



Mandalay Resources Corporation Announces Production and Sales Results for the Third Quarter of 2016

TORONTO, ON, October 12, 2016 — Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) announced today its production and sales results for the third quarter of 2016.

In the third quarter of 2016, Mandalay produced a consolidated 34,586 saleable ounces of gold equivalent and sold 35,617 ounces of gold equivalent.

Mark Sander, President and Chief Executive Officer of Mandalay, commented, "Mandalay's consolidated saleable gold production for the third quarter of 2016 at 24,309 ounces was slightly less than the amount for the same quarter last year at 25,996 ounces. Year-to-date, total gold production of 81,981 ounces is slightly more than the 2015 total of 80,154 ounces.

"Similarly, for antimony, saleable production of 844 tonnes during the third quarter of 2016 was slightly less than the previous year period of 964 tonnes, while the 2016 year-to-date total of 2,806 tonnes is slightly greater than the year-ago period of 2,775 tonnes.

"However, saleable silver production for the third quarter of 2016, at 388,139 ounces, and for the year to date at 1,365,817 ounces, was significantly less than the 2015 volumes of 632,498 ounces and 1,820,741, respectively."

Dr. Sander continued, "The good results year-to-date for gold and antimony are due to consistently strong performance at both Costerfield and Björkdal. Costerfield continued its solid performance in both the third quarter and year-to-date, having produced slightly more of both metals year-to-date than in the previous year. This is due to the continuing good developed state of the mine delivering similar amounts of high-grade material to the fully-utilized plant quarter after quarter.

"Björkdal produced 12,376 ounces of saleable gold in the current quarter, the second-best production quarter ever under Mandalay ownership and only slightly below production during the record second quarter of 2016. For 2016 year-to-date, Björkdal saleable production of 37,209 ounces is almost 4,000 ounces more than year-to-date production in the previous year. This performance is yet more evidence that our grade control program continues to improve, even in the Swedish summer months with typically high proportions of the workforce on vacation. Also in the quarter, we made significant progress on metallurgical projects that will allow us to recover more gold each quarter from mined ore. The Board of Directors has approved a flotation expansion project for the plant, which upon completion in mid-to-late 2017, is expected to improve overall gold recovery by approximately 1.7%. In addition, our 60,000+ tonne commercial-scale test of optical ore sorting was completed with favorable results. It suggests we can improve the grade of

sorted material with gold grades below approximately 1 gram per tonne by about 50% on average while retaining approximately 90% of the total contained gold of the original feed material. Engineering is in progress for optimizing the permanent installation.”

Dr. Sander concluded, “The fatality incurred at Cerro Bayo on September 10 (see Mandalay’s September 11, 2016, press release) severely impacted third quarter production at the operation. All operations were suspended through September 19, 2016 (see Mandalay’s September 19, 2016 press release), when production in the Delia NW and Delia SE mines, as well as processing, resumed. Mining in Coyita, where the incident occurred, resumed on October 8, 2016. The resulting 388,139 saleable ounces of silver production and 2,831 saleable ounces of gold production for the third quarter were significantly lower than the year-ago amounts and our 2016 plan. Year-to-date production totals at Cerro Bayo were also significantly below last year and our 2016 plan. Our previous expectations that the developed state at Cerro Bayo would begin to recover in the fourth quarter have been delayed into the first quarter of 2017.

“With Cerro Bayo restarting operations, we expect to issue updated Company guidance for full-year 2016 production, together with our guidance for 2017, when we announce our third quarter financial results after market close on November 2, 2016.”

Saleable production for the three months ended September 30, 2016:

- The Company produced a total of 24,309 ounces gold, 844 tonnes antimony and 388,139 ounces silver, representing a total of 34,586 ounces of gold equivalent production, versus 25,996 ounces gold, 964 tonnes of antimony and 632,498 ounces silver, representing a total of 40,293 ounces of gold equivalent in the third quarter of 2015.
- Production at Costerfield (Australia) was 9,102 ounces gold and 844 tonnes antimony, versus 10,930 ounces gold and 964 tonnes antimony in the third quarter of 2015.
- Production at Cerro Bayo (Chile) was 2,831 ounces gold and 388,139 ounces silver, versus 5,305 ounces gold and 632,498 ounces silver in the third quarter of 2015.
- Production at Björkdal (Sweden) was 12,376 ounces gold as compared to 9,761 ounces gold in the third quarter of 2015.

