

Mandalay Resources Corporation Announces Fourth Quarter and Full-Year 2018 Financial Results

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TORONTO, March 14, 2019 - [Mandalay Resources Corp.](#) ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced its audited financial results for the year-ended December 31, 2018.

The Company's consolidated financial results for the year ended December 31, 2018, 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 2018, the Company generated revenue of \$22.7 million, adjusted EBITDA of negative \$1.9 million and consolidated net loss of \$31.3 million, or \$0.07 loss per share. Of this consolidated net loss, \$21.2 million was related to the non-cash write downs of several of the Company's non-core assets.

For the full-year 2018, Mandalay generated revenue of \$112.2 million and adjusted EBITDA of \$13.3 million. The Company reported a consolidated net loss for the year of \$63.7 million, or \$0.14 loss per share. Of this consolidated net loss, \$39.7 million was related to the non-cash write downs of several of the Company's non-core assets. These non-cash write downs include \$23.9 million at Challacollo due to its ongoing sales process, \$8.8 million at Cerro Bayo due to uncertainty surrounding permitting and restart timeframes, \$1.9 million at La Quebrada, as well as a \$5.1 million write down of Cerro Bayo consumables inventory.

Commenting on the results, Dominic Duffy, President and CEO of Mandalay, noted, "Mandalay's financial performance for 2018 was heavily impacted by the operational challenges we had to work through at our producing mines during the second and third quarter of the year, in which production, sales, and costs were adversely impacted by underground trucking issues at Björkdal and the delayed startup of Brunswick on-vein development at Costerfield. Both of these issues resulted in the Company processing lower grades than expected. Even though performance in the fourth quarter of 2018 was disappointing we have seen a continual improvement in production as the quarter progressed."

Mr. Duffy continued, "Although 2018 was a challenging year for the Company, we believe that these disruptions are firmly behind us and we expect to see our production and operating costs improve through 2019. We expect to raise our production levels from 81,568 ounces of gold equivalent in 2018 to 91,000-107,000 ounces of gold equivalent in 2019."

Mr. Duffy concluded, "Subsequent to year-end 2018, it became clear that the Company required additional capital. We therefore completed a C\$54 million financing in February (see Mandalay February 20, 2019 press release), with the proceeds of an approximately C\$43 million public offering of subscription receipts held in escrow pending shareholder approval. This financing provides us with not only the funds to address near-term working capital requirements, but also injects growth capital into the business that we intend to use to generate value for our shareholders. We intend to use these funds to reach the high-grade Youle vein at Costerfield which is vital to our three-year plan of doubling production, and also to follow-up on some extremely exciting exploration targets at both of our sites. I believe that with this financing Mandalay is on solid financial footing and will emerge as a significantly stronger Company. Looking into 2019, I am confident that Mandalay is well positioned to return to profitability and continued success."

Fourth Quarter and Full-Year 2018 Financial Summary

The following table summarizes the Company's financial results for the three months and year ended December 31, 2018 and 2017:

	Three months Ended December 31, 2018	Three months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
	\$'000	\$'000	\$'000	\$'000
Revenue	22,711	38,093	112,168	162,997
Cost of sales	23,799	22,690	92,990	107,111
Adjusted EBITDA*	(1,893)	14,405	13,311	48,597
Income from mine ops before depreciation, depletion	(1,088)	15,403	19,178	55,886
Adjusted net loss before special items*	(11,475)	839	(20,523)	(10,114)
Consolidated net loss	(31,299)	(23,073)	(63,718)	(42,706)
Cash capex	15,998	12,485	51,284	47,465
Total assets	237,703	305,061	237,703	305,061
Total liabilities	141,567	139,522	141,567	139,522
Adjusted net loss per share*	(0.03)	0.00	(0.05)	(0.02)
Consolidated net loss per share	(0.07)	(0.05)	(0.14)	(0.09)

* 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 “Non-IFRS Measures”.

