

Mandalay Resources Corporation Provides Exploration Update and Announces Optimization of its Björkdal Operation

TORONTO, ON, June 18, 2019 – Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) is pleased to announce the commencement of its 2019 exploration campaign at its Costerfield operation in Victoria, Australia, as well as its Björkdal operation in Sweden. The Company is also pleased to report additional diamond drilling results from both operations based on drilling that was carried out since the Company's last exploration release on November 14, 2018. Readers are advised to review the corresponding figures found at the end of this press release.

Mandalay's drilling programs since the fourth quarter of 2018 have continued to yield encouraging results. At Costerfield, the Company is testing extensions to the Youle orebody (see tables 1 and 2) and has commenced a deep drilling program under the known Costerfield mineral systems to test for potential high-grade mineralization similar to Fosterville's Swan zone. At Björkdal, the Company has expanded the Aurora mineralization, and in addition is pleased to provide drilling results for newly discovered high-grade skarn at the Lake zone (see tables 3, 4, and 5).

Dominic Duffy, President and CEO of Mandalay, commented, "We are pleased to announce that we have commenced our 2019 exploration programs at both of our sites. We believe that the most recent drilling results at Costerfield and Björkdal are very positive and suggest further opportunities for increasing the value of our operations.

"At Costerfield, we commenced drilling to test the northern extension of the high-grade Youle lode in May 2019 and met with immediate success in the first hole (BC068), which intercepted 0.5 metres (true width) at 39 grams per tonne of gold equivalent. This result is encouraging as it gives us increased confidence about the continuity of Youle to the north. Currently, the Youle lode is open to extension in all directions. We expect to commence mining of this high-grade lode in the fourth quarter of this year, with the opportunity for further expansion from underground drill platforms when we get there."

Mr. Duffy continued, "We also began phase one of our deep drilling program at Costerfield in May 2019. This is the first phase of a program that is expected to continue over the coming twelve months. The objective of the first phase of deep drilling is to establish the geological and stratigraphic context for where a high-grade gold deposit would likely be found. We have begun the first of two deep holes (approximately 1,000 metres deep and 1,500 metres hole length) and we will be wedging off of each hole to get a clearer picture of the structural setting further up dip. We believe this program will provide a strong framework for understanding the geology and potential styles of mineralization that may exist at depth, to allow planning of the future deep drilling program."

Mr. Duffy concluded, "At Björkdal, drilling at the Aurora zone in the fourth quarter of 2018, together with further drilling in the second quarter of 2019, has continued to expand the size of the deposit, which is still open both vertically and along strike. Aurora currently measures 500 metres in strike length and 300 metres in height with significantly larger widths than we are currently mining. In addition to further delineating Aurora, we are pleased to also announce high-grade drill results from the newly discovered Lake zone skarn deposit. The skarn deposit adds a new dimension to the Björkdal by reporting significantly higher grades than are typically mined at the operation."

Mandalay Drilling Programs

Costerfield Drilling Programs

Mandalay initiated two exploration programs at Costerfield in May 2019.

Youle Extension Drilling Program

The current drilling program at Costerfield is targeting the northern extension of the high-grade Youle lode. The Company has planned a total of 12 holes for 6,260 metres ("m") and is focused on extending Youle, which the Company expects to begin production from in the fourth quarter of 2019. This extensional program is scheduled to be completed in September 2019 and is expected to expand on the Company's 2019 Mineral Reserves and Resources update planned for release in early 2020 (see figure 1).

Deep Drilling Program

The second Costerfield program is the commencement of exploration in the environment deep below the known Costerfield mineral system. This deep drilling program aims to assess the potential for substantial discoveries to be made at the convergence of the downward trend of the known, gold-mineralized structural corridor containing the Costerfield orebodies with a predicted favourable litho-geochemical environment at depth (see figures 1 and 2).

The Company began drilling the first of two wedged holes in the deep drilling program in May 2019. Hole CD001 is targeting the down dip environment of the Youle lode, below the Costerfield mineralized system (see figure 2) and the second hole CD002 is testing down dip of the previously mined Augusta/Cuffley zones. A total of 4,700 m of drilling is planned from surface and will provide detailed information on the potential of targeting significant high-grade gold.

Björkdal Drilling Programs

Underground extensional and production drilling during late 2018 and early 2019 has shown that mineralization within the Aurora zone remains open in all directions (see figures 3, 4, and 5). The Aurora zone is located above a marble contact, which has historically been considered the hangingwall to the mineralization at Björkdal. The increased size and continuity of mineralization that is being realized at Aurora provides the Company with the potential to mine high-tonnage and higher-grade ore more cost effectively over the coming years.

Aurora Drilling Program

The Company's current drilling efforts are focused on exploring the upper extension of mineralization of the Aurora zone with the objective of testing the grade and continuity of the Aurora vein system close to the surface. In addition to the near-surface environment, we continue to test the depth potential of the Aurora zone.

