath's board of directors. Aftermath will have a right of first refusal to purchase any Aftermath shares that Mandalay proposes to sell for as long as Mandalay owns at least 20% of Aftermath's outstanding shares.

Completion of the transaction is subject to a number of conditions precedent, including execution of definitive agreements in respect of the transaction, approval of the transaction by the shareholders of Aftermath, TSX Venture Exchange approval and the receipt of all necessary third party consents.

Aftermath Silver is a TSX-V listed company led by an experienced team of industry executives with extensive industry knowledge and a track record of advancing and adding value to mining development projects. Aftermath recently acquired the Cachinal project in Chile (80% ownership) which is a low-sulphidation epithermal deposit which currently hosts 18.4M indicated and 3M inferred ounces of silver. Aftermath intends to develop a parallel exploration program at both Cachinal and Challacollo immediately after transaction closing. At Challacollo, exploration can begin immediately on existing drill pads as permitting for new drill pads is completed.

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, as well as care and maintenance 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.

About Aftermath Silver Ltd:

[Aftermath Silver Ltd.](#) is a Canadian junior exploration company engaged in acquiring, exploring, and developing mineral properties with an emphasis on silver in Chile. The Company is focused on growth through the discovery and acquisition of quality projects in stable jurisdictions. Aftermath continues to seek new opportunities to take advantage of the relatively low silver price.

Forward-Looking Statements:

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including statements regarding the proposed sale of MMC to Aftermath Silver. There is no assurance that the proposed transaction will be completed on the terms set out in this press release or at all. 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 29, 2018, 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.

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