

Mandalay Resources Corporation Announces Closing of Financing Transaction

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TORONTO, Feb. 20, 2019 - [Mandalay Resources Corp.](#) ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) announced today, further to its news releases dated February 11, 2019 and February 12, 2019, that the Company has completed its underwritten marketed public offering of subscription receipts (the "Subscription Receipts") at a price of C\$0.12 per Subscription Receipt (the "Offering Price"). A total of 359,400,000 Subscription Receipts were sold for gross proceeds of approximately C\$43M (the "Public Offering"), which included a partial exercise of the over-allotment option granted by the Company to the underwriters to purchase up to an additional 15% of the number of Subscription Receipts offered pursuant to the Public Offering at the Offering Price.

Concurrent with the closing of the Public Offering, the Company has also closed the US\$8M convertible bridge loan (the "Bridge Loan" and collectively with the Public Offering, the "Financing") from an affiliate of CE Mining Fund III L.P. ("CE Mining"), an investment fund advised by Plinian Capital Limited, which is controlled by Brad Mills, Chairman of Mandalay's board of directors.

The Subscription Receipts were issued pursuant to a subscription receipt agreement. The gross proceeds of the Public Offering less 50% of the underwriters' commission payable in connection with the Public Offering (the "Escrowed Proceeds"), are being held in escrow in an interest bearing account with Computershare Trust Company of Canada, as subscription receipt agent. Upon satisfaction or waiver of certain escrow release conditions (the "Escrow Release Conditions"), including the receipt of all required shareholder approvals at a special meeting of Mandalay's shareholders to be held March 29, 2019 (the "Special Meeting"), the remaining 50% of the underwriters' commission and the underwriters' expenses will be released to the underwriters, the remaining Escrowed Proceeds will be released to the Company and each Subscription Receipt will be exchanged for one common share of the Company (a "Common Share"), subject to adjustment in certain circumstances.

If the Escrow Release Conditions are not satisfied by April 30, 2019, holders of the Subscription Receipts will receive an amount per Subscription Receipt equal to the Offering Price together with a pro-rata share of any interest earned on the Escrowed Proceeds. If the Escrowed Proceeds (plus accrued interest) are not sufficient to make such payment, the Company will contribute such amounts as are necessary to satisfy any shortfall.

The Bridge Loan has a term of one year, bears interest at a rate of 10% and, following the Special Meeting, will be convertible at CE Mining's option into Common Shares at a price per share equal to C\$0.108, subject to adjustment. If the Escrow Release Conditions are satisfied, the Bridge Loan will automatically be converted into Common Shares concurrently with the exchange of Subscription Receipts for Common Shares. For further details regarding the terms of the Bridge Loan, please refer to the Company's February 11, 2019 press release.

In connection with the closing of the Bridge Loan, the Company obtained a waiver from HSBC Bank Canada ("HSBC") under the Company's revolving credit facility with HSBC (the "HSBC Facility"). HSBC has waived any current breaches of the HSBC Credit Facility by the Company as well as any failure by the Company to comply with the financial covenants set out in the HSBC Credit Facility as at December 31, 2018 and March 31, 2019. Notwithstanding these waivers, the Company is not permitted to draw any further amounts under the HSBC Facility until it is in compliance with the financial covenants. In addition, from and after the date on which the Escrow Release Conditions are satisfied or waived, the aggregate of any undrawn portion of the HSBC Credit Facility (which is currently US\$5 million) plus the aggregate of the Company's unrestricted cash (as defined under the HSBC Credit Facility) must at all times be not less than US\$10 million. As a result of

this additional requirement, CE Mining has agreed to amend the terms of the Bridge Loan such that the amount of the proceeds of the Financing that the Company must hold in reserve in respect of its obligations under the senior exchangeable gold bonds issued by Gold Exchangeable Limited from US\$20 million to US\$15 million.

The net proceeds of the Financing are intended to fund working capital requirements (including capital development work at Costerfield, and tailings upgrade and capital development requirements at Björkdal), debt restructuring (including establishing a cash reserve relating to the US\$24.1 million principal amount outstanding of senior exchangeable gold bonds); future planned exploration activities at high potential areas including at Costerfield, the Youle lode and deeper hole targets, and the emerging Aurora Zone at Björkdal; and for general corporate purposes.

About Mandalay Resources Corporation:

Mandalay 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 may contain "forward-looking statements" within the meaning of applicable securities laws. 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. There can be no assurance that Mandalay will be able to continue to operate as a going concern even with the completion of the Financing and satisfaction of the Escrow Release 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 and in the prospectus supplement filed on February 12, 2019 by Mandalay pursuant to its (final) short form base shelf prospectus dated February 12, 2018 in connection with the Public Offering. 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 may differ materially from those anticipated in such statements. Accordingly, readers should place undue reliance on forward looking statements.

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