Lake Zone Skarn Program

Drilling carried out in 2017 and 2018 confirmed the existence of a high-grade skarn deposit developed at the intersection of the Björkdal shear and marble, in the Lake zone north area (see figures 4, 6, and 7). The area consists of a 10 m thick, lenticular body, which dips NNE at ~35 degrees, with a currently known strike length of approximately 60 m. The area is consistently delivering high grades, in excess of 5 g/t gold but is currently limited in size. The discovery of high-grade skarn at Björkdal provides both a valuable blending opportunity through the mill and a new ore type to explore for at the hangingwall contact of the marble unit.

The Company is now testing the down-dip extension of skarn mineralization. The skarn is currently being developed in the underground mine and the Company is planning to optimize the mining of this area, with further development levels planned at depth.

Mandalay Drilling Results

Costerfield Drilling Results

Youle

Table 1: Youle (Costerfield) Drilling Highlights

Hole Number	True Width (m)	Gold (g/t)	Antimony (%)	AuEq (g/t) over minimum diluted mining width of 1.8 m
BC068	0.50	133.7	5.4	39.4
BC065A	0.74	23.4	20.4	24.0
BC066	1.62	4.2	6.7	14.1
BC062	0.11	39.3	27.3	5.0

From December 2018 to June 2019, the Company drilled 8 holes into the southern end of Youle where production is expected to start on the vein. This program yielded promising results. In particular, hole BC065A, which contained 23.4 g/t gold and 20.36% antimony over a vein width of 0.74 m (see tables 1 and 2).

Mandalay also recently commenced surface drilling on the Youle northern extension and infill program. The first drill hole, BC068, intercepted visible gold and an assay of 0.496 m (True width) at 133.66 g/t gold and 5.4% antimony. In late 2018, the Company drilled some closer-spaced holes in the area where production on Youle is expected to commence. Drilling details for both of these programs at Youle are listed in table 2 and shown on figure 1.

Table 2: Youle Drilling Results (Nov 2018 – June 2019)

Hole Number	Hole Completion Date	Total Hole Depth	Intercept Easting (Mine Grid)	Intercept Northing (Mine Grid)	Intercept Elevation (Mine Grid)	Drill Width (m)	True Width (m)	Gold Grade (g/t)	Sb Grade (%)	AuEq (g/t) over min. 1.8 m mining width
BC062	30/10/2018	410.0	15300	6815	846	0.13	0.11	39.3	27.3	5.0
BC063A	7/11/2018	329.7	15374	6669	970	0.59	0.46	0.4	19.2	8.5
BC063W1	13/11/2018	110.7	15376	6665	970	0.12	0.06	6.4	0.2	0.2
BC064	28/11/2018	378.8	15378	6811	929	0.20	0.18	8.0	4.9	1.6
BC064W1	2/12/2018	99.2	15379	6810	929	0.26	0.24	2.3	9.0	2.3
BC065A	16/12/2018	357.1	15383	6765	934	0.77	0.74	23.4	20.4	24.0
BC066	9/1/2019	340.0	15382	6706	945	2.69	1.62	4.2	6.7	14.1
BC068	6/6/2019	428.2	15395	7136	827	1.45	0.50	133.7	5.4	39.4

Björkdal Drilling Results

Since the Company's last exploration press release on November 14, 2018, the Company has assayed 23 drill holes at the Aurora zone at Björkdal (see tables 3 and 5) and 9 drill holes at its Lake zone skarn deposit (see table 4). Recent highlights from the Aurora and Lake zone skarn assays include the following intercepts:

Table 3: Aurora Drilling Highlights:

Hole Number	True Width (m)	Gold (g/t)
DOD2018-171	3.28	6.02
DOD2018-170	4.84	5.76
MU8-031	6.57	2.91
DOD2019-004	5.96	2.58
MU8-044	5.25	2.55

Table 4: Lake Zone Skarn Drilling Highlights:

Hole Number	True Width (m)	Gold (g/t)
DOD2018-154	8.7	39.69
DOD2018-157	7.5	26.34
DOD2018-147	4.7	21.41
DOD2018-159	3.2	20.65
MU7-037	6.2	19.35
DOD2018-155	6.2	9.03
DOD2018-150	3.5	7.86
DOD2018-142	4.0	5.53
DOD2018-151	7.3	5.48

Table 5: Aurora Drilling Results (Nov 2018 – June 2019)