In the fourth quarter of 2018, Mandalay sold 11,148 fewer gold equivalent ounces than in the fourth quarter of 2017. In the same period the Company's realized gold price declined 1.8% quarter-over-quarter, while the realized price of antimony declined by 10.6%. The net effect is that Mandalay's revenue of \$22.7 million in the fourth quarter of 2018 was \$15.4 million lower than in the fourth quarter of 2017.

Per ounce costs were higher in the fourth quarter of 2018 largely as a result of production disruptions and transitions. Cost of sales during the fourth quarter of 2018 versus the fourth quarter of 2017 were \$0.5 million higher at Costerfield and \$1.2 million higher at Björkdal. Consolidated administrative costs decreased by \$0.2 million across the Company.

Mandalay generated adjusted EBITDA of negative \$1.9 million in the fourth quarter of 2018, versus adjusted EBITDA of \$14.4 million in the fourth quarter of 2017. This led to a consolidated net loss of \$31.3 million for the fourth quarter of 2018, versus \$23.1 million in the fourth quarter of 2017.

Mandalay ended the fourth quarter with \$8.4 million in cash and cash equivalents and with \$30.0 million drawn (during 2017 and 2018) on its \$40.0 million revolver facility, although \$5.0 million was drawn subsequent to year-end.

Fourth Quarter and Full-Year 2018 Operational Summary

The table below summarizes the Company's capital expenditures and operational unit costs for the three months and year ended December 31, 2018 and 2017:

	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
	\$'000	\$'000	\$'000	\$'000
Björkdal				
Gold produced (oz)	10,482	22,035	45,719	62,028
Cash cost* per oz gold produced	\$1,497	\$617	\$1,159	\$816

	All-in cost* per oz gold produced	\$1,794	\$848	\$1,452	\$1,083
	Underground capital devel. & open pit prestrip	2,229	4,502	10,199	14,499
	Capital purchases	7,906	3,902	15,844	9,699
	Capital exploration	266	140	1,823	1,823
Costerfield					
	Gold produced (oz)	4,948	7,222	21,609	31,512
	Antimony produced (t)	560	805	2,173	3,115
	Gold equivalent produced (oz)	8,691	12,360	35,849	52,137
	Cash cost* per oz gold eq. produced	\$962	\$707	\$961	\$701
	All-in cost* per oz gold eq. produced	\$1,391	\$902	\$1,407	\$991
	Underground capital devel. & open pit prestrip	2,478	553	10,243	2,437
	Capital purchases	1,498	954	6,959	4,492
	Capital exploration	1,141	787	5,242	4,020
Cerro Bayo					
	Silver produced (oz)	-	-	-	794,533
	Gold produced (oz)	-	-	-	5,909
	Cash cost* per oz silver net byproduct credit	-	-	-	\$14.10
	All-in cost* per oz silver net byproduct credit	-	-	-	\$27.05
	Underground capital devel. & open pit prestrip	-	-	-	5,971
	Capital purchases	-	741	-	2,216
	Capital exploration	-	529	-	1,402
Consolidated					
	Gold equivalent produced (oz)	19,173	34,395	81,568	131,186
	Average cash cost* per oz gold eq.	\$1,311	\$680	\$1,148	\$851
	Average all-in cost* per oz gold eq.	\$1,709	\$945	\$1,537	\$1,175
	Underground capital devel. & open pit prestrip	4,708	5,055	20,442	22,907
	Capital purchases	9,404	5,597	22,803	16,407
	Capital exploration	1,886	1,778	8,039	8,093

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

Björkdal gold mine, Sweden

Björkdal produced 10,482 ounces of gold in the fourth quarter of 2018 with cash and all-in costs of \$1,497/oz and \$1,794/oz, respectively. As a result of the haulage bottlenecks of higher-grade underground ore experienced at the start of the quarter, mill head grade was lower in 2018, averaging approximately 1.30 g/t gold for the year, lower than the previous year’s 1.76 g/t gold.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 8,691 gold equivalent ounces in the fourth quarter of 2018. Fourth quarter production was lower than in the previous year’s quarter due to a combination of expected lower mining grades and available ore in the current producing areas. Simultaneously, development to the high-grade Youle continues and the Company expects to reach Youle in the second half of 2019.

