



Mandalay Resources Corporation Announces First Quarter Financial Results for 2018

TORONTO, ON, May 9, 2018 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of \$39.7 million, adjusted EBITDA of \$12.1 million and consolidated net loss of \$1.2 million or \$0.00 loss per share, for the first quarter of 2018.

The Company's condensed and consolidated interim financial results for the quarter ended March 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.

Dr. Mark Sander, President and CEO of Mandalay, commenting on the first quarter 2018 financial results, noted, "During the first quarter of 2018, Mandalay generated a net cash inflow of \$6.5 million. This compares with a net cash outflow of \$8.1 million in the first quarter of 2017. The inflow is due mostly to customer payments arising from sale of the record fourth quarter 2017 production at Björkdal. Mandalay grew its cash balance by 38% quarter-over-quarter, increasing it from \$16.9 million at the end of 2017 to \$23.4 million on March 31, 2018. This first quarter growth in cash is consistent with our expectation that Mandalay will return to positive cash flow in 2018."

"The Company generated 6% greater adjusted EBITDA in the first quarter of 2018 than in the year ago period, despite a decline of 12% in revenue. Lower revenue was more than offset by reduction in cost of sales by a proportionately greater 19% as compared to the first quarter of 2017. This was mainly a result of relatively high-cost Cerro Bayo being removed from the production mix after the June production suspension."

Dr. Sander continued, "The first quarter of 2018 was distinguished by record quarterly revenue at Björkdal under Mandalay ownership, resulting from sales of the record fourth quarter 2017 production. We are pleased that the grade control program continues to function well, that the sustained metallurgical performance of the plant continues, and that the debottlenecking carried out during 2017 in the open pit and underground mines keeps performing as planned. As all of these operational improvements have taken hold, we expect continued strong performance from Björkdal into the remainder of 2018. In the coming months, we plan to introduce new loading and haulage contractors to the open pit and underground mine in a campaign to improve safety, control costs, and bring new capacity to bear on our goal of increasing the mining rate of highest-grade A-quality ore."

Dr. Sander concluded, "Costerfield continued to deliver dependable performance in the first quarter of 2018, producing 10,456 gold equivalent ounces at a cash cost of \$869 per ounce. We expect continued performance at these levels for the upcoming year as development of the new Brunswick lode is completed and production transitions from Cuffley to Brunswick. We believe the emerging, high-grade Youle vein discovery close to Brunswick holds the potential for adding

significant Mineral Reserves by year-end 2018, which could support a low-cost mine life extension. We continue drilling with three rigs on Youle.”

First Quarter 2018 Financial Highlights

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

	Three months Ended March 31, 2018	Three months Ended December 31, 2017	Three months Ended March 31, 2017
	\$'000	\$'000	\$'000
Revenue	39,747	38,093	45,373
Cost of Sales	25,820	22,690	31,988
Adjusted EBITDA*	12,134	14,405	11,413
Income from mine ops before depreciation, depletion	13,927	15,403	13,385
Adjusted net income (loss) before special items*	939	839	(2,349)
Consolidated net loss	(1,237)	(23,073)	(2,349)
Cash capex	11,310	12,485	12,092
Total assets	299,078	305,061	349,790
Total liabilities	134,418	139,522	147,046
Adjusted net income (loss) per share*	\$0.00	\$0.00	\$(0.01)
Consolidated net loss per share	\$(0.00)	\$(0.05)	\$(0.01)

* Adjusted EBITDA, adjusted net income (loss) before special items and adjusted net income (loss) per share are non-IFRS measures. See “Non-IFRS Measures” at the end of this press release.

In the first quarter of 2018, Mandalay sold 16% fewer ounces of gold equivalent than in the first quarter of 2017. The breakthrough performance quarter at Björkdal significantly offset the absence of production from Cerro Bayo. At the same time, average gold and antimony prices rose 9% and 5% quarter-over-quarter respectively. The net effect is that Mandalay’s revenue of \$39.7 million in the first quarter of 2018 was \$5.6 million lower than in the first quarter of 2017.

Relative to the first quarter of 2017, total cost of sales decreased by \$0.7 million at Costerfield and increased at Björkdal by \$3.1 million. The production suspension at Cerro Bayo meant that its cost of sales were nil, an \$8.7 million decrease from the first quarter of 2017 when the mine was still operating. Consolidated administrative costs across the Company decreased by \$0.2 million.

Mandalay generated \$12.1 million in adjusted EBITDA in the current quarter, \$2.3 million lower than in the previous quarter, and \$0.7 million higher than the first quarter of 2017. This led to a consolidated net loss of \$1.2 million in the first quarter of 2018 versus a loss of \$2.3 million in the first quarter of 2017.

Mandalay ended the first quarter with \$23.4 million in cash and cash equivalents. The Company has drawn \$15 million on the total \$40 million revolving credit facility.