Hole Id	Hole Completion Date	Intercept Northing (Mine Grid)	Intercept Easting (Mine Grid)	Intercept Elevation (Mine Grid)	From (m)	To (m)	Drilled Width (m)	True Width (m)	Au (g/t)	AuEq min. 3 m mining width (g/t)
DOD2018-125	30/6/2018	1792.1	1422	-414.7	101.2	102.7	1.50	1.22	3.32	1.35
DOD2018-170	3/10/2018	1833.425	1302.148	-507.167	156.8	164.95	8.15	4.84	5.76	5.76
DOD2018-171	29/11/2018	1727.549	1244.596	-335.504	140.5	144.35	3.85	3.28	6.02	6.02
DOD2018-172	26/11/2018	1732.919	1290.876	-334.359	124.3	132.65	8.35	8.09	0.60	0.60
DOD2018-173	21/11/2018	1738.793	1333.414	-337.329	124.95	131.74	6.79	6.73	1.09	1.09
DOD2019-002	25/1/2019	1757.972	1401.442	-368.481	131.2	135.9	4.70	4.42	1.03	1.03
DOD2019-004	5/2/2019	1758.264	1356.219	-365.347	123.9	129.9	6.00	5.96	2.58	2.58
DOD2019-005	9/2/2019	1747.208	1355.578	-340.234	121.2	125.25	4.05	4.04	1.39	1.39
DOD2019-008	27/2/2019	1717.106	1197.64	-359.762	148	152.9	4.90	4.13	1.07	1.07
DOD2019-009	12/3/2019	1708.342	1168.235	-375.343	157.2	161.35	4.15	3.45	0.59	0.59
DOD2019-010	18/3/2019	1701.362	1179.117	-343.969	152.1	155.57	3.47	3.26	0.63	0.63
DOD2019-011	5/3/2019	1685.44	1220.397	-328.511	120.5	123.65	3.15	2.63	0.86	0.75
DOD2019-019	15/2/2019	1757.627	1305.934	-372.272	135.38	141.2	5.82	5.33	1.06	1.06
DOD2019-016	1/4/2019	1174.4	1773.1	-440.4	54.55	66.6	12.05	7.62	2.18	2.18
DOD2019-018	4/4/2019	1161.7	1797.7	-474.9	86.45	89	2.55	1.36	1.20	0.54
MU8-028	1/11/2018	1825.994	1484.187	-481.8	115.35	118.35	3.00	2.14	2.01	1.43
MU8-029	8/11/2018	1807.583	1454.638	-445.256	82.8	95.51	12.71	11.68	1.20	1.20
MU8-030	13/11/2018	1843.077	1456.362	-523.694	136.3	153.1	16.80	11.02	1.54	1.54
MU8-031	23/11/2018	1872.032	1412.031	-583.962	195.85	210	14.15	6.57	2.91	2.91
MU8-032	30/11/2018	1885.6	1315	-600.3	231.55	237.95	6.40	3.13	1.33	1.33
MU8-034	6/10/2018	1786.5	1453.7	-400.5	106.45	108.1	1.65	1.37	1.85	0.84
MU8-042	16/10/2018	1778.543	1144.862	-449.336	100.1	102.15	2.05	1.43	2.02	0.97
MU8-043	20/10/2018	1795.589	1114.167	-482.151	134.72	137.28	2.56	1.52	0.30	0.15
MU8-044	8/12/2018	1886.488	1470.366	-608.106	225.5	237.95	12.45	5.25	2.55	2.55

Optimization of Björkdal Operation

In addition to the exploration update, Mandalay also announced today changes to its Björkdal gold mine in northern Sweden. Due to major improvements to the Company's underground haulage capacity, Mandalay, after careful consideration, has taken the opportunity to shift to a lower-cost operating strategy at Björkdal. Effective at the end of July 2019, the Company will pause open pit mining at the site and will take advantage of producing from its highest-margin and highest-grade ore source, which comes from the underground area of the mine. The Company will supplement underground ore production from a 2.7 million tonne ore stockpile that has already been mined and is on surface near to the mill. This decision is based on the Company focusing on generating improved cost margins and cash flow from Björkdal. The current capacity of the mill at Björkdal is 1.3 million tonnes per year and the Company expects to produce over 800,000 tonnes of ore per year from underground, and 500,000 tonnes of stockpiled material per year. The Company anticipates restarting the open pit following the depletion of the stockpiled material.

Mandalay does not expect that this shift in strategy to reduce operating and capital costs at the operation will impact its previous production guidance for 2019.

Björkdal currently employs over 225 personnel. All Mandalay employees currently working within the open pit operation will be given an opportunity to move into other site roles. The current open pit contractor, Swerock AB, will continue with the underground transport contract.

Dominic Duffy, President and CEO of Mandalay, commented, "The change of focus to pause the open pit and substitute the ore from the stockpile material currently on surface allows the Company to take advantage of the higher-margin material, as we aim to improve our cash flow from the operation without having any significant impact on the overall ounce production."

(exploration figures continued on next page)

Figure 1: Longitudinal Section and Plan Section of Youle (Costerfield) Illustrating Location of Recent Intercepts Along with Location of Drill Holes for Northern Youle Extension Drilling

