MANDALAY RESOURCES CORPORATION ANNOUNCES FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2020

TORONTO, ON, August 12, 2020 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced its financial results for the quarter ended June 30, 2020.

The Company's unaudited condensed and consolidated interim financial results for the quarter ended June 30, 2020, 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 second quarter of 2020, the Company generated revenue of $42.3 million, adjusted EBITDA of $21.3 million, and adjusted net income of $7.6 million, or $0.08 income per share.

Commenting on the results, Dominic Duffy, President and CEO of Mandalay, noted, "Mandalay's strong second quarter financial performance was driven by another all-time record in quarterly adjusted EBITDA at Costerfield of $15.4 million, surpassing the $13.9 million set last quarter. The Company's excellent consolidated financial performance was the result of another excellent operational quarter at Costerfield and improving production from Björkdal, coupled with a rise in gold prices. This helped generate a consolidated $21.3 million in adjusted EBITDA during the quarter, bringing the year to date total to $42.2 million – more than four times the amount of $9.4 million recorded during the first half of 2019. Our consolidated cash costs for the quarter were $904 per saleable gold equivalent ounce produced as compared to the previous year quarter result of $1,130. This improved performance led to a $0.08 adjusted net income per share for the quarter, the highest level since the second quarter of 2016, versus an adjusted net loss per share of $0.04 in the second quarter of 2019."

Mr. Duffy added, "At Costerfield, the second quarter of 2020 saw another quarter of high production with averaged processed grades of 11.2 g/t gold and 4.2% antimony. The grades were slightly lower than in the previous quarter due to the development drives in Youle continuing further than we had expected moving into lower grade economic extremities of the ore body. That said, the high production rate coupled with the higher gold prices resulted in a record quarterly revenue of $22.9 million, a 12% improvement relative to the previous quarter, and an adjusted EBITDA margin of 67% during the quarter. Going forward, we expect these grades to remain constant for the third quarter and begin to lift going into the fourth quarter and 2021 as stoping is ramped up in the Youle vein."

Mr. Duffy continued, "Björkdal delivered another steady quarter of gold production with 11,250 ounces, an improvement from the previous quarter, which led to $19.5 million in revenue and $7.2 million in adjusted EBITDA for the second quarter of 2020. With May and June being the best two production months of the year to June, we expect Björkdal to improve operationally and financially in the coming quarters as we develop the higher-grade lower levels of Aurora and benefit from the improved haulage rates we are now obtaining from the underground workings."

Mr. Duffy continued, "The Company's cash position of $20.9 million at the end of the second quarter was similar to the end of the first quarter, however during the second quarter we had to outlay approximately $5.0 million in net refinancing costs after drawdown from the syndication as part of the final repayment of the Gold Bonds. Also, the second quarter end cash balance excluded a $3.4 million receipt relating to a delayed shipment at Costerfield, received at the start of July, which would usually have been received in the June month. We do not foresee any delays in these shipments going forward."

Mr. Duffy concluded, "We are excited about the results obtained over the first half of 2020, demonstrating a significant improvement in Mandalay's overall performance and continue to be excited about the future growth still to come for this Company. The stable financial position of the Company now allows for continued exploration as we look to continue growing the Company organically."

Second Quarter 2020 Financial Summary

The following table summarizes the Company's financial results for the three months and six months ended June 30, 2020 and 2019:

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	42,335	26,344	83,901	56,260
Cost of sales	19,734	20,751	38,566	44,145
Adjusted EBITDA (1)	21,271	4,105	42,174	9,352
Income from mine ops before depreciation, depletion	22,601	5,593	45,335	12,115
Adjusted net income (loss) (1)	7,632	(3,926)	12,818	(4,385)
Consolidated net loss	(3,014)	(9,750)	(7,546)	(11,085)
Capital expenditure	(10,566)	(10,238)	(20,603)	(17,650)
Total assets	260,298	255,506	260,298	255,506
Total liabilities	156,523	135,609	156,523	135,609
Adjusted net income (loss) per share (1)	0.08	(0.04)	0.14	(0.06)
Consolidated net loss per share (2)	(0.03)	(0.11)	(0.08)	(0.16)

[1]Adjusted EBITDA, adjusted net income (loss) before special items and adjusted net income (loss) per share are non-IFRS measures, defined at the end of this press release "Non-IFRS Measures".

[2]As a result of share consolidation on July 2, 2019, the Company has restated its number of common shares and the income (loss) per share for all periods presented.

In the second quarter of 2020, Mandalay sold 4,922 more gold equivalent ounces than in the second quarter of 2019. The Company's realized gold price increased by 30% as compared to the second quarter of 2019 and the realized price of antimony decreased by 15%. The net effect is that Mandalay's revenue of $42.3 million in the second quarter of 2020 was 61% above the second quarter of 2019.

Cash cost per ounce of $904 decreased by 20% in the second quarter of 2020 compared to the prior year quarter, mainly due higher production and lower cost of sales. Cost of sales during the second quarter of 2020 versus the second quarter of 2019 were $1.7 million lower at Costerfield and $0.7 million higher at Björkdal. Consolidated general and administrative costs were $0.2 million higher as compared to the prior year quarter.

Mandalay generated adjusted EBITDA of $21.3 million in the second quarter of 2020, versus adjusted EBITDA of $4.1 million in the second quarter of 2019. Adjusted net income was $7.6 million in the second quarter of 2020, which excludes the $15.9 million fair value loss related to the gold hedges associated with the Syndicated Facility, $5.8 million gain for reversal of reclamation liability at Cerro Bayo and $0.5 million in care and maintenance costs, versus an adjusted net loss of $3.9 million in the second quarter of 2019. Consolidated net loss was $3.0 million for the second quarter of 2020, versus a loss of $9.8 million in the second quarter of 2019.

