



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION ANNOUNCES 2018 MINERAL RESOURCES AND RESERVES UPDATE FOR ITS COSTERFIELD OPERATION, INCLUDING MAIDEN RESOURCES AND RESERVES ESTIMATE FOR THE YOULE LODGE

TORONTO, ON, January 8, 2019 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) today announced its year-end 2018 Mineral Resources and Reserves estimation for its Costerfield gold-antimony mine in Victoria, Australia which includes the addition of the high-grade Youle lode.

Net of depletion from production during the first eleven months of 2018, Proven and Probable Mineral Reserves for contained gold ("Au") increased by 26% versus the year prior, while contained antimony ("Sb") decreased by 10% in the same period. In the Measured and Indicated Resource category, contained gold increased by approximately 34%, and contained antimony increased by 13%. The Company's gold reserve grade increased by 46%.

Details of the Mineral Resources and Reserves estimate at Costerfield are included in the notes below each table. The estimate was prepared by SRK Consulting (Australasia) Pty Ltd. ("SRK"). The year-end 2018 estimate of Mineral Resources and Reserves for Costerfield will be fully documented in a technical report prepared in accordance with National Instrument 43-101 ("NI 43-101") to be filed on www.sedar.com and the Mandalay website www.mandalayresources.com within 45 days of this press release. All dollar amounts in this press release are in U.S. dollars unless otherwise noted.

Dominic Duffy, President and CEO of Mandalay, commented, "We are pleased to have added to the Reserves and Resources at Costerfield. Our exploration efforts in 2018 more than replaced depletion from production last year, boosted the reserve grade, and extended the mine life, while building a pipeline of Mineral Resources that we will be working to convert to Mineral Reserves in 2019. Most importantly, our exploration in 2018 resulted in the inclusion of the high-grade Youle lode to Mineral Reserves. At Youle, we added 94,282 ounces of gold and 7,042 tonnes of antimony to our Mineral Reserves, at grades of 11.2 g/t Au and 2.7% Sb, respectively. We also added (inclusive of Mineral Reserves) 130,000 ounces of gold and 9,700 tonnes of antimony to our Measured and Indicated Mineral Resources at grades of 22.1 g/t Au and 5.2% Sb, respectively."

Mr. Duffy continued, "The Youle deposit has significant potential for Mandalay in the coming years due to its high grades, as the Costerfield operation's performance is largely grade-driven. We envision bringing Youle into production by year-end 2019. We began developing toward Youle from the Brunswick lode workings in the second quarter of 2018 and are on track to reach the lode toward the end of the second quarter of 2019. We expect to initiate on-vein development following dewatering of the vein, which is expected to take several months."

Mr. Duffy concluded, "We are excited to be working toward production from Youle. The discovery of the high-grade Youle deposit has revitalized the Costerfield asset and has also greatly strengthened our knowledge of the district's geology and mineral endowment. The Company expects to add further Mineral Reserves over the course of 2019 as drilling continues to infill and extend to the newly established Youle Mineral Resources. We will also continue to follow up on a high-potential inventory of exploration targets peripheral to Youle. Looking ahead, we will be using this new technical report and the substantial geological understanding gained from 2018 exploration as the basis for our three-year guidance which the Company expects to release later this month."

Table 1: Mineral Resources at Costerfield, Inclusive of Mineral Reserves as of December 1, 2018 and December 31, 2017

2018					
	Tonnes (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
Measured	245	8.5	4.0	67	9.8
Indicated	1,073	8.2	2.9	283	31.0
Measured + Indicated	1,319	8.3	3.1	351	40.8
Inferred	497	8.0	1.9	128	9.5
2017					
	Tonnes (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
Measured	290	9.2	4.2	86	12.1
Indicated	971	5.7	2.5	177	23.9
Measured + Indicated	1,261	6.5	2.9	262	36.0
Inferred	379	6.6	1.1	80	4.0

Notes:

1. Mineral Resources estimated as of December 1, 2018 and depleted for production through November 30, 2018.
2. Mineral Resources stated according to CIM guidelines and include Mineral Reserves.
3. Tonnes are rounded to the nearest thousand; contained gold (oz) Rounded to the nearest thousand and contained antimony (t) rounded to the nearest hundred.
4. Totals may appear different from the sum of their components due to rounding.
5. A 3.5 g/t gold equivalent (AuEq) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq is calculated at a gold price of \$1,400/oz, antimony price of \$10,000/t.
6. The Gold equivalent value (AuEq) is calculated using the formula: $AuEq = Au \text{ g/t} + 1.67 * Sb \%$.
7. Geological modelling and sample compositing was performed by Mandalay Resources. The models were independently verified by Danny Kentwell FAusIMM, a full-time employee of SRK Consulting.
8. The Mineral Resource estimation was performed by Mandalay Resources. The resource models were verified by Danny Kentwell FAusIMM, a full-time employee of SRK Consulting. Danny Kentwell is the qualified person under NI 43-101, and is the Competent Person for the Resource.

From the Mineral Resource, a mine plan was designed based only on Measured and Indicated Resource blocks using, predominantly, the cemented rock fill blast hole stoping method. A cut-off grade of 4.0 g/t AuEq and minimum stoping width of 1.2 m were used, with planned and unplanned dilution at zero grade. Gold equivalent ("AuEq") grade (using \$1,200/oz Au and \$8,500/t Sb), for the mine plan is calculated using the formula $AuEq = Au + (Sb \times 1.68)$ where Sb is in % and Au is in grams per tonne.

Table 2: Mineral Reserves at Costerfield as of December 1, 2018 and December 31, 2017

2018					
	Tonnes (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
Proven	76	8.4	4.0	20	3.1
Probable	461	9.0	2.7	134	12.5
Proven + Probable	537	8.9	2.9	154	15.5
2017					
	Tonnes (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
Proven	152	7.3	3.5	36	5.3
Probable	470	5.7	2.5	86	12.0
Proven + Probable	622	6.1	2.8	122	17.2

Notes:

1. Mineral Reserve estimated as of December 1, 2018, and depleted for production through to November 30, 2018.
2. Tonnes are rounded to the nearest thousand; contained gold (oz) rounded to the nearest thousand and contained antimony (t) rounded to the nearest hundred.
3. Totals are subject to rounding.
4. Lodes have been diluted to a minimum mining width of 1.2 m for stoping and 1.8 m for ore development.
5. A 4.0 g/t gold equivalent (AuEq) cut-off grade is applied.
6. Commodity prices applied are; gold price of \$1,200/oz, antimony price of \$8,500/t and exchange rate USD:AUD of 0.71.
7. The gold equivalent value (AuEq) is calculated using the formula: $AuEq = Au\ g/t + 1.68 * Sb\ \%$.
8. The Mineral Reserve is a subset of a Measured and Indicated only Schedule, of a Life of Mine Plan that includes mining of Measured, Indicated and Inferred Resources.
9. The Mineral Reserve estimate was prepared by Steven Taylor BTech (Mining Engineering) MAusIMM, and Chris Lynch BEng (Mining) MAusIMM who are full time employees of Mandalay Resources and was independently verified by Anne-Marie Ebbels, MAusIMM, CP (Mining) who is a full-time employee of SRK Consulting who is a qualified person under NI 43-101.

The net increase of 32,000 ounces of gold in Proven and Probable Reserves for 2018 relative to 2017 consists of a total of 23,000 ounces of gold depleted from the 2017 Reserves, which has been positively offset by the addition of 55,000 ounces of gold added by resource conversion and mining re-evaluation. The 1,700 tonnes of antimony net decrease in Proven and Probable Reserves consists of 3,100 tonnes of antimony depleted from the 2017 Reserves, with 1,400 tonnes of antimony added by resource conversion and mining re-evaluation.

The majority of the increase in gold ounces has been through the inclusion of the Youle deposit into the mine plan.