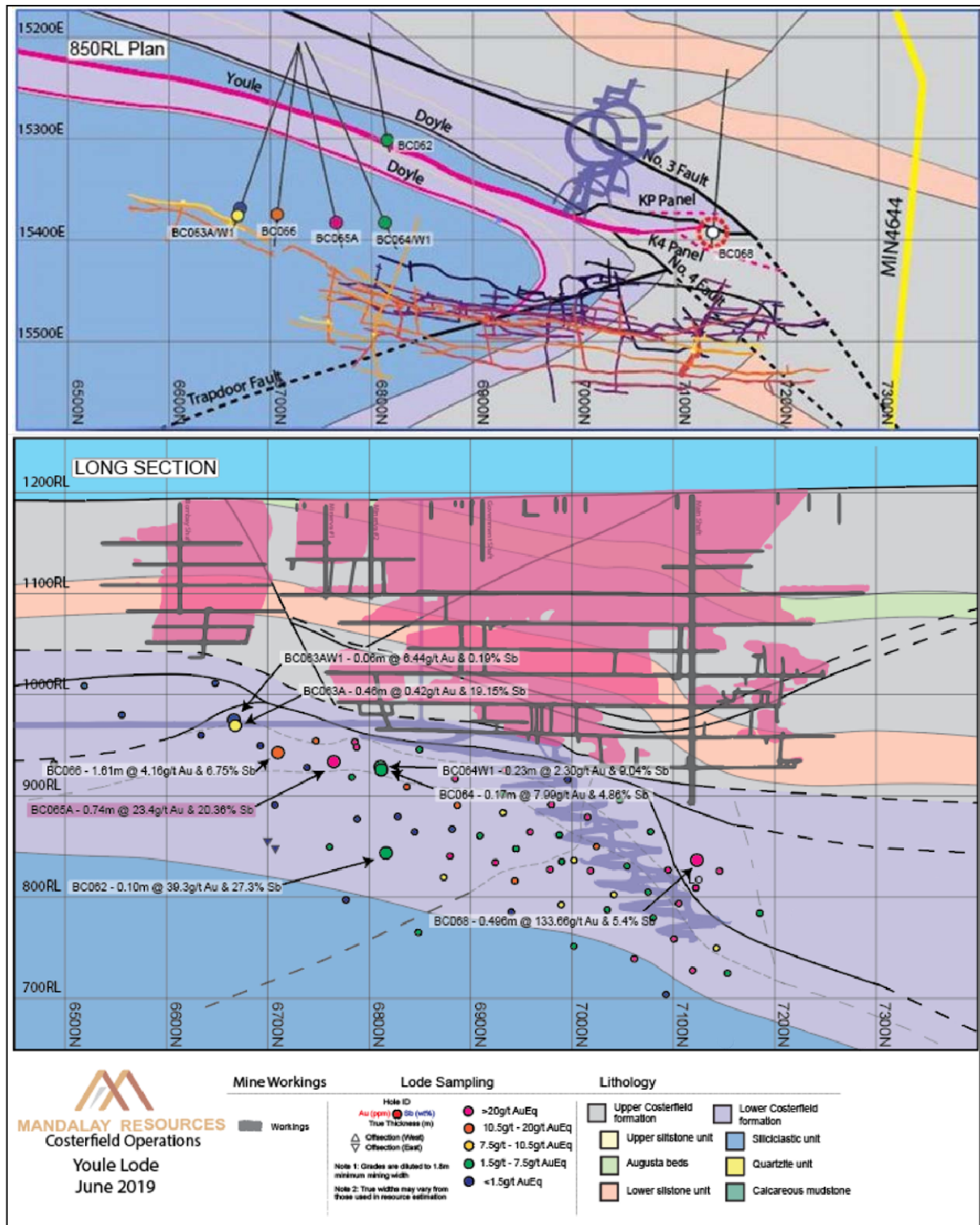


Figure 2: Longitudinal Section Illustrating Current Drill Hole CD001 and Planned Drill Hole Locations of Costerfield Deep Drilling Program

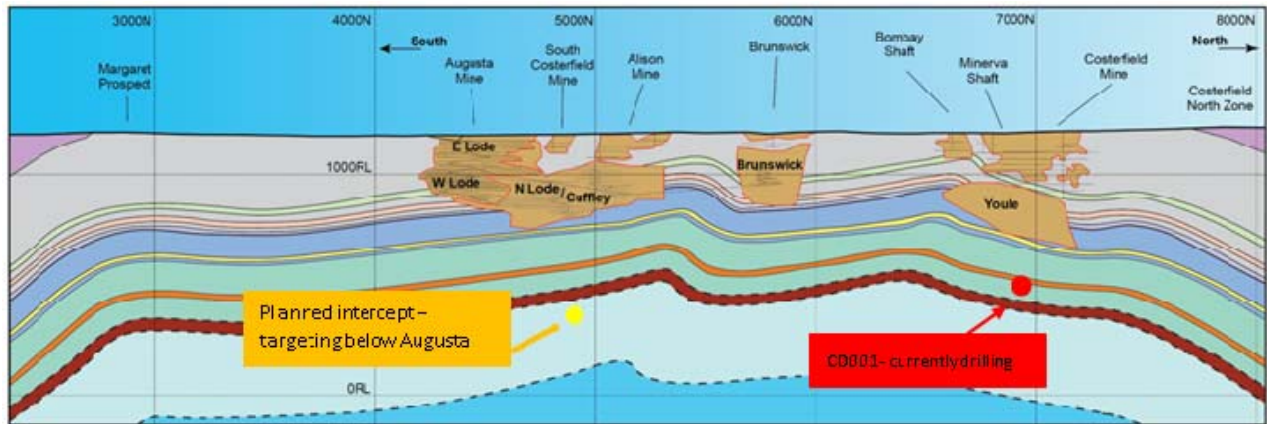


Figure 3: Björkdal Mine Scale Overview Map Showing the Location of the Aurora Zone and Lake Zone Skarn in Relation to Mine Development. Black Box Denotes Level Plan for Lake Zone Skarn