Saleable production for the nine months ended September 30, 2016:

- The Company produced a total of 81,981 ounces gold, 2,806 tonnes antimony and 1,365,817 ounces silver, representing a total of 114,204 ounces of gold equivalent production, versus 80,154 ounces gold, 2,775 tonnes antimony and 1,820,741 ounces silver, representing a total of 123,286 ounces of gold equivalent in the third quarter of 2015.
- Production at Costerfield was 33,787 ounces gold and 2,806 tonnes antimony, greater volumes of gold and antimony than in the corresponding nine months of 2015.
- Production at Cerro Bayo was 10,985 ounces gold and 1,365,817 ounces silver, lower volumes of both gold and silver than the prior period.

- Production at Björkdal was 37,209 ounces gold, higher than the prior period.

Table 1 – Third Quarter and Nine Months Saleable Production for 2016 and 2015

Metal	Source	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Gold (oz)	Costerfield	9,102	10,930	33,787	30,909
	Cerro Bayo	2,831	5,305	10,985	15,671
	Björkdal	12,376	9,761	37,209	33,574
	Total	24,309	25,996	81,981	80,154
Antimony (t)	Costerfield	844	964	2,806	2,775
Silver (oz)	Cerro Bayo	388,139	632,498	1,365,817	1,820,741
Average quarterly prices:					
Gold US\$/oz		1,334	1,125		
Antimony US\$/t		7,244	6,894		
Silver US\$/oz		19.58	14.93		
Au Eq. (oz) ¹	Costerfield	13,684	16,835	47,673	49,340
	Cerro Bayo	8,526	13,697	29,322	40,372
	Björkdal	12,376	9,761	37,209	33,574
	Total	34,586	40,293	114,204	123,286

¹ Quarterly gold equivalent ounces ("Au Eq. oz") produced is calculated by multiplying the saleable quantities of gold ("Au"), silver ("Ag"), and antimony ("Sb") in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of Au in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken of the last business day; average Sb price in the period is calculated as the average of the daily average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average Ag price in the period is calculated as the average of the daily London Broker's silver spot price for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Sales for the three months ended September 30, 2016:

- The Company sold 24,888 ounces gold, 804 tonnes antimony, and 433,904 ounces silver, representing a total of 35,617 ounces of gold equivalent.
- Costerfield sold 8,865 ounces gold and 804 tonnes antimony.
- Cerro Bayo sold 3,265 ounces gold and 433,904 ounces silver.
- Björkdal sold 12,758 ounces gold.

Sales for the nine months ended September 30, 2016:

- The Company sold 84,022 ounces gold, 2,690 tonnes antimony, and 1,476,518 ounces silver, representing a total of 117,165 ounces of gold equivalent.
- Costerfield sold 32,121 ounces gold and 2,690 tonnes antimony.
- Cerro Bayo sold 12,993 ounces gold and 1,476,518 ounces silver.
- Björkdal sold 38,908 ounces gold.

Table 2 – Third Quarter and Nine Months Sales for 2016 and 2015

Metal	Source	Three months ended 30 September 2016	Three months ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Gold (oz)	Costerfield	8,865	9,758	32,121	29,284
	Cerro Bayo	3,265	5,819	12,993	18,635
	Björkdal	12,758	9,815	38,908	33,438
	Total	24,888	25,392	84,022	81,357
Antimony (t)	Costerfield	804	916	2,690	2,596
Silver (oz)	Cerro Bayo	433,904	677,152	1,476,518	2,155,652
Average quarterly prices:					
Gold US\$/oz		1,334	1,125		
Antimony US\$/t		7,244	6,894		
Silver US\$/oz		19.58	14.93		
Au Eq. (oz) ¹	Costerfield	13,228	15,369	45,457	46,585
	Cerro Bayo	9,631	14,803	32,800	47,908
	Björkdal	12,758	9,815	38,908	33,438
	Total	35,617	39,987	117,165	127,931

²Quarterly Au Eq. oz sold is calculated by multiplying the saleable quantities of Au, Ag, and Sb in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of Au for the period. The source for all prices is www.metalbulletin.com with price on weekend days and holidays taken of the last business day.

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Sweden and producing and exploration 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 Company's production of gold, silver and antimony for the 2016 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 30, 2016, 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.