Mandalay ended the second quarter of 2020 with $20.9 million in cash and cash equivalents.

Second Quarter 2020 Operational Summary

The table below summarizes the Company's capital expenditures and operational unit costs for the three months and six months ended June 30, 2020 and 2019:

		Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
		$'000	$'000	$'000	$'000
Björkdal					
	Gold produced (oz)	11,250	14,243	22,000	28,628
	Cash cost (1) per oz gold produced ($)	1,078	818	1,065	870
	All-in sustaining cost (1) per oz gold produced ($)	1,500	1,168	1,490	1,138
	Capital development	2,268	2,110	4,479	3,838
	Property, plant and equipment purchases	2,452	2,842	4,779	3,788
	Capitalized exploration	338	189	984	294
Costerfield					
	Gold produced (oz)	10,353	3,301	20,973	7,406
	Antimony produced (t)	946	371	2,054	946
	Gold equivalent produced (oz)	13,502	5,257	28,429	12,812
	Cash cost (1) per oz gold eq. produced ($)	662	1,541	604	1,270
	All-in sustaining cost (1) per oz gold eq. produced ($)	1,025	2,441	935	1,996
	Capital development	3,481	3,314	6,677	6,455
	Property, plant and equipment purchases	716	1,312	1,497	2,552
	Capitalized exploration	1,335	459	2,067	529
Consolidated					
	Gold equivalent produced (oz)	24,752	19,500	50,429	41,440
	Cash cost* per oz gold eq. produced ($)	904	1,130	867	1,100
	All-in sustaining cost (1) per oz gold eq. produced ($)	1,298	1,632	1,244	1,513
	Capital development	5,749	5,424	11,156	10,293
	Property, plant and equipment purchases	3,168	4,154	6,276	6,340
	Capitalized exploration (2)	1,649	660	3,171	1,017

[1]Cash cost and all-in sustaining cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.
[2]Includes capitalized exploration relating to other non-core assets.

Björkdal gold mine, Skellefteå, Sweden

Björkdal produced 11,250 ounces of gold in the second quarter of 2020 with cash and all-in sustaining cost of $1,078/oz and $1,500/oz, respectively, compared to cash and all-in sustaining costs of $818/oz and $1,168/oz, respectively, in the second quarter of 2019.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 10,353 ounces of gold and 946 tonnes of antimony for 13,502 gold equivalent ounces in the second quarter of 2020. Due to the higher gold equivalent ounces produced, cash and all-in sustaining costs at Costerfield decreased to $662/oz and $1,025/oz, respectively, compared to cash and all-in sustaining costs of $1,541/oz and $2,441/oz, respectively, in the second quarter of 2019.

Cerro Bayo silver-gold mine, Patagonia, Chile

In second quarter of 2020, the Company spent $0.5 million on care and maintenance expenses at Cerro Bayo compared to $0.8 million in the second quarter of 2019. Cerro Bayo is currently subject to a binding option agreement between the Company and Equus Mining ("Equus") pursuant to which Equus has an option to acquire Cerro Bayo. For further information see the Company's October 8, 2019 press release.

Lupin, Nunavut, Canada

Care and maintenance spending at Lupin was less than $0.1 million during the second quarter of 2020, which was the same in the second quarter of 2019. Reclamation spending at Lupin was $5.1 million during the second quarter of 2020 as compared to $0.2 million in the second quarter of 2019. In January, Lupin Mines Incorporated concluded its Public Hearing process for the Final Closure and Reclamation Plan ("FCRP") and this FCRP was subsequently approved on February 28, 2020.

Challacollo, Chile

No key developments occurred during the second quarter of 2020. For further information regarding the definitive agreement signed with Aftermath Silver for the sale of Challacollo, see the Company's November 12, 2019 press release.

La Quebrada, Chile

The La Quebrada copper-silver project in Chile remained held for sale throughout the period.

COVID-19

The coronavirus ("COVID-19") pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary. More details are included in the press release dated March 20, 2020.

The Company currently expects this strong operating performance seen in the second quarter to continue, however, the COVID-19 pandemic creates uncertainties. At this time, the Company is maintaining its existing 2020 production guidance but will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, if necessary.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on August 13, 2020 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:	13708185

A replay of the conference call will be available until 11:59 PM (Toronto time), August 27, 2020 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13708185

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, 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 Company's anticipated performance over the balance of 2020 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 30, 2020, 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.

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 and all-in sustaining cost 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. The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their nature and, in some cases, expected infrequency of the events giving rise to them. A reconciliation between adjusted EBITDA and adjusted net income, on the one hand, and consolidated net income, on the other hand, is included in the MD&A.

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 sustaining costs include total cash operating costs, sustaining mining capital, royalty expense, accretion and depletion. Sustaining capital reflects the capital required to maintain each site's current level of operations. The sites the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

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. Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense, accretion and depletion. Sustaining capital reflects the capital required to maintain each site's current level of operations. The sites the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

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. All-in sustaining cost per saleable ounce gold equivalent in the period equals the sum of cash costs associated with the production of gold equivalent ounces at all operating sites in the period plus corporate overhead expense in the period plus sustaining mining capital, royalty expense, accretion, depletion, depreciation and amortization, divided by the total saleable gold equivalent ounces produced in the period. A reconciliation between cost of sales and cash costs, and also cash cost to all-in sustaining costs are included in the MD&A.