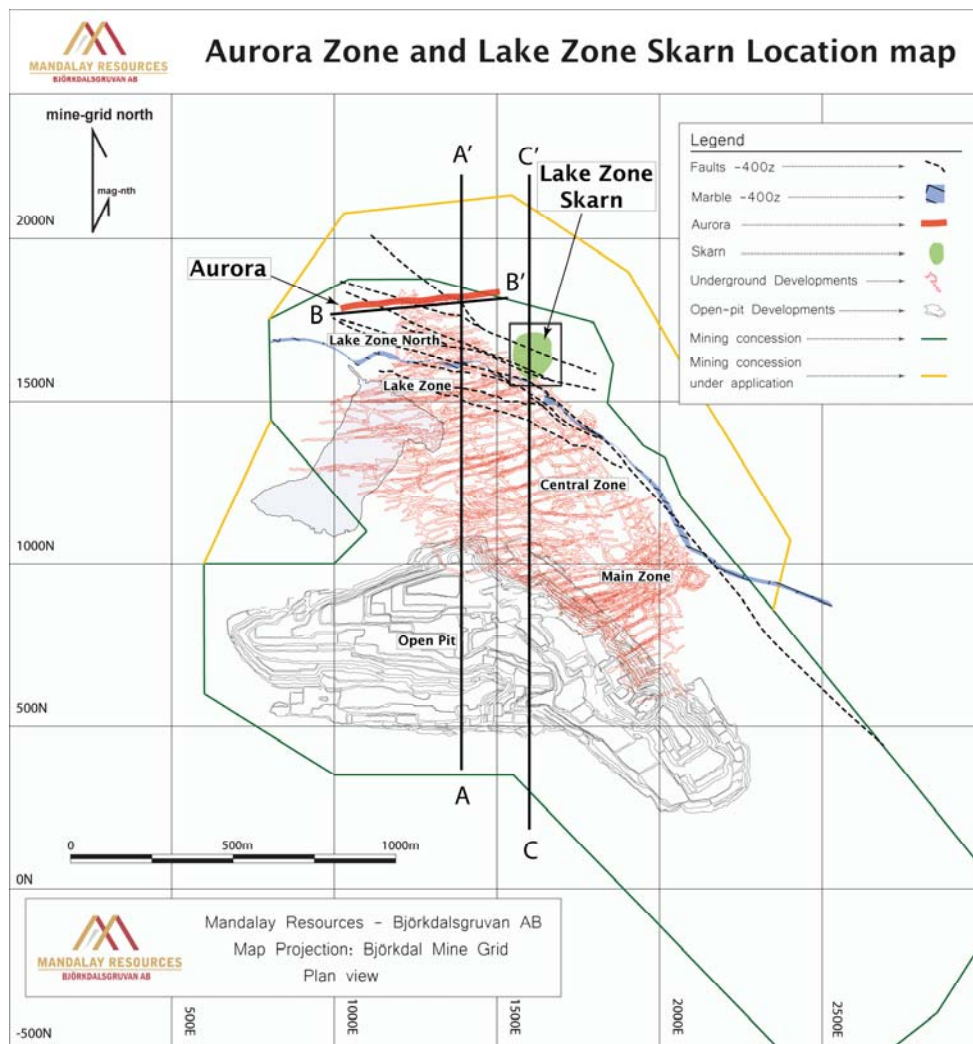


Figure 4: Cross Section of Björkdal Mine Area Showing the Location and Current Size of the Aurora Zone and Lake Zone Skarn. Black Box Denotes Focused Cross Section in Figure 6

