



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

TORONTO, ON, July 12, 2016 — Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) announced today its production and sales results for the second quarter of 2016. During the second quarter of 2016, Mandalay produced 39,653 saleable ounces of gold equivalent ("Au Eq. oz") and sold 40,740 Au Eq. oz.

Mark Sander, President and Chief Executive Officer of Mandalay, commented, "Mandalay delivered another strong production and sales quarter, which we expect to lead to strong financial performance when combined with improvements in the prices of all our metals that we have experienced during the quarter. I am particularly pleased that this strong production quarter was achieved without a single lost time injury anywhere in the Company, and our rolling 12-month Lost Time Injury Frequency Rate has declined to a record low since the Company became a producer under the current management team in late 2009. Likewise, the quarter, and indeed the entire first half of the year, is marked Company-wide by zero government reportable environmental incidents or instances of non-compliance with environmental and operating permits. These superb non-financial results demonstrate that mining and metallurgical processes are steadily improving and that our employees and contractors around the world are increasingly making every-day decisions about how they accomplish their daily work that are aligned with our corporate values.

Dr. Sander continued, "Costerfield continued its trend of excellent performance in the second quarter of 2016 by producing 12,252 ounces ("oz") saleable gold ("Au") and 962 tonnes ("t") saleable antimony ("Sb"). We expect Costerfield to produce at or near these levels for the remainder of the year.

"Production at Björkdal in the second quarter of 2016 was 12,648 oz saleable Au, which is a new record for the mine under Mandalay ownership. Since the third quarter of 2015, production has increased in every succeeding quarter as a result of steady improvement in our underground and open pit grade control practices. In addition, early indications from processing optically-sorted material from low-grade stockpiles in our on-site commercial-scale pilot test suggest that we can successfully upgrade the low-grade stockpile material. More details will become available as the test is completed later in the third quarter."

Dr. Sander concluded, "Cerro Bayo production during the quarter was 3,818 oz Au and 462,462 oz silver ("Ag"). We continued developing the new Delia SE and Coyita mines and stoping has begun in both. We have mobilized an underground development contractor to the Coyita mine, where the goal is to accelerate capital development with the objectives of 1) opening up more

working faces faster as the ramp descends in the northwest end of the vein; and 2) tunneling under Laguna Verde to access the high-grade Coyita SE reserves as quickly as possible. These efforts are expected to result in improved production performance in the fourth quarter of this year and on into 2017.”

Mandalay reaffirms its previously stated total Company 2016 production guidance of 165,000 to 180,000 salable Au Eq. oz at an average cash production cost of \$690-\$810 per Au Eq. oz (see press release of November 5, 2015). This reaffirmation includes the impact of overperformance at Costerfield, which is expected to offset underperformance at Cerro Bayo. Au production at Björkdal is expected to perform in line with the original guidance amount.

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

- The Company produced a total of 28,718 oz Au, 962 t Sb and 462,462 oz Ag, representing a total of 39,653 oz Au Eq., versus 26,418 oz Au, 842 t Sb and 597,489 oz Ag, representing a total of 40,717 oz of Au Eq. in the second quarter of 2015.
- Production at Costerfield (Australia) was 12,252 oz Au and 962 t Sb, versus 9,563 oz Au and 842 t Sb in the second quarter of 2015. The overall increase in production was due to higher grades mined and processed than in the previous period.
- Production at Cerro Bayo (Chile) was 3,818 oz Au and 462,462 oz Ag, versus 5,361 oz Au and 597,489 oz Ag in the second quarter of 2015. Lower volumes of Au and Ag were produced than in the second quarter of 2015, mainly due to lower mined grades.
- Production at Björkdal (Sweden) was 12,648 oz Au (a record quarterly total since Mandalay acquired the mine in September 2014) as compared to 11,494 oz Au in the second quarter of 2015.

Saleable production for the six months ended June 30, 2016:

- The Company produced a total of 57,672 oz Au, 1,962 t Sb and 977,678 oz Ag, representing a total of 79,618 oz Au Eq., versus 54,158 oz Au, 1,811 t Sb and 1,188,243 oz Ag, representing a total of 82,993 oz of Au Eq. in the second quarter of 2015.
- Production at Costerfield was 24,685 oz Au and 1,962 t Sb, greater volumes of both Au and Sb than in the corresponding six months of 2015.
- Production at Cerro Bayo was 8,154 oz Au and 977,678 oz Ag, lower volumes of both Au and Ag than in the prior period. Lower production is mainly due to lower grades mined during the transition to, and ramp up of mining in, the new Delia SE and Coyita mines.
- Production at Björkdal was 24,833 oz Au, higher than the prior period due to better grades resulting from Mandalay’s focus on best-practice grade control.

Table 1 – Second Quarter and Six Month Saleable Production for 2016 and 2015

Metal	Source	Three months to 30 June 2016	Three months to 30 June 2015	Six months to 30 June 2016	Six months to 30 June 2015
Gold (oz)	Costerfield	12,252	9,563	24,685	19,979
	Cerro Bayo	3,818	5,361	8,154	10,366
	Björkdal	12,648	11,494	24,833	23,813
	Total	28,718	26,418	57,672	54,158
Antimony (t)	Costerfield	962	842	1,962	1,811
Silver (oz)	Cerro Bayo	462,462	597,489	977,678	1,188,243
Average quarterly prices:					
Gold US\$/oz		1,259	1,192		
Antimony US\$/t		6,244	8,602		
Silver US\$/oz		16.78	16.41		
Au Eq. (oz) ¹	Costerfield	17,023	15,638	33,989	32,505
	Cerro Bayo	9,982	13,585	20,796	26,675
	Björkdal	12,648	11,494	24,833	23,813
	Total	39,653	40,717	79,618	82,993

¹ Quarterly Au Eq. oz produced 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 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 June 30, 2016:

- The Company sold 29,951 oz Au, 993 t Sb, and 439,993 oz Ag, representing a total of 40,740 oz Au Eq.
- Costerfield sold 12,440 oz Au and 993 t Sb.
- Cerro Bayo sold 3,698 oz Au and 439,993 oz Ag.
- Björkdal sold 13,813 oz Au.

Sales for the six months ended June 30, 2016:

- The Company sold 59,134 oz Au, 1,886 t Sb, and 1,042,614 oz Ag, representing a total of 81,548 oz Au Eq.
- Costerfield sold 23,256 oz Au and 1,886 t Sb.
- Cerro Bayo sold 9,728 oz Au and 1,042,614 oz Ag.
- Björkdal sold 26,150 oz Au.

Table 2 – Second Quarter and Six Month Sales for 2016 and 2015

Metal	Source	Three months to 30 June 2016	Three months to 30 June 2015	Six months ended 30 June 2016	Six months ended 30 June 2015
Gold (oz)	Costerfield	12,440	9,703	23,256	19,526
	Cerro Bayo	3,698	5,732	9,728	12,816
	Björkdal	13,813	11,873	26,150	23,623
	Total	29,951	27,308	59,134	55,965
Antimony (t)	Costerfield	993	899	1,886	1,680
Silver (oz)	Cerro Bayo	439,993	685,703	1,042,614	1,478,500
Average quarterly prices:					
Gold US\$/oz		1,259	1,192		
Antimony US\$/t		6,244	8,602		
Silver US\$/oz		16.78	16.41		
Au Eq. (oz) ¹	Costerfield	17,365	16,190	32,229	31,216
	Cerro Bayo	9,562	15,170	23,169	33,105
	Björkdal	13,813	11,873	26,150	23,623
	Total	40,740	43,233	81,548	87,944

¹Quarterly 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.