Cerro Bayo silver-gold mine, Patagonia, Chile

No production occurred at Cerro Bayo in the fourth quarter of 2018 and it remained on care and maintenance through the period. In 2018, the Company had \$10.5 million of care and maintenance expenses related to Cerro Bayo. This number includes the \$5.1 million non-cash write down of consumables at Cerro Bayo and a \$0.8 million insurance credit. The Company expects that care and maintenance costs at Cerro Bayo will be approximately \$3.0 to \$4.0 million per year from 2019 onwards.

Challacollo, Chile

On August 1, 2018, the Company announced that it had entered into a non-binding letter of intent with [Aftermath Silver Ltd.](#), pursuant to which Aftermath Silver would acquire Minera Mandalay Challacollo Limitada, a wholly-owned subsidiary of the Company which owns the Challacollo project, in exchange for total consideration of CAD\$11.6 million (see Mandalay August 1, 2018 press release for more detail).

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. Total consideration is expected to be net \$2.0 million after payments due to the holders of royalties and other encumbrances on these concessions.

La Quebrada

The La Quebrada copper-silver project in central Chile remained held for sale throughout the period. Spending at La Quebrada was less than \$0.1 million during the fourth quarter of 2018.

Lupin and Ulu

The Company spent \$1.4 million for reclamation of the Lupin mine in the fourth quarter of 2018 and \$4.3 million on reclamation on the Ulu and Lupin sites for the full-year 2018, which it expects will reduce the estimate of final closure costs there and possibly be reimbursed through reduction of required reclamation deposits. On December 21, 2018, the Nunavut Water Board reached a decision to recommend that the Letter of Credit that has been posted by Mandalay as security for its reclamation obligations in respect of the Lupin mine be reduced by CAD\$3.2 million. On January 28, 2019, this recommendation was approved by the Minister of Indigenous and Northern Affairs. After this approval, the total bond outstanding is CAD\$26.1 million. Mandalay has successfully received bond reductions of approximately CAD\$8 million since the start of its final closure process.

Financing Transaction

The Company has called a special meeting of its shareholders to be held on March 29, 2019 (the "Special Meeting") at which shareholders will be asked to approve the proposed issuance of common shares of the Company under the financing transaction that the Company completed on February 20, 2019. For further information on the financing transaction and other matters related to the Special Meeting, shareholders should refer to the Company's management information circular dated March 1, 2019 (the "Circular"), a copy of which is available under the Company's profile on SEDAR (www.sedar.com).

As described in further detail in the Circular, in order to facilitate the financing transaction, the Company agreed to arrange for the sale of approximately 28.3 million common shares of the Company currently held by Bradford A. Mills, the Chairman of Mandalay's board of directors, and Plinian Capital Limited ("Plinian"), a company controlled by Mr. Mills. Assuming the requisite shareholder approval is received at the Special Meeting and all other conditions to the exchange of the subscription receipts for common shares are satisfied, the Company intends to satisfy its obligations with respect to the common shares held by Mr. Mills and Plinian by repurchasing these common shares for cancellation at a price of CAD\$0.12 per share, or an aggregate purchase of approximately CAD\$3.4 million. The repurchase is expected to be completed immediately following the exchange of the subscription receipts and the release of the escrowed proceeds from the issuance of the subscription receipts.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on March 15, 2019 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: 13688639

A replay of the conference call will be available until 11:59 pm (Toronto time), March 29, 2019 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number: (877) 660-6853
Encore ID: 13688639

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 29, 2018 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 of silver produced net of gold credits, all-in costs and cash capex, 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.

The Company defines cash capex as cash spent on mining interests, property, plant and equipment, and exploration as set out in the cash flow statement of the financial statements.

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

Also, for Cerro Bayo, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable silver ounces produced times the average silver 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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