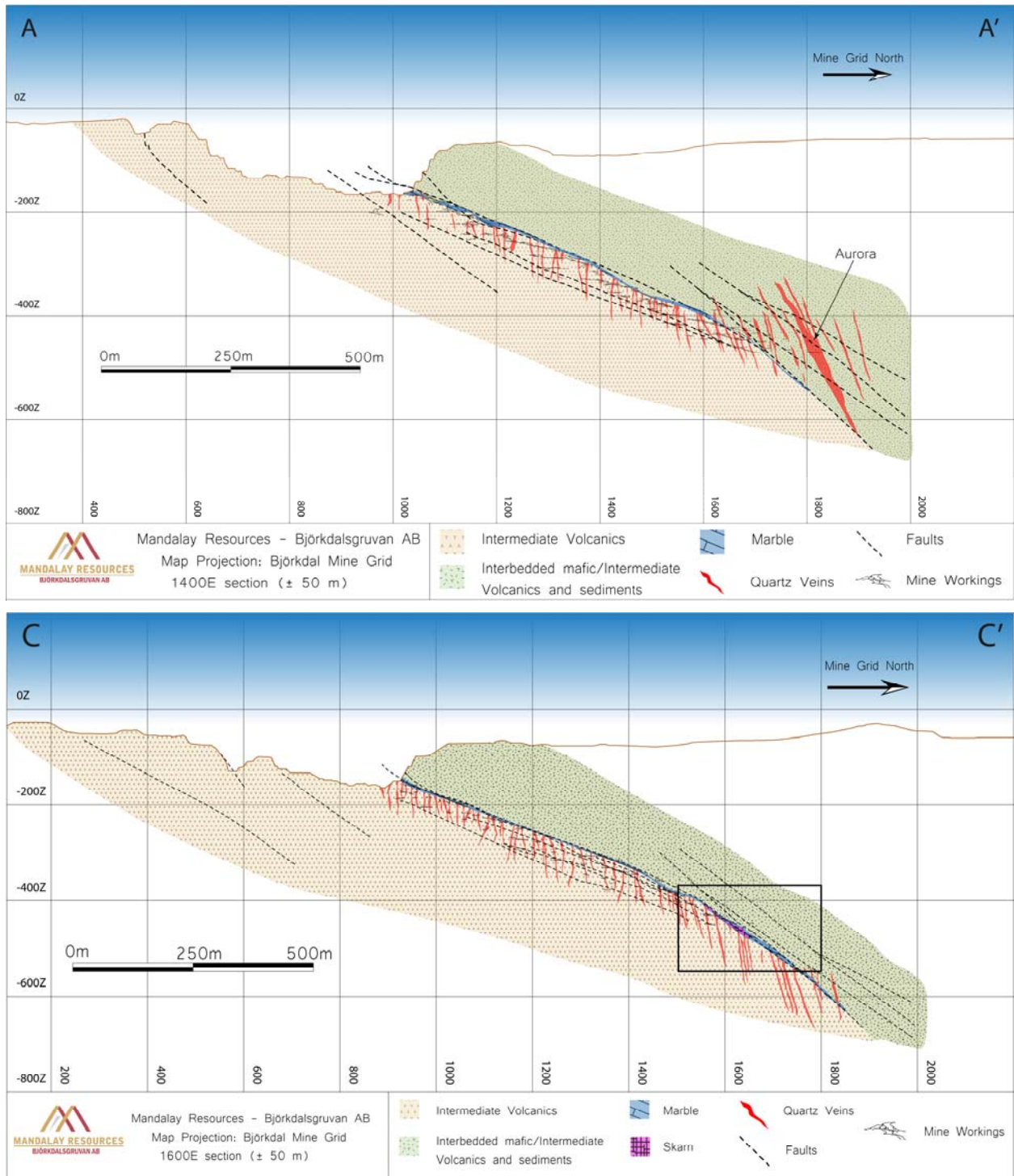


Figure 5: Longitudinal Section of the Aurora Zone Illustrating Location of Recent Intercepts

