



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION PROVIDES UPDATE ON FLOODING AT ITS CERRO BAYO OPERATION

TORONTO, ON, June 20, 2017 — Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX:MND) is providing an update and further information on the flooding at the Cerro Bayo operation that was originally announced on June 9, 2017, and updated on June 14, 2017.

On June 9, 2017, between 3:00 a.m. and 4:00 a.m. local time, a catastrophic inundation event occurred in the Delia NW mine, one of three producing mines at the operation. The Delia NW vein in the area of the event is situated approximately 100 metres landward from the original shore of Laguna Verde. The subsidence of the original lake shore created a new bay on the lake that measures approximately 100 metres by 100 metres.

Immediately following the inundation, underground and surface operations at the mine were curtailed in a safe, orderly way and they remain curtailed. On June 16, the Government of Chile declared a "State of Constitutional Exception" for the commune of Chile Chico (in which Cerro Bayo is located), which allows the government to control the site and coordinate the search efforts described below. Mandalay supports and respects the State of Constitutional Exception as it assists in ensuring the safety of the site as well as the search efforts.

Two miners remain missing in the Delia NW mine, Jorge Sanchez and Enrique Ojeda. Efforts to search for them to date include:

- Pumping from the flooded ramp and escapeway. This has not achieved any water level reduction due to hydraulic conductivity with the lake.
- Drilling multiple holes to the bottom level of the mine, approximately 200 metres below the surface.
- Two of these holes intersected the target mine workings on Saturday, June 17, finding them to contain water and mud, but no trapped air.
- Two more holes are being drilled to intersect the area of the mine with the closest rescue chamber to where the miners were working. These holes are expected to reach target on Wednesday morning, June 21. However, the rescue chambers are designed to protect against contaminated air and not the significant amount of water pressure that Mandalay now believes is present in the area.
- In addition, construction of a berm began with the aim of isolating the new bay of the lake from the main volume of the lake and perhaps enable pumping of water out of the mine. Construction of this berm was halted for safety reasons.
- Military expert divers and submarine drones from the Chilean government have explored down the flooded ramp and in the new bay. Limited visibility in the muddy water prevented useful information from being obtained.

Mandalay has been receiving abundant resources and support from various levels of Chilean government, including the military, the police, Sernageomin and the Minister of Mines. In addition, local mining companies, drilling companies, and contractors have been engaged in the search efforts.

With respect to the possible impacts of this event on Cerro Bayo operations, Mandalay notes that:

- Approximately 12,000 tonnes of ore remained on the bottom of the level at the time of the event, or approximately 12 days of mill throughput at the current 1,000 tonnes per day rate. Therefore, the immediate impact on reserves and ultimate total production at the property is expected to be small.
- The remaining two producing mines at the current time are Coyita and Delia SE, both located close to and under Laguna Verde. These mines are planned to supply a significant portion of the remaining life of mine plan and are entirely unflooded and intact. The Company confirms that the reopening of any mine at Cerro Bayo is dependent on the results of detailed investigations into the root causes of the Delia NW event, resulting risk analysis of the possibility of reopening and government permits to reopen. This work is likely to take several months.
- The Marcela and the Raul mines, both mined in the past by a previous owner and in the process of permitting at this time for future restart, are the two other mines contained in the current Life of Mine plan. These are located far from the lake, and are isolated from inundation risk. These mines will not be operated until the investigation and risk analysis is completed for the Life of Mine plan as a whole.

Once the intensive search phase is completed, Mandalay will begin consultations with its unions and government on the future of the mine.

Dr. Mark Sander, President and Chief Executive Officer of Mandalay, commented "Our thoughts and prayers are with Jorge's and Enrique's families, friends and co-workers. We are continuing to do everything possible to locate them. The Company is extremely grateful to all our employees, contractors, suppliers, Ministry of Mining, Armed Forces, Government of Aysén, Sernageomin, Firemen of Chile Chico, among other active participants, for all their effort, solidarity and support."

For Further Information:

Mark Sander
President and Chief Executive Officer

Greg DiTomaso
Director of Investor Relations

Contact:
+1.647.260.1566

About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Chile, and Sweden, and a development project 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.

Forward-Looking Statements:

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including statements regarding the Company's production of gold, silver and antimony for the 2017 fiscal year. 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 31, 2017, 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.