First Quarter 2018 Operational Highlights

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

		Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended March 31, 2017
		\$'000	\$'000	\$'000
Björkdal				
	Gold produced (oz)	12,716	22,035	10,648
	Cash cost* per oz gold produced	\$1,094	\$617	\$1,150
	All-in cost* per oz gold produced	\$1,387	\$848	\$1,431
	Underground capital devel. & open pit prestrip	2,934	4,502	2,923
	Capital purchases	2,975	3,902	1,764
	Capital exploration	305	140	411
Costerfield				
	Gold produced (oz)	6,587	7,222	7,987
	Antimony produced (t)	605	805	741
	Gold equivalent produced (oz)	10,456	12,360	12,891
	Cash cost* per oz gold equivalent produced	\$869	\$707	\$719
	All-in cost* per oz gold equivalent produced	\$1,326	\$902	\$1,033
	Underground capital devel. & open pit prestrip	2,116	553	777
	Capital purchases	1,634	954	1,024
	Capital exploration	1,070	787	988
Consolidated				
	Gold equivalent produced (oz)	23,172	34,395	32,481
	Average cash cost* per oz gold equivalent	\$1,060	\$680	\$987
	Average all-in cost* per oz gold equivalent	\$1,463	\$945	\$1,326
	Underground capital devel. & open pit prestrip	5,050	5,055	7,175
	Capital purchases	4,609	5,651	3,317
	Capital exploration	1,651	1,778	2,191

*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

In the first quarter of 2018, Björkdal produced 12,716 ounces of gold at cash and all-in costs of \$1,094 per ounce and \$1,387 per ounce, respectively. Production was lower and unit costs higher than in the record fourth quarter of 2017 due to abnormally harsh winter operating conditions and to the absence of a positive grade reconciliation similar to that in the fourth quarter. However, fundamental improvements due to continued grade control discipline as well as improved mining

rates of high-grade ore as can be seen in the comparison of current quarter production and costs against the year-ago quarter. Mill head grade averaged approximately 1.55 g/t for the current quarter, much higher than the 1.20 g/t in the year-ago quarter. Metallurgical recovery was approximately 1.4% higher in the 2018 quarter due to the successful commissioning of the flotation expansion project.

In the first quarter of 2018, Björkdal sold the gold inventory accumulated in the production quarter ending December 31, 2017, delivering its highest quarterly revenue since being acquired by Mandalay in 2014. Consequently, adjusted EBITDA and cash flow were strong.

Going forward in 2018, Mandalay plans to replace the loading and haulage contractors in the open pit and underground mines in order to improve safety, manage costs, and provide higher capacity to support increased mining rates.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield continued dependable performance, in which well-controlled costs and a consistently full plant delivered on-budget production. Costerfield's production of 10,456 ounces gold equivalent in the first quarter of 2018 was less than in the fourth quarter of 2017 due to expected lower grades, primarily of antimony.

Capital development to the new Brunswick lode is expected to reach the vein in the second quarter of 2018 with the first production stopes being initiated in the third quarter.

Mandalay continues drilling with three core rigs on the emerging Youle vein discovery. Multiple high-grade intercepts outline a mineralized shoot of potentially significant volume which the Company believes holds the potential for a significant addition to Mineral Reserves by the end of the year and a resultant extension of mine life.

Cerro Bayo silver-gold mine, Patagonia, Chile

Cerro Bayo remains on care and maintenance. As of the end of March 31, 2018, the focus remains on keeping the infrastructure in good, operable condition. Any restart will be contingent on the receipt of all permits necessary for the life of mine plan.

Challacollo, Chile

Mandalay completed its water exploration program at Challacollo in the second quarter of 2017, finding sufficient supply of groundwater to support a potential operation. The Company continues to pursue both the achievement of receiving water rights associated with this new source and the environmental permit for exploration drilling to enlarge the Mineral Resource.

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 first quarter of 2018.

Lupin and Ulu

- Ulu Option Agreement: In April 2018, Mandalay received the sum of \$311,000 from WPC Resources in satisfaction of the terms of the option agreement subject to which WPC has the right to acquire the Ulu gold exploration property in Nunavut, Canada.
- Lupin Reclamation Deposit: On April 18, 2018, the Nunavut Water Board reached a decision to reduce the required Letter of Credit to cover estimated final Lupin reclamation costs by \$4.157 million. Subject to approval by the Minister of Indigenous and Northern Affairs, Mandalay expects to reduce its line of credit and have the cash returned in the second quarter of 2018.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on May 10, 2018 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:	13679730

A replay of the conference call will be available until 11:59 pm (Toronto time), May 24, 2018 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13679730

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 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 guidance as to anticipated gold, silver, and antimony production and production costs in the future and the potential for a restart of operations at the Company's Cerro Bayo mine. 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 in its short form base shelf prospectus dated February 12, 2018, copies of which are available under Mandalay's profile at www.sedar.com. 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.

The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. This term does not have a standard meaning and is intended to provide the reader with additional information.

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.