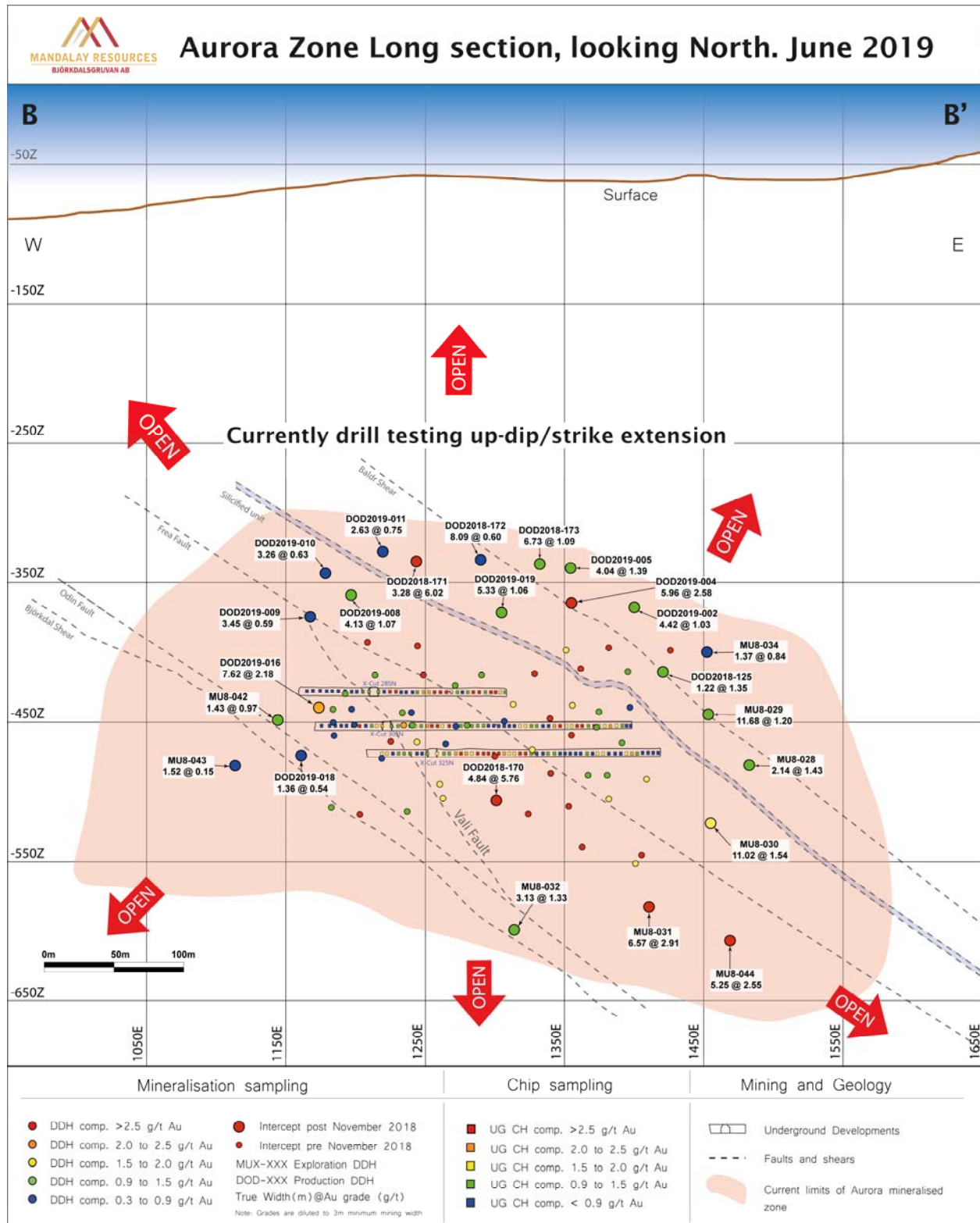


Figure 6: Cross Section Displaying the Current Limits of the Lake Zone Skarn Horizon

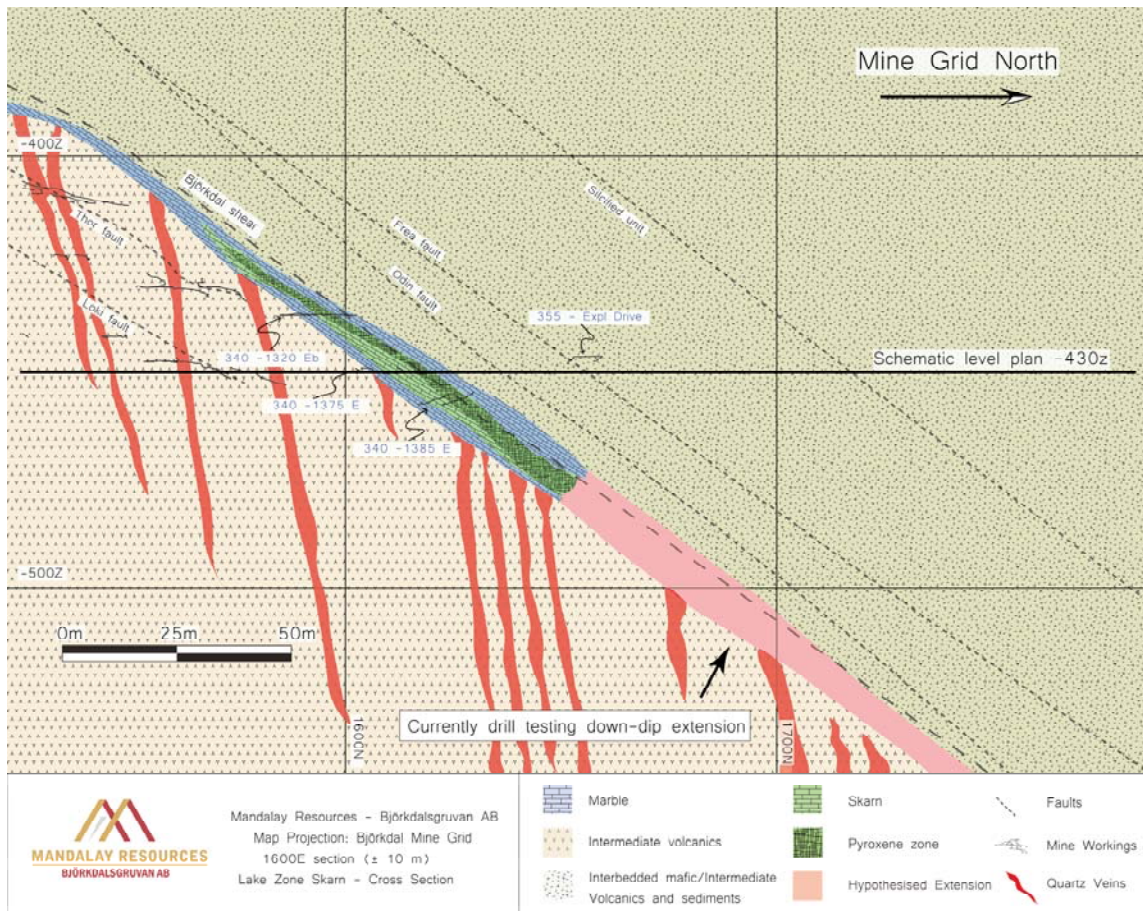
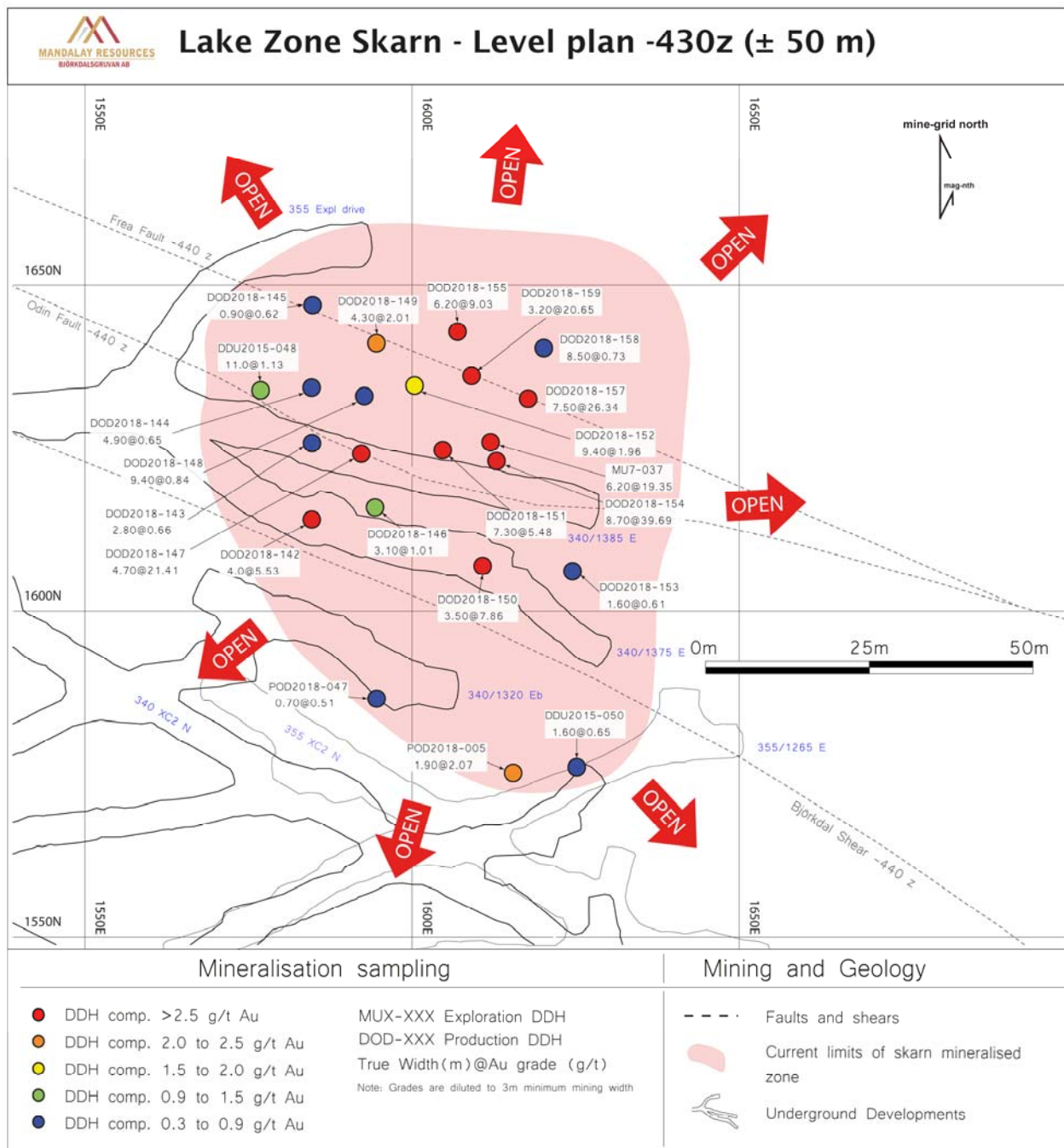