Updated Mineral Resources and Reserves and the Addition of the Youle Lode

During the first 11 months of 2018, Mandalay drilled a total of 33.8 km of diamond core at a cost of approximately \$4.7 million. Of this, 25.5 km of diamond drill core was dedicated to testing, bounding and infill drilling the Youle deposit. 5 km of diamond drill core was dedicated to testing extensions and infilling near mine targets on the Brunswick line of lode. The remaining 3.3 km of core was obtained through testing of brownfields targets which were not used to inform the Resource Estimate this year. In addition, the Company completed 2,098 m of on-vein development with sampling, on the Brunswick, Cuffley, and Augusta lodes.

Drill core was logged and sampled by Costerfield geologists, who also performed mine sampling. All samples were sent to Onsite Laboratories 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, duplicates and blanks with drill and face samples submitted for assay. Standard reference materials have been certified by Geostats Pty Ltd.

A two-dimensional modelling method was undertaken for all models with the exception of Brunswick where a conventional three-dimensional method was used. For two-dimensional models, core and mine sampling data were entered into the Datamine software and composited to true vein width. Gold accumulation, antimony accumulation and true vein width were estimated into a two-dimensional block model for each lode using ordinary kriging and inverse distance where the density of data was insufficient for ordinary kriging. Gold and antimony vein grades were back-calculated using estimated accumulated data and true vein width. Brunswick core sampling data was composited to 1 m. Gold and antimony grades were estimated into a three-dimensional model, constrained by modelled vein contacts, using ordinary kriging.

Where vein true widths are less than 1.2 m, vein grades were diluted to a minimum mining width of 1.2 m using dilution grades of zero g/t gold and zero percent antimony. Grades where vein true widths are greater than 1.2 m were not diluted. Mineral Resources were estimated at a cut-off grade of 3.5 g/t gold equivalent ("AuEq") grade (using \$1,400/oz Au and \$10,000/t Sb), AuEq is calculated using the formula $AuEq = Au + (Sb \times 1.67)$ where antimony is in % and gold is in grams per tonne based on 1.2 m diluted grades.

The majority of the increase in gold ounces in the Company's Mineral Reserves and Resources update for Costerfield has been through the inclusion of the Youle deposit into the Costerfield mine plan. The Company plans to continue infill drilling at Youle in 2019 with the goal of increasing Mineral Reserves and Resources and converting existing Resources to Reserves. The maiden Resource and Reserve estimate for Youle is found in the tables below:

Table 3: Mineral Resources at Youle (Costerfield), Inclusive of Mineral Reserves, as of December 1, 2018

Category	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Contained Au (koz)	Contained Sb (kt)
Measured	-	-	-	-	-
Indicated	185	22.1	5.2	131	9.7
Measured + Indicated	185	22.1	5.2	131	9.7
Inferred	83	17.0	4.6	45	3.9

Please refer to Table 1 notes.

Table 4: Mineral Reserves at Youle (Costerfield), as of December 1, 2018

Category	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Contained Au (koz)	Contained Sb (kt)
Proven	-	-	-	-	-
Probable	263	11.2	2.7	94	7.0
Proven + Probable	263	11.2	2.7	94	7.0

Please refer to Table 2 notes.

Qualified Persons:

All Qualified Persons listed below have read and approved the contents of this news release as it pertains to the Mineral Resources and Mineral Reserves estimate disclosed in this news release.

The Mineral Resource Estimate was carried out under the supervision of Danny Kentwell, FAusIMM, an employee of SRK Consulting and independent of Mandalay Resources Corporation. He is a Qualified Person for the purpose of NI 43-101. The Mineral Reserve estimate was prepared by Steven Taylor BTEch (Mining Engineering) MAusIMM, and Chris Lynch BEng (Mining) MAusIMM who are full-time employees of Mandalay Resources and was independently verified by Anne-Marie Ebbels, MAusIMM, CP (Mining) who is a full-time employee of SRK Consulting and a qualified person under NI 43-101.

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 statements regarding the exploration potential of the Costerfield gold-antimony mine and development potential of the Youle deposit (Costerfield). 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, 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.