Figure 7: Schematic Level Plan of the Lake Zone Skarn Horizon Illustrating Location of Recent Intercepts



Drilling and Assaying

At Costerfield, diamond drill core was logged and sampled by Costerfield geologists. All samples were sent to OnSite Laboratory Services in Bendigo, Victoria, Australia, for sample preparation and assay. Site geological and metallurgical personnel have implemented a QA/QC process that includes the regular submission of standard reference materials and blanks with drill and face samples submitted for assay. Standard reference materials have been certified by Geostats Pty Ltd. (February 6, 2019 Technical Report entitled "Costerfield Operation, Victoria, Australia NI 43-101 Report", available on SEDAR (www.sedar.com), which contains a complete description of drilling, sampling, and assaying procedures).

At Björkdal, all diamond drill core was logged and sampled by Björkdal geologists. Exploration drill hole samples (prefix MU) were sent to CRS Minlab Oy (CRS) in Kempele, Finland for sample preparation and assaying. Development Optimization drill hole samples (prefix DOD) were at the onsite lab ran by ALS for sample preparation and assaying (see March 28, 2019, Technical Report entitled "Technical Report on the Björkdal Gold Mine, Sweden", available on SEDAR (www.sedar.com), which contains a complete description of drilling, sampling, and assaying procedures).

Assaying in both the CRS and ALS laboratories was conducted utilizing the Pal1000 (CRS) cyanide leaching processes. Mandalay's rigorous QA/QC program included the use of standard reference samples, blanks, duplicates, repeats, and internal laboratory quality assurance procedures.

Qualified Person:

Chris Gregory, Vice President of Operational Geology and Exploration at Mandalay Resources, is a Member of the Australian Institute of Geoscientists (AIG), and a Qualified Person as defined by NI 43-101. He has reviewed and approved the technical and scientific information provided in this release.

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 the exploration and development potential of the Youle deposit (Costerfield) and the Aurora Zone (Björkdal). 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, 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.